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

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

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CK Infrastructure Holdings Limited

長江基建集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

**FORMATION OF A JOINT VENTURE IN CONNECTION WITH
THE PROPOSED ACQUISITION OF ALL OF
THE SHARES AND PREFERRED EQUITY CERTIFICATES
IN ISSUE OF THE TARGET**

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



PLATINUM
Securities

A letter from the Board to the Shareholders is set out on pages 8 to 24 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in relation to the Joint Venture Transaction is set out on pages 25 and 26 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction is set out on pages 27 to 52 of this circular.

A notice convening the SGM to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 11 October 2017 at 2:15 p.m. (or, in the event that 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 that day, at the same time and place on Thursday, 12 October 2017) is set out on pages 63 and 64 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM or any adjournment thereof in person, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it at the Company's principal place of business at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

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

20 September 2017

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of all of the Target Shares and the Target PECs in issue from the Seller pursuant to the Sale and Purchase Agreement
“Announcement”	the joint announcement of the Company, CKAH and CKHH dated 27 July 2017 in relation to the Joint Venture Transaction and the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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)
“CKAH”	CK Asset Holdings Limited (formerly known as 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)
“CKAH Group”	CKAH and its subsidiaries
“CKAH Independent Shareholders’ Approval”	the approval of the shareholders of CKAH (excluding any shareholders of CKAH with a material interest in the Joint Venture Transaction) as required under the Listing Rules for authorising the Joint Venture Transaction by the CKAH Group
“Closing”	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Company”	CK Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038)
“connected person”	has the meaning ascribed to such term in the Listing Rules
“Consortium Members”	the Company and CKAH, and “Consortium Member” shall be construed accordingly

DEFINITIONS

“Consortium Midcos”	Midco 1, Midco 2, Midco 3 and Midco 5, and “Consortium Midco” shall be construed accordingly
“Director(s)”	the director(s) of the Company
“Drop Dead Date”	the date falling seven months after the date of the Sale and Purchase Agreement
“DT1”	The Li Ka-Shing Unity Discretionary Trust, of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT1
“DT2”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT2
“DT3”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT3
“DT4”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT4
“Equity Commitment Letter”	the equity commitment letter dated 27 July 2017 which was entered into among CKAH, the Seller and the Purchaser with respect to the commitments to be provided by CKAH
“EUR”	Euro, the lawful currency of the European Union
“Existing Financing Arrangements”	certain outstanding financing arrangements in relation to the Target Group to which the Target and/or a member of the Target Group is a party, including the facilities under the Senior Facilities Agreements and the Notes, as defined under the Sale and Purchase Agreement

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“Facilities Repayment Amount”	the sum of (a) all amounts outstanding under the Existing Financing Arrangements; and (b) any amounts of cash cover required to be provided for any guarantees or letters of credit issued under the Existing Financing Arrangements upon a prepayment resulting from the transactions contemplated under the Sale and Purchase Agreement (including any interests, commitment fees, break or make whole costs or fees, and other fees and costs accruing thereon) as at the Scheduled Closing Date. For the avoidance of doubt, such Facilities Repayment Amount excludes the principal amount and any interests, commitment fees, break or make whole costs or fees, and other fees and costs accruing under the Notes
“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
“Independent Board Committee”	an independent committee of the Board comprising Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Lan Hong Tsung, David, Mr. Barrie Cook and Mr. Paul Joseph Tighe, being independent non-executive Directors of the Company, established for the purpose of giving recommendation to the Independent Shareholders in relation to the Joint Venture Transaction
“Independent Financial Adviser” or “Platinum”	Platinum Securities Company Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and which is the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction
“Independent Shareholders”	Shareholders other than those who have a material interest in the Joint Venture Transaction
“Independent Shareholders’ Approval”	the approval of the Independent Shareholders as required under the Listing Rules for authorising the Joint Venture Transaction by the Group

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“Joint Venture Formation Agreement”	the joint venture formation agreement dated 27 July 2017 which was entered into among the Company, CKAH and Midco 5 with respect to the direct or indirect participation of the Consortium Members in JV Co and governing the funding and operation of JV Co and the Purchaser
“Joint Venture Transaction”	the transactions contemplated under the Joint Venture Formation Agreement and the Shareholders’ Agreement
“JV Co”	Sarvana S.à r.l., a direct holding company of the Purchaser and a company incorporated under the laws of Luxembourg with limited liability
“JV Co Board”	the board of managers of JV Co
“JV Co Director(s)”	manager(s) of JV Co
“Latest Practicable Date”	15 September 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 eight months from the date of the Joint Venture Formation Agreement or such later date as the parties may agree pursuant to the Joint Venture Formation Agreement
“Main Board”	the Main Board of the Stock Exchange
“Maximum Financial Commitment”	in relation to a Consortium Member and its subsidiaries, the maximum financial commitment of such Consortium Member and its subsidiaries under the Joint Venture Transaction, as more particularly described under the section headed “2. <i>Joint Venture Transaction – A(c) Maximum Financial Commitment</i> ” in the “ <i>Letter from the Board</i> ” in this circular
“Midco 1”	Splendour Success Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of CKAH and will indirectly hold 65% of the equity interest in JV Co before the closing of the Joint Venture Transaction

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“Midco 2”	Admiral King Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of CKAH and will directly hold 65% of the equity interest in JV Co before the closing of the Joint Venture Transaction
“Midco 3”	Swift Returns Global Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of CKAH and will directly hold 35% of the equity interest in JV Co before the closing of the Joint Venture Transaction
“Midco 4”	European Household Infrastructure Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of the Company
“Midco 5”	Sky Master Ventures Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of CKAH and will indirectly hold 35% of the equity interest in JV Co before the closing of the Joint Venture Transaction
“Notes”	collectively, the 5% senior secured notes due 2020 in an aggregate principal amount of EUR350 million (equivalent to approximately HK\$3,220 million) issued by Trionista HoldCo, and the 6.875% senior subordinated notes due 2021 in an aggregate principal amount of EUR525 million (equivalent to approximately HK\$4,830 million) issued by Trionista TopCo
“percentage ratios”	shall have the meaning ascribed to such term in Chapter 14 of the Listing Rules
“Purchaser”	Lamarillo S.à r.l., a direct wholly-owned subsidiary of JV Co and a company incorporated under the laws of Luxembourg with limited liability
“Respective Proportion(s)”	means: (a) in relation to the Company, 35%; and (b) in relation to CKAH, 65%
“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 July 2017 which was entered into between the Seller and the Purchaser with respect to the Acquisition

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“Scheduled Closing Date”	the later of (i) the first business day after the lapse of a period of 30 calendar days after the issuance of redemption notice by the issuers of both series of the Notes in accordance with the Sale and Purchase Agreement, and (ii) the tenth business day after the day on which the last of the conditions precedent to the Sale and Purchase Agreement have been satisfied or waived (or such other date as agreed in writing by the Seller and the Purchaser)
“Senior Facilities Agreements”	certain existing commercial banking facilities agreements entered into by the Target and certain members of the Target Group as borrowers and/or guarantors
“Seller”	Trius Holdings S.C.A., a <i>société en commandite par actions</i> organised under the laws of Luxembourg
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“SGM”	the special general meeting of the Company to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 11 October 2017 at 2:15 p.m. for the purposes of considering and, if thought fit, approving the Joint Venture Transaction
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between the Consortium Members, JV Co, Midco 2 and Midco 3 to govern the parties’ ongoing investment in the Target Group through JV Co
“Shares”	ordinary shares in the capital of the Company with a nominal value of HK\$1.00 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	ista Luxemburg GmbH, a <i>société à responsabilité limitée</i> organised under the laws of Luxembourg
“Target Group”	the Target and its subsidiaries
“Target PECs”	means 55,000,000,000 preferred equity certificates with a par value of EUR0.01 each in an aggregated principal amount of EUR550,000,000 issued by the Target

DEFINITIONS

“Target Shares”	means the 100,000,000 shares with a nominal value of EUR0.01 each of the share capital in the aggregate amount of EUR1,000,000 of the Target
“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
“Total Purchase Price”	means the total purchase price payable to the Seller in accordance with the terms and conditions of the Sale and Purchase Agreement
“Trionista HoldCo”	Trionista HoldCo GmbH, a wholly-owned subsidiary of the Target Group and an issuer of one series of the Notes
“Trionista TopCo”	Trionista TopCo GmbH, a wholly-owned subsidiary of the Target Group and an issuer of one series of the Notes
“Trust”	DT1, DT2, DT3, DT4, UT1 and UT3, and where the context requires, any of them
“UT1”	The Li Ka-Shing Unity Trust
“UT3”	The Li Ka-Shing Castle Trust
“%”	per cent

Note: The figures in “EUR” are converted into HK\$ at the rate of EUR1.00 : HK\$9.20 (being the exchange rate used in the Announcement) throughout this circular for indicative purposes only, and should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.

LETTER FROM THE BOARD



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

Board of Directors

Executive Directors

LI Tzar Kuoi, Victor (*Chairman*)

FOK Kin Ning, Canning

(Deputy Chairman)

Frank John SIXT

KAM Hing Lam

(Group Managing Director)

IP Tak Chuen, Edmond

(Deputy Chairman)

Andrew John HUNTER

(Deputy Managing Director)

CHAN Loi Shun

(Chief Financial Officer)

CHEN Tsien Hua

Registered Office

Clarendon House
Church Street
Hamilton HM11
Bermuda

Independent Non-executive Directors

CHEONG Ying Chew, Henry

KWOK Eva Lee

SNG Sow-mei alias POON Sow Mei

Colin Stevens RUSSEL

LAN Hong Tsung, David

Barrie COOK

Paul Joseph TIGHE

Alternate Directors

CHOW WOO Mo Fong, Susan

(alternate to FOK Kin Ning, Canning)

MAN Ka Keung, Simon

(alternate to IP Tak Chuen, Edmond)

Eirene YEUNG

(alternate to KAM Hing Lam)

**Principal Place of
Business**

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

Non-executive Directors

LEE Pui Ling, Angelina

George Colin MAGNUS

Company Secretary

Eirene YEUNG

20 September 2017

Dear Shareholder(s),

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

**FORMATION OF A JOINT VENTURE IN CONNECTION WITH
THE PROPOSED ACQUISITION OF ALL OF
THE SHARES AND PREFERRED EQUITY CERTIFICATES
IN ISSUE OF THE TARGET**

1. INTRODUCTION

Reference is made to the Announcement of the Company, CKAH and CKHH on 27 July 2017 in relation to the Joint Venture Transaction and the Acquisition. As disclosed in the Announcement, on 27 July 2017, the Company, CKAH and Midco 5 entered into the Joint

LETTER FROM THE BOARD

Venture Formation Agreement pursuant to which, the Consortium Members will, among other things, indirectly own the shares in JV Co and partly fund the Acquisition according to the Respective Proportions and enter into the Shareholders' Agreement. In addition, in connection with the Acquisition, the Seller and the Purchaser have entered into the Sale and Purchase Agreement on 27 July 2017.

The Independent Shareholders' Approval, the CKAH Independent Shareholders' Approval, and all closing conditions under the Sale and Purchase Agreement (as described in paragraph (e) under the section headed "3. *Sale and Purchase Agreement*" below) being satisfied or waived in accordance with the terms of that agreement are pre-conditions to the closing of the Joint Venture Transaction.

The purpose of this circular is (i) to provide you with further information regarding details of the Joint Venture Transaction and the Acquisition; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Joint Venture Transaction; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction; (iv) to give the Shareholders the notice of the SGM, at which the Independent Shareholders' Approval for the Joint Venture Transaction will be sought; and (v) to provide you with the other information as required under the Listing Rules.

2. JOINT VENTURE TRANSACTION

A. The Joint Venture Formation Agreement

On 27 July 2017, the Company, CKAH and Midco 5 entered into the Joint Venture Formation Agreement in relation to the participation of the Consortium Members in JV Co and governing the funding and operation of JV Co and the Purchaser.

As at the Latest Practicable Date, each Consortium Midco is wholly owned by CKAH and each of JV Co and the Purchaser is indirectly wholly owned by CKAH.

The principal terms of the Joint Venture Formation Agreement and the arrangements relating to the transactions under it are as follows:

(a) *Closing conditions*

Closing of the Joint Venture Transaction is subject to the following conditions being satisfied or waived:

- (i) all closing conditions under the Sale and Purchase Agreement (as described in paragraph (e) under the section headed "3. *Sale and Purchase Agreement*" below) being satisfied or waived in accordance with the terms of that agreement; and
- (ii) obtaining of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval at the respective shareholders' meetings of the Company and CKAH.

LETTER FROM THE BOARD

(b) Participation of the Consortium Members

Between the date of the Joint Venture Formation Agreement and the closing of the Joint Venture Transaction, Midco 2 will hold 65% equity interest and Midco 3 will hold 35% equity interest in JV Co.

(i) If the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are sought on or prior to the Scheduled Closing Date

It is currently expected that the respective meetings of the shareholders of each of the Company and CKAH for obtaining the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval will be held in advance of the Scheduled Closing Date.

If, on or prior to the Scheduled Closing Date, both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are obtained, Midco 4 (which is directly wholly owned by the Company) will purchase the entire issued share capital of Midco 3 from Midco 5, such that the Company will become indirectly interested in 35% of JV Co. After the completion of such purchase, in preparation for completion of the Acquisition, each of Midco 3 and Midco 2 (which will be indirectly wholly owned by the Company and CKAH, respectively) will contribute its Respective Proportion of funding to JV Co, by subscribing for additional shares in, and/or providing shareholder loans to, JV Co and/or the Purchaser.

(ii) If the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are sought after the Scheduled Closing Date

If the shareholders' meeting of either of the Company or CKAH for considering the Joint Venture Transaction is not held on or prior to the Scheduled Closing Date, the Acquisition will proceed with the CKAH Group acquiring 100% of the Target via its ownership of the Purchaser through all of the Consortium Midcos and JV Co.

If both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are not obtained in time and closing of the Joint Venture Transaction has not taken place on or prior to the Scheduled Closing Date, Midco 4 will, after both such approvals have been obtained and the first business day after the completion of the Acquisition (whichever is later), purchase the entire issued share capital of Midco 3 from Midco 5, such that the Company will become indirectly interested as to 35% in JV Co (and, through JV Co, the Purchaser).

Upon obtaining both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval and the purchase of the entire issued share capital of Midco 3 by Midco 4 in accordance with the above:

LETTER FROM THE BOARD

- (i) JV Co will be indirectly held by the Consortium Members through Midco 2 and Midco 3 in the Respective Proportions; and
- (ii) the Consortium Members, Midco 2, Midco 3 and JV Co will enter into the Shareholders' Agreement, the principal terms of which are summarised under the section headed "2. *Joint Venture Transaction – B. The Shareholders' Agreement*" below.

(c) *Maximum Financial Commitment*

If both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are obtained, the Target will upon closing of the Joint Venture Transaction and the Acquisition be indirectly held by the Company and CKAH as to 35% and 65%, respectively, and the Maximum Financial Commitment of the Company and CKAH will be EUR1,575 million (equivalent to approximately HK\$14,490 million) for the Company and EUR2,925 million (equivalent to approximately HK\$26,910 million) for CKAH, respectively. The aggregate Maximum Financial Commitment of the Company and CKAH in the sum of EUR4,500 million (equivalent to approximately HK\$41,400 million) (the "**Total JV Commitment**") is determined with reference to the funding required for the Acquisition.

Each of the Company and CKAH intends to finance its relevant portion of the Maximum Financial Commitment from its internal resources and/or external borrowings.

If either or both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are not obtained, the Joint Venture Transaction will not proceed. However, the obligations of the Purchaser under the Sale and Purchase Agreement will remain unaffected and the Acquisition will proceed if the conditions precedent for the Acquisition have been fulfilled, with the CKAH Group acquiring 100% of the Target via its ownership of the Purchaser through all of the Consortium Midcos and JV Co.

If all the conditions for the Joint Venture Transaction (as set out in paragraph 2.A(a) above) are satisfied or waived (as the case may be), the Company shall indemnify and hold harmless CKAH for any obligations and liabilities under the Equity Commitment Letter pro rata to its Respective Proportion, provided that the Company's aggregate liability shall in no event exceed the Maximum Financial Commitment of the Company. If any of the conditions for the Joint Venture Transaction is not satisfied or waived (as the case may be), the Company's indemnity to CKAH for any obligations and liabilities under the Equity Commitment Letter shall be limited to EUR105 million (equivalent to approximately HK\$966 million).

LETTER FROM THE BOARD

Further, any costs reasonably incurred by the Group or the CKAH Group in connection with the Acquisition are to be borne by JV Co. However, (i) to the extent any such costs are borne by the parties (or any of their subsidiaries other than JV Co or the Purchaser) and it is not feasible to charge such costs to JV Co or the Purchaser or (ii) if the Acquisition is not completed, any such costs shall be shared by the Company and CKAH in their Respective Proportions.

(d) Termination

The Joint Venture Formation Agreement can be terminated by each of the Company and CKAH if, among other things:

- (i) the conditions for the Joint Venture Transaction (as set out in paragraph 2.A(a)) are not satisfied or waived (as the case may be) on or before the Longstop Date; or
- (ii) the Sale and Purchase Agreement is terminated in accordance with its terms.

If both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are obtained and the conditions for the Joint Venture Transaction are satisfied, completion of the Joint Venture Transaction will take place and JV Co will be accounted for as a joint venture in the respective consolidated financial statements of the Company and CKAH.

B. The Shareholders' Agreement

Pursuant to the Joint Venture Formation Agreement and upon completion of the Joint Venture Transaction, the Consortium Members, JV Co, Midco 2 and Midco 3 will enter into the Shareholders' Agreement, under which the parties will agree on the rights and obligations in respect of their ongoing investment in the Target Group through JV Co.

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

(a) Board role and composition

The business of JV Co shall be managed by the JV Co Board, 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 Member shall have the right to nominate one JV Co Director for appointment on the JV Co Board in respect of each complete ten per cent (10%) of the shares in JV Co it owns (either directly or through its subsidiaries). CKAH shall be entitled to nominate one of its nominated JV Co Directors to be the chairman of the JV Co Board.

LETTER FROM THE BOARD

(b) *Quorum*

The quorum for the transaction of business at any meeting of the JV Co Board shall be at least one JV Co Director appointed by each Consortium Member (unless a Consortium Member waives the quorum requirement to the extent that it relates to its appointed JV Co Director(s)), provided that if a quorum is not present (or ceases to be present) at a JV Co Board meeting, the meeting shall be adjourned. The quorum at the adjourned meeting shall be any two JV Co Directors present.

(c) *Board voting*

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

A small number of matters of the JV Co Board require a special majority, being a resolution which is approved by the JV Co Board by affirmative votes of more than 85% of the votes of the JV Co Directors at a meeting of the JV Co Board, including:

- (i) any change to the dividend and distribution policy of JV Co that would result in the distribution of less than 50% of the free cash flows of JV Co and its subsidiaries;
- (ii) any purchase by JV Co of its own shares;
- (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 Total JV Commitment or the disposal of any assets or part of the business of JV Co and its subsidiaries which is likely to prejudice the operation of such business;
- (iv) entering into any contract, whether for the provision of services or for the acquisition or disposal of any assets or otherwise, involving payments by or to JV Co or any its subsidiaries or the assumption by JV Co or any its subsidiaries of liabilities in excess of 2% of the Total JV Commitment in aggregate;
- (v) JV Co or any its subsidiaries borrowing money in excess of 2% of the Total JV Commitment per annum in aggregate (acknowledging that any such borrowing may only be made to the extent permitted by banking covenants and required for the ordinary course of the business of JV Co and any of its subsidiaries);

LETTER FROM THE BOARD

- (vi) the creation of any material mortgage, charge, lien or encumbrance on any assets; and
- (vii) the settlement or compromise of any legal dispute or proceedings involving the payment or receipt of 2% of the Total JV Commitment or more in aggregate in any one year.

(d) *Shareholder Reserved Matters*

Each of the Consortium Members shall exercise its rights and powers (whether held directly or indirectly through its subsidiaries) in respect of JV Co, the Purchaser and each member of the Target Group (and procure that each of the JV Co Directors which it nominates to the JV Co Board and to the boards of the Purchaser and each member of the Target Group, shall exercise his rights and powers) so as to procure that neither JV Co, the Purchaser, nor any member of the Target Group shall, subject to the applicable laws, transact any of the business set out below without the prior written approval of the Consortium Members controlling (directly or indirectly through its subsidiaries) more than 85% of the votes able to be cast at a meeting of the shareholders of JV Co called to consider the matter, namely:

- (i) the amendment of the articles and other constitutional documents of JV Co;
- (ii) the creation or issue of any shares to any person (other than a subsidiary of JV Co) or the grant of any option over any shares, unless otherwise permitted by the Shareholders' Agreement;
- (iii) the capitalisation, repayment or other form of distribution of any amount standing to the credit of any reserve or the redemption of any shares of JV Co or any other reorganisation of its share capital;
- (iv) the making of any petition or passing of any resolution for winding-up or liquidation or the making of an application for an administration order;
- (v) the approval of the annual business plan and/or annual budget of JV Co and of its subsidiaries or any amendments thereto from time to time;
- (vi) the approval of any financing arrangement or plan to change the gearing ratio of JV Co and its subsidiaries, which could reasonably result in the lowering of their credit rating;
- (vii) the approval of the appointment of the chief executive officer and the chief financial officer of JV Co and its subsidiaries;

LETTER FROM THE BOARD

- (viii) the amendment of the dividend and distribution policy that would result in the distribution of less than 50% of the free cash flows of JV Co and its subsidiaries, or the declaration of a dividend that distributes less than 50% of the free cash flows of JV Co and its subsidiaries; and
- (ix) the expansion of or change in the nature of the business of JV Co and its subsidiaries to any new business or new jurisdiction in which the business is to be carried on by JV Co and its subsidiaries (but only if such business involves investment by JV Co and its subsidiaries exceeding the value of 2% of the Total JV Commitment).

(e) *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 other shareholder of JV Co on a pro rata basis. If the Sale Shares are not fully taken up by the aforesaid shareholder 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.

(f) *Dealings with and transfer of shares of JV Co*

Unless the consent of the other party (i.e. the Company or CKAH (as the case may be)) in writing is obtained, or the transfer is in accordance with the terms of the Shareholders' Agreement or the transfer is within the same group of companies of either the Company or CKAH, each of the Company and CKAH undertakes to the other that, during the continuance of the Shareholders' Agreement, it shall not and shall procure that each of its subsidiaries shall not (whether directly or indirectly):

- (i) mortgage, pledge or otherwise encumber its interest in the whole or any of its equity interest or shares in JV Co;
- (ii) sell, transfer or otherwise dispose of all or any of its shares of JV Co or any interest therein or assign or otherwise purport to deal therewith or with any interest therein;
- (iii) enter into any agreement with respect to the voting rights attached to all or any of its shares in JV Co; or
- (iv) agree, whether conditionally or otherwise, to do any of the foregoing.

LETTER FROM THE BOARD

3. SALE AND PURCHASE AGREEMENT

On 27 July 2017, the Seller and the Purchaser entered into the Sale and Purchase 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 in paragraph 3.(e) below.

The principal terms of the Sale and Purchase Agreement are as follows:

(a) *Date*

27 July 2017

(b) *Parties*

- (i) the Seller; and
- (ii) the Purchaser.

(c) *Assets to be acquired*

Pursuant to the Sale and Purchase Agreement, the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase (i) the Target Shares, and (ii) the Target PECs.

(d) *Payment by the Purchaser*

On the Scheduled Closing Date, the Purchaser shall pay:

- (i) to the Seller the Total Purchase Price for the sale and purchase of the Target Shares and the Target PECs of (aa) a base purchase price of approximately EUR3,709 million (equivalent to approximately HK\$34,122.8 million) and (bb) certain adjustment sums reflecting aggregate amount of daily cash amounts and deductions of the upstream loans drawn by the Seller (including accrued and capitalised interest thereon) and the leakage amounts notified by the Seller to the Purchaser in writing no later than five business days prior to the Scheduled Closing Date; and
- (ii) to the relevant members of the Target Group the Facilities Repayment Amount.

The Total Purchase Price was determined based on arm's length negotiations between the Seller and the Purchaser after taking into account the valuation of the Target.

LETTER FROM THE BOARD

(e) Conditions Precedent

Closing of the Acquisition is conditional upon satisfaction of the following conditions:

- (i) the merger control approvals or clearances required under the European (and/or in case of a full or partial referral, German) and Russian merger control laws having been obtained or are deemed, by applicable laws, having been obtained (the “**Antitrust Clearance**”); and
- (ii) the German Federal Ministry of Economics and Energy (aa) having issued a clearance certificate pursuant to Section 58(1) Sentence 1 of Foreign Trade Regulation (AWV) in relation to the acquisition of the Target Shares pursuant to the Sale and Purchase Agreement (the “**Clearance Certificate**”); or (bb) within two months after receipt of a due application for the Clearance Certificate, not having issued the Clearance Certificate nor initiated a formal investigation pursuant to Section 55(1) of Foreign Trade Regulation (AWV) in relation to the acquisition of the Target Shares pursuant to the Sale and Purchase Agreement; or (cc) in the event of the aforesaid formal investigation, having failed to prohibit the acquisition of the Target Shares by the Purchaser pursuant to the Sale and Purchase Agreement within the four months’ period specified in Section 59(1) of Foreign Trade Regulation (AWV) (the “**AWV Clearance**”, together with Antitrust Clearance, the “**Clearances**”).

The above conditions precedent (except the Antitrust Clearance condition in relation to Russia) can only be waived jointly by the Seller and the Purchaser, and the Antitrust Clearance condition in relation to Russia can be waived by either party after satisfaction of all other conditions precedent to the Sale and Purchase Agreement. In the event of such waiver of the Antitrust Clearance condition in relation to Russia, the Russian business of the Target Group will be carved out and held separately from the Target Group until such clearance has been obtained.

As at the Latest Practicable Date, the Antitrust Clearance required under the Russian merger control laws has been obtained.

In the event that the conditions precedent to the Sale and Purchase Agreement are not satisfied or waived by the Drop Dead Date, the Seller or the Purchaser (if the Seller is entitled to withdraw from the Sale and Purchase Agreement and does not declare its withdrawal within 20 business days after receipt of a written withdrawal request from the Purchaser) shall be entitled to withdraw from the Sale and Purchase Agreement. In the event of a withdrawal of either party, the parties shall cease to have any obligations provided that the obligation of the Purchaser to pay the Break Fee (as mentioned in paragraph 3.(g) below) and the obligation of a party to pay further damages for breach of the Sale and Purchase Agreement prior to the date of withdrawal, if any, shall in each case survive.

LETTER FROM THE BOARD

(f) Equity commitment letter and impact of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval

On the same date on which the Sale and Purchase Agreement is executed, CKAH provided an equity commitment in respect of the Purchaser under the Sale and Purchase Agreement (including the payment of the Total Purchase Price).

The Purchaser also intends to make use of external banking facilities made available to the Purchaser to refinance all or part of the Existing Financing Arrangements.

Pursuant to the Equity Commitment Letter, CKAH irrevocably commits to the Seller that the equity commitment in the amount of up to EUR4,430 million (equivalent to approximately HK\$40,756 million) shall be provided to the Purchaser in cash in immediately available funds no later than on the Scheduled Closing Date.

In addition, pursuant to the Equity Commitment Letter, if (i) the conditions precedent to the Sale and Purchase Agreement are not fulfilled on or prior to the Drop Dead Date or (ii) the Purchaser has failed to perform the Closing events as set out in the Sale and Purchase Agreement (including, without limitation, payment of the Total Purchase Price) on the Scheduled Closing Date (the "**SPA Breaches**"), CKAH commits:

- (i) to provide to the Purchaser or otherwise cause the Purchaser to receive within five business days upon written request of the Seller in cash in immediately available funds an amount equal to the damages that are, in respect of any SPA Breaches by the Purchaser, (aa) judicially determined by the relevant court or arbitral tribunal in favor of the Seller or (bb) agreed upon between the Purchaser and the Seller in writing;
- (ii) to provide to the Purchaser or otherwise cause the Purchaser to receive within five business days upon written request of the Seller in immediately available funds an amount equal to the Break Fee (as defined below), provided that the Seller has terminated the Sale and Purchase Agreement and the Purchaser is obliged to pay the Break Fee pursuant to the Sale and Purchase Agreement; and
- (iii) to procure that any funds provided under sub-paragraphs (i) and/or (ii) above are not directly or indirectly extracted, withdrawn from, redeemed or repaid by, or on behalf of, the Purchaser before any portion thereof is utilised to fulfil the Purchaser's obligation to pay such damages or the Break Fee (as the case may be) to the Seller in accordance with the Sale and Purchase Agreement.

LETTER FROM THE BOARD

For the avoidance of doubt, the equity commitment obligation of CKAH under the Equity Commitment Letter is not subject to the obtaining of the CKAH Independent Shareholders' Approval.

(g) Break fees

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to pay to the Seller a break fee of EUR200 million (equivalent to approximately HK\$1,840 million) (the "**Break Fee**") if either the Seller or the Purchaser has withdrawn from the Sale and Purchase Agreement because:

- (i) any of the Clearances has not been obtained or waived prior to or on the Drop Dead Date; or
- (ii) the Purchaser has not fulfilled any of the Closing events as specified in the Sale and Purchase Agreement, provided that the Seller is at the same time not in breach of fulfilling its obligations under the Sale and Purchase Agreement and the Purchaser's breach has not been remedied by the Purchaser within three business days.

Such Break Fee shall not prejudice the Seller from claiming the Purchaser any further damages of any kind incurred as a result of the Purchaser's breach of the terms and conditions of the Sale and Purchase Agreement.

4. INFORMATION ON THE TARGET GROUP

The Target is one of the world's leading fully integrated energy management services providers with strong market positions in Europe (including Germany, Denmark, the Netherlands, France, Italy and Spain). The Target Group generates value across all stages of the sub-metering value chain from hardware development, manufacturing, installation and maintenance to meter reading, data collection and processing, billing, energy data management and customer and after-sales services. The Target Group has made substantial investment in creating its sub-metering platform, enabling its further efficiency gains through standardisation, digitalisation, automation and centralisation and expansion into accelerating growth countries and new higher value-added services in a cost-efficient manner.

According to the audited consolidated financial statements of the Target Group for the financial years ended 31 December 2015 and 2016 and the unaudited consolidated financial statements of the Target Group for the six months ended 30 June 2017 prepared in accordance with the International Financial Reporting Standards (IFRS), the audited consolidated profit/loss before and after taxation of the Target Group for the financial years

LETTER FROM THE BOARD

ended 31 December 2015 and 2016 and the unaudited consolidated profit before and after taxation of the Target Group for the six months ended 30 June 2017 are set out below:

	Year ended 31 December		Six months ended
	2015	2016	30 June 2017
Profit before taxation	EUR4.94 million (equivalent to approximately HK\$45.45 million)	EUR20.33 million (equivalent to approximately HK\$187.04 million)	EUR44.08 million (equivalent to approximately HK\$405.54 million)
Profit / (Loss) after taxation	EUR(18.98 million) (equivalent to approximately HK\$(174.62 million))	EUR(4.24 million) (equivalent to approximately HK\$(39.01 million))	EUR23.72 million (equivalent to approximately HK\$218.22 million)

Note: The losses after taxation of the Target Group for the financial years ended 31 December 2015 and 2016 were impacted by the high interest expenses of EUR163.02 million (equivalent to approximately HK\$1,499.78 million) in 2015 and EUR165.60 million (equivalent to approximately HK\$1,523.52 million) in 2016, respectively arising from external debts and shareholders' loans. A restructuring of the capital structure of the Target Group is expected to take place upon Closing.

According to the audited consolidated financial statements of the Target Group for the financial year ended 31 December 2016 and the unaudited consolidated financial statements of the Target Group for the six months ended 30 June 2017 prepared in accordance with the International Financial Reporting Standards (IFRS), the audited consolidated net asset value of the Target Group as at 31 December 2016 and the unaudited consolidated net asset value of the Target Group as at 30 June 2017 were approximately EUR251.49 million (equivalent to approximately HK\$2,313.71 million) and approximately EUR280.73 million (equivalent to approximately HK\$2,582.72 million), respectively.

5. INFORMATION ON THE GROUP

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

6. INFORMATION ON THE CKAH GROUP

The CKAH Group is a leading multinational corporation committed to achieving long-term sustainable growth through continual strengthening of its existing property businesses, and steady enhancement of its recurring income base via prudent investment strategy. The CKAH Group has diverse capabilities with activities encompassing property development and investment, hotel and serviced suite operation, property and project management, aircraft leasing, and investment in energy and infrastructure assets that are household equipment services related.

LETTER FROM THE BOARD

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

The Consortium Members believe that the Target's well established businesses in Europe represent an attractive opportunity for investors with stable cashflows and growth prospects. Among the Consortium Members, CKAH is the only bidding party with the size and immediate resources to make an offer to acquire the Target Shares and the Target PECs pursuant to the Sale and Purchase Agreement.

The Joint Venture Transaction is consistent with the Company's strategies of investing in infrastructure and infrastructure like opportunities around the world and embracing new growth opportunities through diversification.

The Board therefore consider that, subject to completion of the Acquisition, the Company would benefit from the co-operation through the Joint Venture Transaction.

For the above reasons, the Directors (other than Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Lan Hong Tsung, David, Mr. Barrie Cook and Mr. Paul Joseph Tighe, being independent non-executive directors of the Company who are the 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 this circular, but including Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel, the other independent non-executive directors of the Company, each of whom is not appointed as a member of such Independent Board Committee due to each also being an independent non-executive director of CKAH) 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.

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

8. 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 all of the applicable percentage ratios are less than 25%, the Joint Venture Transaction constitutes a discloseable transaction for the Company and is subject to the Company's compliance with the announcement and notification requirements, but is not subject to the shareholders' approval requirement, under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

Given Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor (who is a Director) and the Trust have been deemed as a group of connected persons by the Stock Exchange and they currently directly and/or indirectly hold an aggregate of approximately 31.47% of the issued share capital of CKAH, CKAH may be regarded as a connected person of the Company under the Listing Rules. Therefore, the Joint Venture Transaction also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Company based on the Maximum Financial Commitment of the Group under the Joint Venture Transaction exceeds 5%, the Joint Venture Transaction is subject to the Company's compliance with the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. SGM AND VOTING

The Company will convene the SGM for the Independent Shareholders to consider and, if thought fit, pass an ordinary resolution to approve the Joint Venture Transaction. A notice convening the SGM to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 11 October 2017 at 2:15 p.m. is set out on pages 63 and 64 of this circular.

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 SGM.

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

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

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

LETTER FROM THE BOARD

10. RECOMMENDATIONS

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

Having taken into account the reasons for and the benefits of the Joint Venture Transaction as set out in this “*Letter from the Board*” above, the Directors (other than those on the Independent Board Committee, whose views are set out in the “*Letter from the Independent Board Committee*” in 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*” in this circular) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Joint Venture Transaction.

None of the Directors have any material interest in the Joint Venture Transaction except by virtue of being a director and/or shareholder of the Company (including its subsidiaries) and/or the other parties involved in the Joint Venture Transaction, and no Directors were required to abstain from voting on the board resolutions of the Company passed in connection with the Joint Venture Transaction. Notwithstanding the foregoing, Mr. Li Tzar Kuoi, Victor, being an executive director of the Company, 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 (comprising Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Lan Hong Tsung, David, Mr. Barrie Cook and Mr. Paul Joseph Tighe) has been established to advise the Independent Shareholders in relation to the Joint Venture Transaction.

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

LETTER FROM THE BOARD

(c) Recommendation from the Independent Financial Adviser

Platinum has been engaged as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Joint Venture Transaction. The text of the letter of advice from the Independent Financial Adviser is set out on pages 27 to 52 of this circular.

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

11. FURTHER INFORMATION

Your attention is drawn to the “*Letter from the Independent Board Committee*” as set out on pages 25 and 26 of this circular, the “*Letter from the Independent Financial Adviser*” as set out on pages 27 to 52 of this circular, the additional information as set out in the Appendix and the notice of the SGM as set out on pages 63 and 64 of this circular.

Yours faithfully,

For and on behalf of the Board of

CK Infrastructure Holdings Limited

LI Tzar Kuoi, Victor

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.



CK Infrastructure Holdings Limited

長江基建集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

20 September 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 SHARES AND PREFERRED EQUITY CERTIFICATES IN ISSUE OF THE TARGET

We refer to the circular of the Company dated 20 September 2017 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We draw the attention of the Independent Shareholders to (1) the “*Letter from the Board*” set out on pages 8 to 24 of the Circular; and (2) the “*Letter from the Independent Financial Adviser*”, which sets out the factors and reasons taken into account in arriving at its advice to the Independent Board Committee and the Independent Shareholders, on pages 27 to 52 of the Circular.

Yours faithfully,

KWOK Eva Lee

SNG Sow-mei alias POON Sow Mei

LAN Hong Tsung, David

Barrie COOK

Paul Joseph TIGHE

Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Joint Venture Transaction for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

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

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

20 September 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION FORMATION OF A JOINT VENTURE IN CONNECTION WITH THE PROPOSED ACQUISITION OF ALL OF THE SHARES AND PREFERRED EQUITY CERTIFICATES IN ISSUE OF THE TARGET

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction. Details of the terms of the Joint Venture Transaction are contained in the circular of the Company dated 20 September 2017 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board, the board of CKAH and the board of CKHH jointly announced that on 27 July 2017, the Company, CKAH and Midco 5 entered into the Joint Venture Formation Agreement, pursuant to which, subject to the obtaining of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval, the Consortium Members will, among other things, indirectly own the shares in JV Co and partly fund the Acquisition according to the Respective Proportions and enter into the Shareholders' Agreement.

Given Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor (who is a Director) and the Trust have been deemed as a group of connected persons by the Stock Exchange and they currently directly and/or indirectly hold an aggregate of approximately 31.47% of the issued share capital of CKAH as at the Latest Practicable Date, CKAH may be regarded as a connected person of the Company under the Listing Rules. Therefore, the Joint Venture Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Company based on

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Maximum Financial Commitment of the Group under the Joint Venture Transaction exceeds 5%, the Joint Venture Transaction is subject to the Company's compliance with the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Joint Venture Transaction also constitutes a discloseable transaction for the Company and is subject to the Company's compliance with the announcement and notification requirements under Chapter 14 of the Listing Rules.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Joint Venture Transaction are fair and reasonable so far as the Independent Shareholders are concerned and whether the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group and the entry into the Joint Venture Transaction is in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee and recommendation to the Independent Shareholders as to whether the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the SGM to approve the Joint Venture Transaction.

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

- (i) the announcement jointly issued by the Company, CKAH and CKHH dated 27 July 2017 (the "**Joint Announcement**") in relation to the Acquisition and the Joint Venture Transaction;
- (ii) the Joint Venture Formation Agreement;
- (iii) the draft Shareholders' Agreement;
- (iv) the respective annual reports of the Company for each of the financial years ended 31 December 2015 and 2016 (the "**2015 Annual Report**" and "**2016 Annual Report**", respectively);
- (v) the respective interim reports of the Company for six months ended 30 June 2016 and 2017 (the "**2016 Interim Report**" and "**2017 Interim Report**", respectively);
- (vi) the respective annual reports of the Target for each of the financial years ended 31 December 2015 and 2016 (the "**2015 Target's Annual Report**" and "**2016 Target's Annual Report**", respectively);
- (vii) the interim report of the Target for six months ended 30 June 2017 (the "**2017 Target's Interim Report**"); and
- (viii) other publicly available information in relation to the Acquisition, the Joint Venture Transaction, the Group and the Target Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or the management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs and underlying assets of the Company or conducted any valuation or appraisal of any assets or liabilities of the Company or conducted any form of investigation into the commercial viability of the future prospects of the Target Group. We have also relied on information available to the public (such as the documents published by the Company) which we assumed to be accurate and reliable. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the terms of the Joint Venture Transaction.

During the past two years, we had acted as independent financial adviser to Power Assets Holdings Limited (“PAH”), which is owned as to approximately 38.87% of its issued share capital by the Company as at the Latest Practicable Date and its shares are listed on the Main Board of the Stock Exchange, regarding (i) the proposed merger of the Company and PAH involving a share exchange offer as mentioned in the circular of PAH dated 20 October 2015; and (ii) a formation of joint venture between the Company, CKAH and PAH in connection with the acquisition of an energy utility owner and operator listed in the Australian Securities Exchange as mentioned in the circular of PAH dated 22 February 2017. The past engagements were limited to providing independent advisory services pursuant to the Listing Rules or the Code on Takeovers and Mergers for which we received normal professional fees. Accordingly, we do not consider the past engagements give rise to any conflict of interest for us in acting as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction. As at the Latest Practicable Date, we are independent from, and are not associated with the Company or any other party to the Joint Venture Transaction, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules, and there is no conflict of interest existing or arising in relation to our appointment and accordingly, we are considered eligible to give independent advice on the Joint Venture Transaction. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction. Apart from the normal professional fee payable to

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us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Joint Venture Transaction or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Lan Hong Tsung, David, Mr. Barrie Cook and Mr. Paul Joseph Tighe, has been established to advise the Independent Shareholders as to whether the terms of the Joint Venture Transaction are fair and reasonable so far as the Independent Shareholders are concerned and whether the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group and the entry into the Joint Venture Transaction is in the interests of the Company and the Shareholders as a whole, and to make recommendations as to whether the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the SGM to approve the Joint Venture Transaction.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Acquisition and the Joint Venture Transaction

On 27 July 2017, the Seller and the Purchaser entered into the Sale and Purchase Agreement in connection with the proposed acquisition of all of the Target Shares and the Target PEC. On the Scheduled Closing Date, the Purchaser shall pay to the Seller the Total Purchase Price comprising (i) a base purchase price of approximately EUR3,709 million (equivalent to approximately HK\$34,122.8 million); and (ii) certain adjustment sums reflecting aggregate amount of daily cash amounts and deductions of the upstream loans drawn by the Seller (including accrued and capitalised interest thereon) and the leakage amounts notified by the Seller to the Purchaser in writing no later than five business days prior to the Scheduled Closing Date.

In addition, on 27 July 2017, the Company, CKAH and Midco 5 entered into the Joint Venture Formation Agreement in relation to the participation of the Consortium Members in JV Co and governing the funding and operation of JV Co and the Purchaser. As at the Latest Practicable Date, each Consortium Midco is wholly owned by CKAH and each of JV Co and the Purchaser is indirectly wholly owned by CKAH.

If all of the closing conditions are satisfied and at closing of the Joint Venture Transaction, the JV Co and the Purchaser (and after Closing, the Target) will be indirectly held by the Company and CKAH as to 35% and 65%, respectively, and the Maximum Financial Commitment of the Company and CKAH will be EUR1,575 million (equivalent to approximately HK\$14,490 million) for the Company and EUR2,925 million (equivalent to approximately HK\$26,910 million) for CKAH, respectively. The aggregate Maximum Financial Commitment of the Company and CKAH in the sum of EUR4,500 million (equivalent to approximately HK\$41,400 million) is determined with reference to the

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funding required for the Acquisition. Each of the Company and CKAH intends to finance its relevant portion of the Maximum Financial Commitment from its internal resources and/or external borrowings. If either or both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are not obtained, the Joint Venture Transaction will not proceed. However, the obligations of the Purchaser under the Sale and Purchase Agreement will remain unaffected and the Acquisition will proceed if the conditions precedent for the Acquisition have been fulfilled, with the CKAH Group acquiring 100% of the Target via its ownership of the Purchaser through all of the Consortium Midcos and JV Co.

2. Principal terms of the Joint Venture Transaction

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

2.1. The Joint Venture Formation Agreement

Set out below are the key terms of the Joint Venture Formation Agreement. Independent Shareholders are advised to make reference to the section headed "2.A. *The Joint Venture Formation Agreement*" in the "*Letter from the Board*" in the Circular for further details on the Joint Venture Formation Agreement.

(a) Closing conditions

Closing of the Joint Venture Transaction is subject to the following conditions being satisfied or waived:

- (i) all closing conditions under the Sale and Purchase Agreement (as described in the section headed "3. *Sale and Purchase Agreement*" in the "*Letter from the Board*" in the Circular) being satisfied or waived in accordance with the terms of that agreement; and
- (ii) obtaining of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval at the respective shareholders' meetings of the Company and CKAH.

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(b) Participation of the Consortium Members

Between the date of the Joint Venture Formation Agreement and the closing of the Joint Venture Transaction, Midco 2 will hold 65% equity interest and Midco 3 will hold 35% equity interest in JV Co.

(i) If the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are sought on or prior to the Scheduled Closing Date

The SGM for obtaining the Independent Shareholders' Approval is expected to be held in advance of the Scheduled Closing Date. The Company has been informed that the extraordinary general meeting of CKAH for the purpose of obtaining the CKAH Independent Shareholders' Approval is also expected to be held in advance of the Scheduled Closing Date.

If, on or prior to the Scheduled Closing Date, both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are obtained, Midco 4 (which is directly wholly-owned by the Company) will purchase the entire issued share capital of Midco 3 from Midco 5, such that the Company will become indirectly interested in 35% of JV Co. After the completion of such purchase, in preparation for completion of the Acquisition, each of Midco 3 and Midco 2 (which will be indirectly wholly-owned by the Company and CKAH, respectively) will contribute its Respective Proportion of funding to JV Co, by subscribing for additional shares in, and/or providing shareholder loans to, JV Co and/or the Purchaser.

(ii) If the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are sought after the Scheduled Closing Date

If the shareholders' meeting of either of the Company or CKAH for considering the Joint Venture Transaction is not held on or prior to the Scheduled Closing Date, the Acquisition will proceed with the CKAH Group acquiring 100% of the Target via its ownership of the Purchaser through all of the Consortium Midcos and JV Co.

If both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are not obtained in time and closing of the Joint Venture Transaction has not taken place on or prior to the Scheduled Closing Date, Midco 4 will, after both such approvals have been obtained and the first business day after the completion of the Acquisition (whichever is later), purchase the entire issued share capital of Midco 3 from Midco 5, such that the Company will become indirectly interested as to 35% in JV Co (and, through JV Co, the Purchaser).

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Upon obtaining both of the Independent Shareholders' Approval, and the CKAH Independent Shareholders' Approval and the purchase of the entire issued share capital of Midco 3 by Midco 4 in accordance with the above:

- (i) JV Co will be indirectly held by the Consortium Members through Midco 2 and Midco 3 in the Respective Proportions; and
- (ii) the Consortium Members, Midco 2, Midco 3 and JV Co will enter into the Shareholders' Agreement.

(c) Maximum Financial Commitment

If both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are obtained, the Target will upon the closing of the Joint Venture Transaction and the Acquisition be indirectly held by the Company and CKAH as to 35% and 65%, respectively, and the Maximum Financial Commitment of the Company and CKAH will be EUR1,575 million (equivalent to approximately HK\$14,490 million) for the Company and EUR2,925 million (equivalent to approximately HK\$26,910 million) for CKAH, respectively. The aggregate Maximum Financial Commitment of the Company and CKAH in the sum of EUR4,500 million (equivalent to approximately HK\$41,400 million) (the "**Total JV Commitment**") is determined with reference to the funding required for the Acquisition.

Each of the Company and CKAH intends to finance its relevant portion of the Maximum Financial Commitment from its internal resources and/or external borrowings.

If either or both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are not obtained, the Joint Venture Transaction will not proceed. However, the obligations of the Purchaser under the Sale and Purchase Agreement will remain unaffected and the Acquisition will proceed if the conditions precedent for the Acquisition have been fulfilled, with the CKAH Group acquiring 100% of the Target via its ownership of the Purchaser through all of the Consortium Midcos and JV Co.

Our views on the Joint Venture Formation Agreement

The purpose of the Joint Venture Formation Agreement is to govern the funding and operation of the JV Co and hence the Target Group. As at the Latest Practicable Date, the JV Co and the Purchaser are wholly owned by CKAH through its indirect interest in all Consortium Midcos. If both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are obtained, the Company will purchase, through its wholly-owned subsidiary, namely Midco 4, the entire issued share capital of Midco 3 in order to obtain 35% interest of the JV Co.

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It is noted that the Acquisition is not conditional on the completion of the Joint Venture Transaction, and if either or both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are not obtained, the Joint Venture Transaction will not proceed.

The aggregate amount of Maximum Financial Commitment for the Company and CKAH is EUR4,500 million (equivalent to approximately HK\$41,400 million) and the Maximum Financial Commitment for the Company is determined on a pro-rata basis based on its Respective Proportion of interest in the JV Co (i.e. 35%) and we consider it is a fair treatment to the Company.

2.2. The Shareholders' Agreement

Pursuant to the Joint Venture Formation Agreement and upon completion of the Joint Venture Transaction, the Consortium Members, JV Co, Midco 2 and Midco 3 will enter into the Shareholders' Agreement, under which the parties will agree on the rights and obligations in respect of their ongoing investment in the Target Group through JV Co.

Set out below are certain key principal terms contained in the Shareholders' Agreement. Independent Shareholders are advised to make reference to the section headed "2.B. The Shareholders' Agreement" in the "Letter from the Board" in the Circular for further details on the Shareholders' Agreement.

(a) Board role and composition

The business of JV Co shall be managed by the JV Co Board, 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 Member shall have the right to nominate one JV Co Director for appointment on the JV Co Board in respect of each complete ten per cent (10%) of the shares in JV Co it owns (either directly or through its subsidiaries). CKAH shall be entitled to nominate one of its nominated JV Co Directors to be the chairman of the JV Co Board.

(b) Board voting

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

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A small number of matters of the JV Co Board require a special majority, being a resolution which is approved by the JV Co Board by affirmative votes of more than 85% of the votes of the JV Co Directors at a meeting of the JV Co Board, including:

- (i) any change to the dividend and distribution policy of JV Co that would result in the distribution of less than 50% of the free cash flows of JV Co and its subsidiaries;
- (ii) any purchase by JV Co of its own shares;
- (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 Total JV Commitment or the disposal of any assets or part of the business of JV Co and its subsidiaries which is likely to prejudice the operation of such business;
- (iv) entering into any contract, whether for the provision of services or for the acquisition or disposal of any assets or otherwise, involving payments by or to JV Co or any its subsidiaries or the assumption by JV Co or any its subsidiaries of liabilities in excess of 2% of the Total JV Commitment in aggregate;
- (v) JV Co or any its subsidiaries borrowing money in excess of 2% of the Total JV Commitment per annum in aggregate (acknowledging that any such borrowing may only be made to the extent permitted by banking covenants and required for the ordinary course of the business of JV Co and any of its subsidiaries);
- (vi) the creation of any material mortgage, charge, lien or encumbrance on any assets; and
- (vii) the settlement or compromise of any legal dispute or proceedings involving the payment or receipt of 2% of the Total JV Commitment or more in aggregate in any one year.

(c) *Shareholder reserved matters*

Each of the Consortium Members shall exercise its rights and powers (whether held directly or indirectly through its subsidiaries) in respect of JV Co, the Purchaser and each member of the Target Group (and procure that each of the JV Co Directors which it nominates to the JV Co Board and to the boards of the Purchaser and each member of the Target Group, shall exercise his rights and powers) so as to procure that neither JV Co, the Purchaser, nor any member of the Target Group shall, subject to the applicable laws, transact any of the business set out below without the prior written approval of the Consortium Members

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controlling (directly or indirectly through its subsidiaries) more than 85% of the votes able to be cast at a meeting of the shareholders of JV Co called to consider the matter, namely:

- (i) the amendment of the articles and other constitutional documents of JV Co;
- (ii) the creation or issue of any shares to any person (other than a subsidiary of JV Co) or the grant of any option over any shares, unless otherwise permitted by the Shareholders' Agreement;
- (iii) the capitalisation, repayment or other form of distribution of any amount standing to the credit of any reserve or the redemption of any shares of JV Co or any other reorganisation of its share capital;
- (iv) the making of any petition or passing of any resolution for winding-up or liquidation or the making of an application for an administration order;
- (v) the approval of the annual business plan and/or annual budget of JV Co and of its subsidiaries or any amendments thereto from time to time;
- (vi) the approval of any financing arrangement or plan to change the gearing ratio of JV Co and its subsidiaries, which could reasonably result in the lowering of their credit rating;
- (vii) the approval of the appointment of the chief executive officer and the chief financial officer of JV Co and its subsidiaries;
- (viii) the amendment of the dividend and distribution policy that would result in the distribution of less than 50% of the free cash flows of JV Co and its subsidiaries, or the declaration of a dividend that distributes less than 50% of the free cash flows of JV Co and its subsidiaries; and
- (ix) the expansion of or change in the nature of the business of JV Co and its subsidiaries to any new business or new jurisdiction in which the business is to be carried on by JV Co and its subsidiaries (but only if such business involves investment by JV Co and its subsidiaries exceeding the value of 2% of the Total JV Commitment).

Our views on the Shareholders' Agreement

The Shareholders' Agreement will be entered into between the Consortium Members, JV Co, Midco 2 and Midco 3 upon the completion of the Joint Venture Transaction in accordance with the Joint Venture Formation Agreement. The Company will be entitled to appoint 3 JV Co Directors out of 9 in the JV Co Board. Resolutions relating to usual matters will be made by simple majority and resolutions relating to reserved matters as described above, such as the change in dividend and distribution

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policy, the purchase by JV Co of its own shares, acquisition/ disposal of assets or business which are in excess of 2% of the Total JV Commitment (i.e. EUR 4,500 million), amendment of the constitutional documents or share capital of JV Co, approval of business plan and/or annual budget of JV Co, approval of financing arrangement or change in gearing ratio of JV Co and its subsidiaries, require a higher approval threshold of 85% of the votes held by JV Co Directors and/or shareholders of JV Co.

Since the Company will be interested in 35% of the JV Co, this voting arrangement effectively means that all important decisions require unanimous approval from all Consortium Members. We consider such voting arrangements, including the veto power by each of Consortium Members on important decisions, provide a reasonable level of protection for minority shareholders and are usual features adopted in joint venture structure.

3. Background of the Group

3.1. Business of the Group

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

The Group is one of the leading global infrastructure players with diversified investments in electricity generation, transmission and distribution; gas distribution; oil pipelines; water and wastewater services; waste management; waste-to-energy; transportation; and infrastructure materials.

According to the 2016 Annual Report, the management of the Group has set a series of development strategies for continued growth and development, including (i) striving to nurture organic growth from the Group's existing utility project portfolio; (ii) expanding the Group's portfolio by acquiring quality businesses with strong and recurrent returns; and (iii) maintaining a strong balance sheet with steady cash flow and low gearing.

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3.2. Financial review of the Group

Historical financial performance of the Group

The following table sets out the consolidated financial results of the Group for each of the financial years ended 31 December 2015 and 2016 and for the six months ended 30 June 2016 and 2017 as extracted from the 2015 Annual Report, 2016 Annual Report, 2016 Interim Report and 2017 Interim Report, respectively.

	For the year ended 31 December		For six months ended 30 June	
	2015 <i>(Audited)</i> <i>HK\$ million</i>	2016 <i>(Audited)</i> <i>HK\$ million</i>	2016 <i>(Unaudited)</i> <i>HK\$ million</i>	2017 <i>(Unaudited)</i> <i>HK\$ million</i>
Sales of infrastructure materials	2,161	1,980	920	954
Interest income from loans granted to associates	378	364	183	184
Interest income from loans granted to joint ventures	1,714	1,631	834	907
Sales of waste management services	1,225	1,322	627	731
Interest income from investments in securities	46	24	24	–
Sales of water supply	33	–	–	–
Sales and interest income from infrastructure investments	5,557	5,321	2,588	2,776
Share of turnover of joint ventures	22,980	22,025	11,468	11,201
Total Turnover	28,537	27,346	14,056	13,977
Other income	537	580	374	228
Operating costs	(2,865)	(3,972)	(1,762)	(1,618)
Finance costs	(726)	(560)	(278)	(305)
Exchange loss	(326)	(698)	(498)	213
Gain on disposal of investment in securities	–	781	781	–
Share of results of associates	3,275	2,861	1,601	1,804
Share of results of joint ventures	6,198	5,887	3,004	2,847
Profit before taxation	11,650	10,200	5,810	5,945
Profit for the year	11,658	10,208	5,803	5,930
Attributable to:				
– Shareholders of the Company	11,162	9,636	5,511	5,657
– Owners of perpetual capital securities	517	584	308	275
– Non-controlling interests	(21)	(12)	(16)	(2)

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For the financial year ended 31 December 2016, the Group's profit attributable to the Shareholders amounted to HK\$9,636 million, representing a decrease of approximately 14% compared to the year of 2015. Among which, profit contributed from PAH recorded a decrease of approximately 17% as compared to the year of 2015 to HK\$2,494 million and it was mainly due to (i) the lower deferred tax credit in the United Kingdom in 2016 compared to 2015; (ii) the reversal of provisions and expenses made in 2015; (iii) the weakness in British pound which affected the results of PAH's investment in the United Kingdom when converted into Hong Kong dollars; and (iv) the lower contribution from HK Electric Investments and HK Electric Investments Limited since a reduction of stake by PAH from 49.9% to 33.37% in June 2015.

As disclosed in the 2017 Interim Report, the unaudited profit attributable to the Shareholders for the six months ended 30 June 2017 was HK\$5,657 million, representing an increase of approximately 3% compared with the corresponding period in 2016 of HK\$5,511 million despite British pounds depreciated by more than 10% when compared with the corresponding period in 2016. Profit contributed from PAH increased by approximately 16% to HK\$1,564 million, mainly due to both Hong Kong and international portfolios reported growth during the period under review.

Financial position of the Group

The following table sets out certain selected balance sheet items of the Group as at 31 December 2015 and 2016 and 30 June 2017 as extracted from the 2015 Annual Report, 2016 Annual Report and 2017 Interim Report respectively.

	As at 31 December 2015	As at 31 December 2016	As at 30 June 2017
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Bank deposits and cash	7,897	11,790	4,746
Total current assets	9,278	13,539	5,887
Total assets	132,102	127,910	138,263
Bank and other loans	17,177	16,845	24,336
Total current liabilities	3,681	13,837	11,454
Total liabilities	21,543	21,723	29,640
Net assets	110,559	106,187	108,623

As at 31 December 2016, the Group had total assets amounted to HK\$127,910 million, mainly comprising the interests in associates and the interests in joint ventures amounted to HK\$52,177 million and HK\$53,973 million respectively. Besides, the Group had bank deposits and cash balance of HK\$11,790 million and the total borrowings amounted to HK\$16,845 million. The

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Group maintained a net debt position with a net debt to net total capital ratio of approximately 4.5% (31 December 2015: 7.7%), which was calculated based on the net debt balance of HK\$5,055 million and the net total capital of HK\$111,242 million (i.e. net debt amount of HK\$5,055 million plus the net assets amount of HK\$106,187 million). The decrease in the net debt to net total capital ratio of the Group was mainly due to the funds raised in an issue of US\$1.2 billion perpetual capital securities and the sales proceeds from disposal of investment in securities during the year.

As at 30 June 2017, the Group had total assets of HK\$138,263 million, mainly comprising the interests in associates and the interests in joint ventures with the amount of HK\$48,655 million and HK\$75,694 million respectively. Compared with the year end of 2016, the net debt to net total capital ratio of the Group increased to 15.3% with the bank deposits and cash balance of HK\$4,746 million and the total borrowings balance of HK\$24,336 million, it was mainly due to the funds utilised for the investment in a business owns and operates energy utility assets in Australia, the United States, the United Kingdom and Europe during the first half of 2017.

4. Background of the Target Group

4.1. Business of the Target Group

The Target is a fully integrated energy management services provider generating value across all stages of the sub-metering value chain from hardware development, manufacturing, installation and maintenance to meter reading, data collection and processing, billing, energy data management and customer and after-sales services.

According to the 2016 Target's Annual Report, the Target Group has a presence in 24 countries, serving approximately 450,000 customers in more than 12 million dwellings with over 53 million installed measuring devices. The Target Group has leading market positions mostly throughout Europe including Germany, France, Denmark, Poland, Spain, the Netherlands, Luxembourg and Romania. In particular, Germany is the world's largest sub-metering market and also the core market for the Target Group.

We have discussed with the management of the Company and understand that the Target Group is one of the two sub-metering market leaders in Germany, serving approximately 280,000 customers and approximately 4.7 million dwellings, with a base of approximately 27 million measuring devices. According to the 2016 Target's Annual Report, the earnings before interest expenses, taxation, and depreciation and amortisation (“**EBITDA**”) generated in central European markets (including Germany, Austria, Luxembourg and Switzerland) accounted in aggregate for approximately 81% of total EBITDA of the Target Group in 2016. Besides, the EBITDA generated in France accounted for approximately 10% of the Target Group's EBITDA in 2016.

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4.2. Financial review of the Target Group

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

	For the year ended 31 December		For six months ended 30 June	
	2015	2016	2016	2017
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>EUR million</i>	<i>EUR million</i>	<i>EUR million</i>	<i>EUR million</i>
Revenue	810.4	850.4	431.3	462.2
	(equivalent to approximately HK\$7,455.7 million)	(equivalent to approximately HK\$7,823.7 million)	(equivalent to approximately HK\$3,968.0 million)	(equivalent to approximately HK\$4,252.2 million)
Adjusted EBITDA ^(a)	340.2	370.1	196.9	208.6
	(equivalent to approximately HK\$3,129.8 million)	(equivalent to approximately HK\$3,404.9 million)	(equivalent to approximately HK\$1,811.5 million)	(equivalent to approximately HK\$1,919.1 million)
Run rate adjusted EBITDA ^(b)	354.8	383.5	206.3	217.8
	(equivalent to approximately HK\$3,264.2 million)	(equivalent to approximately HK\$3,528.2 million)	(equivalent to approximately HK\$1,898.0 million)	(equivalent to approximately HK\$2,003.8 million)
LTM run rate adjusted EBITDA ^(c)	354.8	383.5	365.6	395.0
	(equivalent to approximately HK\$3,264.2 million)	(equivalent to approximately HK\$3,528.2 million)	(equivalent to approximately HK\$3,363.5 million)	(equivalent to approximately HK\$3,634.0 million)
Consolidated net profit / (loss) of the year / period (as the case may be)	(19.0)	(4.2)	(0.5)	23.7
	(equivalent to approximately HK\$(174.6) million)	(equivalent to approximately HK\$(39.0) million)	(equivalent to approximately HK\$(4.6) million)	(equivalent to approximately HK\$218.2 million)

Notes:

- (a) Adjusted EBITDA refers to the EBITDA adjusted for one-off extraordinary income and expenses.
- (b) Run rate adjusted EBITDA is calculated by making further adjustments on the adjusted EBITDA to reflect the secured businesses at any point of time contracted but not fully recognised in the Target Group's consolidated financial statements due to the timing effects.
- (c) LTM run rate adjusted EBITDA refers to the latest twelve months trailing run rate adjusted EBITDA of the Target Group.

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For the financial year ended 31 December 2015, revenue of the Target Group increased by approximately 3.7% to approximately EUR810.4 million (equivalent to approximately HK\$7,455.7 million), mainly due to the increase in revenue from the hardware segment as a result of higher rental revenue received. However, the Target Group recorded loss of approximately EUR19.0 million (equivalent to approximately HK\$174.6 million) for the year 2015, mainly due to its highly leveraged structure with a net-debt-to-equity ratio of 10.6 times at the year end of 2015 and thus incurring a net finance costs of approximately EUR162.0 million (equivalent to approximately HK\$1,490.8 million) during the year.

For the financial year ended 31 December 2016, revenue of the Target Group increased by approximately 4.9% to approximately EUR850.4 million (equivalent to approximately HK\$7,823.7 million), mainly due to higher revenue from the service segment as a result of volume gains in the core sub-metering business as well as growth in adjacent services including smoke detectors. Revenue from the hardware segment also increased during the year due to higher rental income in core sub-metering business and volume growth related to radio migration and heat meter sales. Similar to 2015, the Target Group incurred high net finance costs of approximately EUR164.6 million (equivalent to approximately HK\$1,514.1 million) in 2016 and thus recorded a loss of approximately EUR4.2 million (equivalent to approximately HK\$39.0 million) for the year.

For the six months ended 30 June 2017, revenue of the Target Group amounted to approximately EUR462.2 million (equivalent to approximately HK\$4,252.2 million), representing an increase of approximately 7.2% compared to the corresponding period in 2016 and it was mainly due to the increase in sales contribution from the central European region (including Germany, Austria, Luxembourg and Switzerland). During the period, the finance cost of the Target Group dropped by approximately 11.2% as compared to corresponding period in 2016 to EUR76.8 million (equivalent to approximately HK\$706.7 million) and leading to a net profit of approximately EUR23.7 million (equivalent to approximately HK\$218.2 million) recorded by the Target Group.

In reviewing the financial performance of the Target Group, we noted from the 2016 Target's Annual Report and 2017 Target's Interim Report that the management of the Target has calculated a run rate adjusted EBITDA that can better reflect the growing operating performance of the Target Group. Due to the timing effects inherent in the International Financial Reporting Standards, net new contracts won as well as service price increases are not fully recognised during the effective period but with a delay of approximately 6 to 12 months when the new contracts begin or a price increases become effective. In contrast, the run rate adjustment resolves such lagging effects and reflects the latest operating status of the Target Group since an upward trend of financial performance, in terms of both revenue and EBITDA, has shown throughout the last decade.

We noted from the above that the Target Group is continuously growing during the last few years in terms of its operating performance (i.e. increasing in EBITDA). However, the operating profits of the Target Group in 2015 and 2016 were offset by high finance costs due to its highly leveraged capital structure. As at 30 June 2017, the Target Group had a net debt position of approximately EUR1,841.0 million (equivalent to approximately HK\$16,937.2 million), representing a net-debt-to-equity ratio of approximately 6.6 times. Among the total borrowing of the Target Group, the interest

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rates of the Target PEC and the Notes ranged from 5.0% to 8.0% per annum. As stated in the Joint Announcement, the Purchaser intends to make use of external banking facilities made available to the Purchaser to refinance all or part of the Existing Financing Arrangements and a restructuring of the capital structure of the Target Group is expected to take place upon the completion of the Acquisition. Given the reputed creditability of the Company and CKAH and the fact that both the Company and CKAH have higher credit rating issued by global major credit rating agencies than the Target (e.g. Standard & Poor's continues to reaffirm the Group's credit rating of "A-/Stable"), it is reasonable to expect that the cost of borrowing of the Target Group could be reduced after the Acquisition.

5. Reasons for and benefits of the Joint Venture Transaction

(a) Consistent with the development strategies of the Group

As stated in the 2016 Annual Report, one of the long-term development strategies of the Group is to expand its portfolio by acquiring quality businesses with strong and recurrent returns. The Company focuses on the fundamentals of the project and stringent investment criteria must be met which in turn provide attractive returns with stable and predictable cash flows to the Group. Meanwhile, the Group seeks investments in countries that have established legal systems and transparent regulatory system.

We have discussed with the management of the Company and understand that the business of the Target Group displays a high degree of predictability through long-term customer relationships. The Target Group has secured its revenue by entering into long-term contracts with its customers and has maintained a low customer churn rate in its key market including Germany which is the global largest sub-metering market. In accordance with the 2016 Target's Annual Report, the terms of sub-metering contracts in Germany are 5-6 years for water, 8-10 years for heat and the Target Group's customer churn rate in Germany in recent years has maintained less than 3% per annum.

Besides, as discussed in the 2016 Target's Annual Report, the Target Group has a well-diversified customer base with no individual customer account for more than 1% of revenue and it could limit the Target Group's risk exposure to customer concentration.

In addition, the business nature of the Target Group is non-cyclical and generally unaffected by the overall macroeconomic conditions as sub-metering is mandatory in many of the Target Group's markets. From 2011 to 2016, revenue of the Target Group increased from approximately EUR700.6 million to EUR850.4 million, representing a compound annual growth rate ("CAGR") of approximately 4.0% while the adjusted EBITDA increased from approximately EUR284.4 million in 2011 to approximately EUR370.1 million in 2016, representing a CAGR of approximately 5.4%.

As mentioned above, the Target Group recorded loss in recent financial years due to its high leveraged capital structure. However, as stated in the Joint Announcement, the Purchaser intends to make use of external banking facilities made available to the Purchaser to refinance all or part of the Existing Financing Arrangements and a restructuring of the capital structure of the Target Group is expected to take place upon

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the completion of the Acquisition and we consider that it is reasonable for the Target Group to reduce its finance costs and potentially contribute profits to Consortium Members in future.

Given the facts stated above, we consider the investment in the Target Group, through the Joint Venture Transaction, is consistent with the Company's strategies that investing in infrastructure and infrastructure like opportunities around the world and embracing new growth opportunities through diversification.

(b) Leading market position with attractive growth prospects

The Target Group has established a substantial global presence with leading market positions in many of the markets that the Target Group operates including Germany which is the world's largest sub-metering. In accordance with the 2016 Target's Annual Report, the Target Group is one of the two sub-metering market leaders in Germany, serving approximately 280,000 customers and approximately 4.7 million dwellings, with a base of approximately 27 million measuring devices and the EBITDA generated in the central European region (including Germany, Austria, Luxembourg and Switzerland) accounted for approximately 81% of the Target Group's total EBITDA in 2016.

In addition, the Target Group also has strong market positions in other European markets. As discussed in the above section headed "*4.1. Business of the Target Group*", the core markets of the Target Group, including Germany, Austria, Luxembourg, Switzerland and France, accounted in aggregate for approximately 91% of the Target Group's total EBITDA in 2016 and among which, the Target Group has, based on its internal information stated in the 2016 Target's Annual Report, leading market positions in Germany, France and Luxembourg.

We have discussed with the management of the Company and understand that the growth strategy of the Target Group is based on the positive effects from the implementation of the Energy Efficiency Directive ("**EED**"), which was entered into force in December 2012, with transposition into nation laws by European countries progressing significantly from 2014. The purpose of the EED is to mandate energy-saving actions across the European Union. For example, by requiring individual heating and hot water meters and consumption-based billing for final customers in order to make them aware of their energy consumption and cost, and to enable the public to regulate their own energy consumption. Under EED, the costs from third parties (e.g. sub-metering providers) resulting from the measuring, allocation and accounting of individual consumption may be passed onto the final customers if such costs are reasonable.

In November 2016, the European Commission released an updated version on the EED which has two parts are particularly relevant to sub-metering industry. First, sub-metering devices that have already been installed but not remotely readable shall be upgraded or replaced by 2027 with devices that are remotely readable. Second, billing information is to be provided at least on a quarterly basis once remotely readable meters or cost allocators have been installed, and the frequency will be further increased to monthly periods starting from 2022. Based on the above, it is expected that the demand for sub-metering devices and services will be increased in coming future following the implementation of the EED by the European Union members.

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

In accordance with the terms of the Joint Venture Formation Agreement, if both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are obtained, the Joint Venture Transaction will proceed and the Company will hold 35% interest in the Target Group. Upon the completion of the Joint Venture Transaction, the JV Co will be accounted as a joint venture in the consolidated financial statements of the Group and no financial consolidation will be made to reflect the financial performance of the Target Group and therefore, as a protection to minority interest that will be acquired by the Company, we consider it is crucial to understand the dividend distribution policy of the JV Co to assess the fairness of the Joint Venture Transaction.

We have reviewed the draft Shareholders' Agreement agreed between the Company, CKAH, Midco 2, Midco 3 and JV Co, and understand that the dividend and distribution policy of the JV Co shall be maximising the distributions to its shareholders in proportional to their respective shareholding in the JV Co and to distribute the free cash flows of the JV Co, provided that in considering the amount to be distributed, the JV Co shall maximise gearing as far as practicably possible but without affecting the rating of the JV Co and its subsidiaries. Meanwhile, as discussed in the section headed "2.2. *The Shareholders' Agreement*" in this letter, resolutions relating to reserved matters including the change in dividend and distribution policy requires a higher approval threshold of 85% of the votes held by JV Co Directors and/or shareholders of JV Co. This voting arrangement effectively means that all important decisions require unanimous approval from all Consortium Members. We consider such terms are normally adopted in joint venture arrangement and provide a reasonable level of protection to the Company as a minority shareholder in the JV Co.

Conclusion on the reasons for and benefits of the Joint Venture Transaction

In light of the reasons for and benefits of the Joint Venture Transaction stated above, we are of the view that the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual course of business and in line with the development strategy of the Group, and the Joint Venture Transaction is in the interests of the Company and the Shareholders as a whole.

6. Analysis of the Maximum Financial Commitment

As the Consortium Members of the Joint Venture Transaction is to jointly invest in the Target Group through the Acquisition, we have analysed the Total Purchase Price in order to assess the fairness and reasonableness of the Joint Venture Transaction.

As stated in the Joint Announcement, the Total Purchase Price comprises (i) a base purchase price of approximately EUR3,709 million (equivalent to approximately HK\$34,122.8 million); and (ii) certain adjustment sums reflecting aggregate amount of daily cash amounts and deductions of the upstream loans drawn by the Seller (including accrued and capitalised interest thereon) and the leakage amounts notified by the Seller to the Purchaser. We have discussed with the management of the Company and understand that the Acquisition is expected to be completed by end of October 2017 and it is expected that the adjustment to the Total Purchase Price would be approximately EUR225.9 million by that

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time. Hence, we have adopted EUR3,934.9 million (being the base purchase price of approximately EUR3,709 million plus the adjustment of approximately EUR225.9 million) as the Total Purchase Price for the purpose of our assessment.

6.1. Trading comparable companies analysis

We have conducted a trading comparable companies analysis by comparing the pricing ratio represented by the Total Purchase Price against the market valuation of other listed companies (the “**Comparable Companies**”) that are principally engaged or invested in the businesses of manufacturing sub-metering devices and/or providing sub-metering services. We have identified five Comparable Companies that we consider comparable to the Target’s existing business.

We consider the selected Comparable Companies as listed out below to be an exhaustive list according to our research through public information based on the above criteria.

In our assessment, we consider the ratio of enterprise value (“**EV**”) to the EBITDA is the most appropriate valuation benchmark to evaluate the Total Purchase Price. EV to EBITDA ratio is widely adopted in evaluation of business takeover transactions since the EBITDA can reflect the operating results and performance of an entity because the effects of non-operating factors, such as financial leverage, the difference in depreciation policy, taxation rate and taxation policy between the Comparable Companies and the Target are eliminated. In contrast, net profits among companies could be greatly affected by factors such as accounting system and taxation rate and policy in different countries, and thus comparison of net profit between companies located in different countries are less meaningful.

In addition, we have adopted the run rate adjusted EBITDA of the Target Group as the subject to measure in this analysis due to the reasons stated in the section headed “*4.2. Financial review of the Target Group*” in this letter and the fact that it can reflect the current operating status of the Target Group that shows a continuous upward trend. We have also considered the drawbacks of run rate adjusted figure that might create possible distortion due to one-time sales or sales from short-term contracts. However, we consider such possible distortion is not applied to the Target Group due to the following reasons:

- (i) the Target Group has a well-diversified customer base with approximately 450,000 customers in 24 countries and no individual customer account for more than 1% of revenue. Therefore, it is reasonable to believe that it is unlikely to have any one-time sales that can substantially distort the revenue of the Target Group; and
- (ii) the Target Group has secured its revenue by entering into long-term contracts with its customers (i.e. 5-6 years for water contracts and 8-10 years for heat contracts in Germany) and has maintained a low customer churn rate (i.e. less than 3% per annum in recent years). Therefore, it is reasonable to expect that no short-term contracts exist to distort the overall financial performance of the Target Group.

Based on the above, we consider the run rate adjusted EBITDA is an appropriate subject to be adopted in the analysis.

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The table below illustrates the EV to EBITDA ratio of each of the Comparable Companies which were derived based on their respective market capitalisation as at the Latest Practicable Date and the implied ratio of the Acquisition based on the Total Purchase Price of EUR3,934.9 million as mentioned above.

<u>Comparable Companies</u>	<u>Market capitalisation as at the Latest Practicable Date (in million)</u> <i>(Note 1)</i>	<u>EV (in million)</u> <i>(Note 2)</i>	<u>EBITDA (in million)</u> <i>(Note 3)</i>	<u>EV/EBITDA ratio (times)</u>
1. Itron Inc. (Stock code: ITRI NASDAQ)	USD2,786.45	USD2,982.93	USD221.30	13.48
2. Badger Meter Inc. (Stock code: BMI NYSE)	USD1,326.10	USD1,357.81	USD76.25	17.81
3. Mueller Water Products Inc. (Stock code: MWA NYSE)	USD1,928.43	USD2,056.43	USD163.10	12.61
4. Smart Metering System PLC (Stock code: SMS LSE)	GBP635.11	GBP757.12	GBP33.46	22.63
5. Landis+Gyr (Stock code: LAND SIX)	USD2,264.12 <i>(Note 4)</i>	USD2,391.02	USD212.00	11.28
			Maximum	22.63
			Minimum	11.28
			Mean	15.56
			Median	13.48
The Target	EUR3,934.90 <i>(Note 5)</i>	EUR5,775.90 <i>(Note 6)</i>	EUR395.00	14.62

Source: Bloomberg and the respective companies' latest annual reports

Notes:

- (1) The market capitalisations of the respective Comparable Companies are as at the Latest Practicable Date and extracted from Bloomberg.
- (2) EVs of the respective Comparable Companies represent the sum of the respective (i) market capitalisation as at the Latest Practicable Date; and (ii) total net borrowing amounts (i.e. the total borrowing amounts minus the cash and cash equivalent) as obtained from their latest published financial statements.
- (3) EBITDAs of the respective Comparable Companies represent the earnings before interest expenses, taxation, and depreciation and amortisation. EBITDAs adopted in the table are the latest twelve months trailing EBITDAs of the relevant Comparable Companies prior to the Latest Practicable Date as extracted from the respective interim reports and annual reports and adjusted for one-off extraordinary incomes and expenses (if any).
- (4) Shares of Landis+Gyr are listed on the Swiss Exchange and quoted by Swiss franc (CHF) while the reporting currency of Landis+Gyr is USD. Market capitalisation is converted to USD by the exchange rate of CHF1.00 to USD1.03541 quoted from Bloomberg as at the Latest Practicable Date for the propose of our analysis only.
- (5) Market capitalisation of the Target refers to the Total Purchase Price.

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- (6) EV of the Target is calculated based on note 2 above, with the market capitalisation refers to the Total Purchase Price and the total net borrowing amount of the Target Group of EUR1,841.00 million as extracted from the 2017 Target's Interim Report.

As shown above, the EV/EBITDA ratio of the Comparable Companies ranged from approximately 11.28 times to 22.63 times with a mean of 15.56 times and median of 13.48 times. The EV/EBITDA ratio of the Target implied by the Total Purchase Price is approximately 14.62 times which falls well within the range of EV/EBITDA ratios of the Comparable Companies, lower than the mean but slightly higher than the median of EV/EBITDA ratios of the Comparable Companies.

6.2. Precedent transactions analysis

Apart from the trading comparable companies analysis, we have researched publicly disclosed transactions (“**Comparable Transactions**”) in relation to the transfer of interests in entities that are principally engaged or invested in the businesses of manufacturing sub-metering devices and/or providing sub-metering services during the past five years. We have identified four Comparable Transactions and consider the list of Comparable Transactions set out below to be an exhaustive list according to our research based on the same rationale discussed in the trading comparable companies analysis above.

<u>Date of announcement</u>	<u>Target entity</u>	<u>Size of consideration (in million)</u>	<u>EV (in million) (Note 1)</u>	<u>EBITDA (in million) (Note 2)</u>	<u>EV/EBITDA (times)</u>
Jun 2017	Nuri Telecom Inc	KRW33,665	KRW108,967	KRW3,142	34.68
April 2017	QUNDIS GmbH	EUR400	EUR400	EUR30	13.33
July 2015	Elster Group	GBP3,300	GBP3,300	N.A. (Note 3)	14.30 (Note 3)
June 2015	Nuri Telecom Inc	KRW15,000	KRW243,993	KRW10,579	22.68
				Maximum	34.68
				Minimum	13.33
				Mean	21.25
				Median	18.49
	The Target	EUR3,934.90 (Note 4)	EUR5,775.90 (Note 5)	EUR395.00	14.62

Source: Bloomberg, the relevant press release, public announcements, or regulatory filings

Notes:

- (1) EVs of transaction targets for each of the Comparable Transactions represent the sum of (i) the total equity value of transaction targets which derived by the consideration and the percentage of interest sought by the acquirers; and (ii) the net debt amount of transaction targets before the completion. These figures sourced from relevant press releases, public announcements and annual reports of the transaction targets.
- (2) EBITDAs of transaction targets for each of the Comparable Transactions refer to the latest twelve months trailing EBITDAs of the relevant Comparable Transactions prior to their respective announcement date.

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- (3) EBITDA of Elster Group did not publicly disclosed and the EV/EBITDA ratio was provided by the seller of Elster Group, namely Melrose Industries Plc. (“Melrose”), and it was derived based on the EBITDA of Elster Group for the year 2014. The EV/EBITDA ratio of 14.30 times was stated in Melrose’s announcement dated 28 July 2015.
- (4) Size of consideration of the Target refers to the Total Purchase Price.
- (5) EV of the Target is calculated based on note 1 above, with the market capitalisation refers to the Total Purchase Price and the total net borrowing amount of the Target Group of EUR1,841.00 million extracted from the 2017 Target’s Interim Report.

As shown above, the EV/EBITDA ratio of the Comparable Transactions ranged from approximately 13.33 times to 34.68 times with a mean of 21.25 times and median of 18.49 times. The EV/EBITDA ratio of the Target implied by the Total Purchase Price is approximately 14.62 times which falls well within the range of EV/EBITDA ratios of the Comparable Transactions, lower than the mean and the median of EV/EBITDA ratios of the Comparable Transactions.

Conclusion on the analysis of the Maximum Financial Commitment

We noted that the EV/EBITDA ratio implied by the Total Purchase Price falls well within the ranges and is lower than the means of market valuation based on the results of our comparable analyses. Despite the EV/EBITDA ratio implied by the Total Purchase Price is slightly higher than the median of market valuation of the comparable companies analysis, given that (i) the Target Group has leading positions mostly in markets throughout Europe, it provides a valuable opportunity for the Company to expand its project portfolio into sub-metering industry, and also it is usual for investors to pay certain level of premium when acquiring a market leader; (ii) the business nature of the Target Group is consistent with the Group’s investment philosophy that aims for acquiring quality business/assets that can generate stable and predictable cash flows; and (iii) other reasons and benefits for the Joint Venture Transaction as discussed in this letter. Accordingly, we are of the view that the Total Purchase Price for the Acquisition is acceptable and hence the Joint Venture Transaction is fair and reasonable so far as the Independent Shareholders are concerned.

7. Financial effects of the Joint Venture Transaction

7.1. Effect on earnings

Based on the financial information of the Target Group, the operating profits of the Target in 2015 and 2016 were offset by high finance costs due to its high gearing capital structure. As discussed in the Joint Announcement, the Purchaser intends to make use of external banking facilities made available to the Purchaser to refinance all or part of the Existing Financing Arrangements and a restructuring of the capital structure of the Target Group is expected to take place upon the completion of the Acquisition. Given the reputed creditability of the Company and CKAH and the fact that both the Company and CKAH have higher credit rating issued by global major credit rating agencies than the Target, it is reasonable to expect the cost of borrowing of the Target Group could be reduced after the Acquisition and potential positive effects on the future earnings of the Group could be contributed by the Target Group

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having consider its upward trend of revenue as well as its ongoing improvement in operating efficiency which has been supported by the compelling financial results of the Target Group for the six months ended 30 June 2017. As such, we consider the Joint Venture Transaction may provide potential positive impact on the earnings of the Group in future.

7.2. Effect on net assets

Upon the completion of the Joint Venture Transaction, the Group and the CKAH Group will hold 35% and 65% equity interest in the JV Co, respectively. The interest in JV Co will be accounted for as joint venture in the consolidated financial statements of the Group. Accordingly, the financial results and assets and liabilities of the Target Group will not be consolidated into the financial statements of the Company, and therefore we are of the view that the Joint Venture Transaction may not have a material adverse impact on the net asset value of the Group.

7.3. Financing of the Maximum Financial Commitment and effect on gearing

Assuming both of the Independent Shareholders' Approval and the CKAH Independent Shareholders' Approval are obtained, the Maximum Financial Commitment to be contributed by the Group will be up to EUR1,575 million (equivalent to approximately HK\$14,490 million). We have discussed with the management of the Company and understand that the Company intends to finance its portion of the Maximum Financial Commitment from its internal resources and/or external borrowings.

As at 30 June 2017, the Group had a bank balances and deposits of approximately HK\$4,746 million and the total borrowings amounted to approximately HK\$24,336 million, representing a net debt position of approximately HK\$19,590 million. The net debt to net total capital ratio was approximately 15.3% which we consider to be prudent. We noted that PAH recently declared an interim dividend and a special dividend of HK\$0.77 and HK\$7.50, respectively, per PAH's share, payable on 29 August 2017. Given the Company is in the interest of approximately 38.87% in PAH, the Company received approximately HK\$6,861 million from PAH. In addition, we noted that the Company issued perpetual securities of US\$500 million in August 2017. Based on the above, we consider the Company has sufficient financial resources to fund the Maximum Financial Commitment.

Apart from the aforementioned available financial resources, the Group may also consider obtaining external borrowings. Given that (i) the Company has a proven track record of strong operating cash inflows; (ii) has maintained a relatively low level of gearing; and (iii) reputed credit rating from global major credit rating agencies as mentioned above in this letter, we consider it is feasible for the Group to obtain external borrowings and be able to meet the Maximum Financial Commitment.

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The actual effect of gearing on the Group is subject to the level of external borrowings to be obtained by the Group for the Joint Venture Transaction. However, given the reason stated above, we are of the view that the Joint Venture Transaction may not have a material adverse impact on the gearing of the Group.

Our view on the financial effect of the Joint Venture Transaction

In light of the above, the Joint Venture Transaction will have (i) a potential positive effect on the future earnings of the Group; and (ii) no material adverse impact on both net asset value and gearing of the Group, we are of the view that the Joint Venture Transaction will have an overall positive financial effect to the Group and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

In summary, we have considered the following principal factors and reasons in arriving at our opinion:

- (a) the investment in the Target Group, through the Joint Venture Transaction, is consistent with the development strategies of the Group that investing in infrastructure and infrastructure-like opportunities around the world, as the Target Group operates an efficient business that generates stable and predictable cash flows. Meanwhile, the Target Group has leading positions mostly in markets throughout Europe including Germany, France, Denmark, Poland, Spain, the Netherlands, Luxemburg and Romania, and it is in line with the Group's investment philosophy of making investments in countries that have established sound legal systems and highly transparent regulatory regimes. As such, we consider the Joint Venture Transaction is in the ordinary and usual course of business and in line with the business strategy of the Group;
- (b) the Target Group has strong market positions in many of European markets that it operates and the investment in the Target Group, through the Joint Venture Transaction, provides a valuable opportunity for the Company to expand its project portfolio into sub-metering industry. Besides, terms of the Joint Venture Formation Agreement and the Shareholders' Agreement effectively govern the funding and operation of JV Co and the Purchaser as well as the Consortium Members' ongoing investment in the Target Group. In particular, the voting arrangement under the Shareholders' Agreement provides veto power to all Consortium Members on important decisions of JV Co, and it is a crucial protection for the Company as a minority shareholder. Based on the above, we consider the Joint Venture Transaction is in the interest of the Company and the Shareholders as a whole;
- (c) the Maximum Financial Commitment to be contributed by each of the Company and CKAH are directly in proportional to their respective shareholding in JV Co and the Total JV Commitment (i.e. EUR4,500 million) is determined with reference to the funding required for the Acquisition. The Total Purchase Price for the Acquisition is acceptable and the Joint Venture Transaction is fair and

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reasonable based on the results and discussion of our comparable analyses. And we consider the Maximum Financial Commitment for the Joint Venture Transaction is well within the available financial resources of the Group; and

- (d) the Joint Venture Transaction will have (i) a potential positive effect on the future earnings of the Group; and (ii) no material adverse impact on both net asset value and gearing of the Group, and therefore we are of the view that the Joint Venture Transaction will have an overall positive financial effect to the Group and are in the interest of the Company and the Shareholders as a whole.

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

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

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

Liu Chee Ming
Managing Director

Li Lan
Director and Co-head of Corporate Finance

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

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS OF DIRECTORS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, 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 entered 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:

(i) Long Positions in Shares

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

APPENDIX
GENERAL INFORMATION

Name of Company	Name of Director	Capacity	Number of Ordinary Shares / Share Stapled Units				Total	Approximate % of shareholding
			Personal interests	Family interests	Corporate interests	Other interests		
	George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	85,361	16,771	–	833,868 (Note 8)	936,000	0.02%
	Chow Woo Mo Fong, Susan	Beneficial owner	129,960	–	–	–	129,960	0.003%
	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	9,895 (Note 9)	11,895 (Note 9)	–	–	11,895	0.0003%
Power Assets Holdings Limited	Kam Hing Lam	Interest of child or spouse	–	100,000	–	–	100,000	0.004%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	–	–	–	8,800	0.0004%
HK Electric Investments and HK Electric Investments Limited	Li Tzar Kuoi, Victor	Interest of controlled corporations	–	–	7,870,000 (Note 5)	–	7,870,000	0.08%
	Kam Hing Lam	Interest of child or spouse	–	1,025,000	–	–	1,025,000	0.01%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	2,000,000 (Note 7)	–	2,000,000	0.02%
	Lee Pui Ling, Angelina	Beneficial owner	2,000	–	–	–	2,000	0.00002%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	–	1,000,000 (Note 7)	–	5,100,000	0.037%
	Frank John Sixt	Beneficial owner	1,000,000	–	–	–	1,000,000	0.007%
Hutchison Telecommunications Hong Kong Holdings Limited	Li Tzar Kuoi, Victor	Interest of child or spouse, interest of controlled corporations & beneficiary of trusts	–	192,000	2,519,250 (Note 4)	153,280 (Note 6)	2,864,530	0.05%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	1,202,380 (Note 7)	–	1,202,380	0.025%
	George Colin Magnus	Beneficial owner & interest of child or spouse	13,201	132	–	–	13,333	0.0003%
	Chow Woo Mo Fong, Susan	Beneficial owner	250,000	–	–	–	250,000	0.005%

(ii) Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares				Total
			Personal interests	Family interests	Corporate interests	Other interests	
Hutchison Telecommunications Hong Kong Holdings Limited	Frank John Sixt	Beneficial owner	255,000 (Note 10)	–	–	–	255,000

(iii) Long Positions in Debentures

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

Notes:

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

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

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

- (2) The 1,094,244,254 shares in CKHH comprise:
- (a) 1,001,953,744 shares held by TUT1 as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings (“**TUT1 related companies**”). By virtue of being a Director and a discretionary beneficiary of each of DT1 and DT2 as described in Note (1) above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of CKHH held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.
- (b) 7,863,264 shares held by Li Ka-Shing Castle Trustee Company Limited (“**TUT3**”) as trustee of UT3. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Each of the trustees of DT3 and DT4 hold units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust.

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

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

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

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

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (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 were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(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 2016, being the date to which the latest published audited accounts of the Group were made up.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the 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) development, investment and operation of energy infrastructure;
- (2) development, investment and operation of transportation infrastructure;
- (3) development, investment and operation of water infrastructure;
- (4) development, investment and operation of waste management and waste-to-energy businesses;
- (5) development, investment and operation and commercialisation of infrastructure related business;
- (6) investment holding and project management; and
- (7) securities investment.

(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 (the “**Competing Businesses**”), as required to be disclosed pursuant to the Listing Rules, were as follows:

<u>Name of Director</u>	<u>Name of Company</u>	<u>Nature of Interest</u>	<u>Competing Business (Note)</u>
Li Tzar Kuoi, Victor	CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited)	Managing Director and Deputy Chairman	(1), (2) and (5)
	CK Hutchison Holdings Limited	Group Co-Managing Director and Deputy Chairman	(1), (2), (3), (4) and (6)
	Power Assets Holdings Limited	Non-executive Director	(1), (4), (6) and (7)
	HK Electric Investments and HK Electric Investments Limited	Non-executive Director and Deputy Chairman	(1) and (6)
	CK Life Sciences Int’l., (Holdings) Inc.	Chairman	(7)
	Husky Energy Inc.	Co-Chairman	(1)
Kam Hing Lam	CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited)	Deputy Managing Director	(1), (2) and (5)
	CK Hutchison Holdings Limited	Deputy Managing Director	(1), (2), (3), (4) and (6)
	CK Life Sciences Int’l., (Holdings) Inc.	President and Chief Executive Officer	(7)
Ip Tak Chuen, Edmond	CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited)	Deputy Managing Director	(1), (2) and (5)
	CK Hutchison Holdings Limited	Deputy Managing Director	(1), (2), (3), (4) and (6)
	CK Life Sciences Int’l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(7)
Fok Kin Ning, Canning	CK Hutchison Holdings Limited	Group Co-Managing Director	(1), (2), (3), (4) and (6)
	Power Assets Holdings Limited	Chairman	(1), (4), (6) and (7)
	HK Electric Investments and HK Electric Investments Limited	Chairman	(1) and (6)
	Hutchison Telecommunications Hong Kong Holdings Limited	Chairman	(6)
	Husky Energy Inc.	Co-Chairman	(1)

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

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

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

3. DIRECTORS' SERVICE CONTRACTS

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

4. EXPERT

(a) Qualification of expert

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

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

(b) Interests of expert

As at the Latest Practicable Date, Platinum was not interested in any securities of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, and Platinum did not have any direct or indirect interest in any assets which had been, since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. CONSENT

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

6. MATERIAL ADVERSE CHANGES

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

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

After taking into account the above, the Directors confirm that there have been no material adverse changes in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of P. C. Woo & Co. at Room 1225, 12/F., Prince's Building, No. 10 Chater Road, 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 Joint Venture Formation Agreement, including the form of the Shareholders' Agreement;
- (b) the Sale and Purchase Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders dated 20 September 2017, the text of which is set out in "*Letter from the Independent Board Committee*" in this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 20 September 2017, the text of which is set out in "*Letter from the Independent Financial Adviser*" in this circular;
- (e) the written consent referred to in "*Consent*" above; and
- (f) this circular.

NOTICE OF SGM



CK Infrastructure Holdings Limited

長江基建集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

NOTICE IS HEREBY GIVEN that a special general meeting of CK Infrastructure Holdings Limited (the “**Company**”) will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on **Wednesday, 11 October 2017** at 2:15 p.m. (or in the event that 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 that day, at the same time and place on Thursday, 12 October 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 (i) the Company and its subsidiaries (together, the “**Group**”) and (ii) CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited) and its subsidiaries (together, the “**CKAH Group**”) pursuant to, or in connection with, the Joint Venture Formation Agreement (as defined and described in the circular of the Company dated 20 September 2017 (the “**Circular**”)) (a copy of the Circular marked “**A**” together with a copy of the Joint Venture 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 joint venture between the Group and the CKAH Group 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 Joint Venture Formation Agreement and all of the transactions contemplated thereunder.”

By Order of the Board

Eirene YEUNG

Company Secretary

20 September 2017

NOTICE OF SGM

Notes:

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this notice.
2. At the SGM, the Chairman of the meeting will put the above resolution to be voted by way of a poll under the Company's Bye-law 66.
3. Any member entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote in his/her stead. Any such member who is a holder of two or more Shares may appoint more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
4. To be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's principal place of business at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).
5. Completion and return of the proxy form will not preclude a member from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should the member so desire and in such event, the proxy form shall be deemed to be revoked.
6. For the purpose of determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 6 October 2017 to Wednesday, 11 October 2017 (or Thursday, 12 October 2017 in the event that the SGM is to be held on Thursday, 12 October 2017 because of a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong (as detailed in note 7 below)), both days inclusive, during which period no transfer of Shares will be effected. In order to be entitled to attend and vote at the SGM, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 4 October 2017.
7. The SGM will be held at 2:15 p.m. on Wednesday, 11 October 2017 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 Wednesday, 11 October 2017, the SGM 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 Thursday, 12 October 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 SGM under bad weather conditions at their own risk having regard to their own situation and if they should choose to do so, they are advised to exercise care and caution.

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

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

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

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

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