



## SOMERLEY CAPITAL LIMITED

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8 April 2026

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

Dear Sirs,

### **CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION DISPOSAL OF UK POWER NETWORKS**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of CKI Sub's Disposal. Details of CKI Sub's Disposal are set out in the circular of the Company dated 8 April 2026 (the "**Circular**"), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 26 February 2026, it was announced that CKI Sub (an indirect wholly-owned subsidiary of CKI and an indirect non-wholly owned subsidiary of the Company), PAH Sub (an indirect wholly-owned subsidiary of PAH), CKA Sub (an indirect wholly-owned subsidiary of CKA), the Purchaser and the Purchaser's Guarantor entered into the Share Purchase Agreement in relation to the Disposal, i.e. the disposal of the Sellers' 100% equity interest in the Target (i.e. UK Power Networks Holdings Limited) and shareholder loans at a base consideration of GBP10.548 billion (equivalent to approximately HK\$110.8 billion) (on a 100% basis) (the "**Aggregate Base Consideration**"), subject to customary adjustments. Based on CKI Sub's 40% shareholding interest in the Target, the Base CKI Consideration is approximately GBP4.2 billion (equivalent to approximately HK\$44.3 billion).

As one or more of the applicable percentage ratios of the Company in respect of CKI Sub's Disposal exceed 5% but all of the applicable percentage ratios are less than 25%, CKI Sub's Disposal constitutes a disclosable transaction of the Company and is subject to the announcement and notification requirements but is not subject to the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

CKA, a subsidiary of which is one of the Sellers, has been deemed by the Stock Exchange to be a connected person of the Company under the Listing Rules.

The disposal by CKI Sub, an indirect wholly-owned subsidiary of CKI, which was in turn owned as to 75.67% by the Company as at the Latest Practicable Date, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. On this basis, as one or more of the applicable percentage ratios of the Company in respect of CKI Sub's Disposal exceed 5%, CKI Sub's Disposal will be subject to the Company's compliance with the



announcement, reporting, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. This is why an independent board committee and an independent financial adviser are required.

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, pass an ordinary resolution to approve CKI Sub's Disposal. All Shareholders who have a material interest (which is different from that of the other Shareholders) in CKI Sub's Disposal will be required to abstain from voting on the ordinary resolution to be proposed to approve CKI Sub's Disposal at the EGM. As at the Latest Practicable Date, Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor (who is a Director) and the Trust had or were deemed to have an interest in an aggregate of approximately 30.44% of the issued share capital of the Company, and also had or were deemed to have an interest in an aggregate of approximately 48.87% of the issued share capital of CKA. Accordingly, each of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and the relevant entities under the Trust will, and will procure their respective associates to, abstain from voting on the ordinary resolution to be proposed to approve CKI Sub's Disposal at the EGM.

The Independent Board Committee, comprising Ms Chow Ching Yee, Cynthia, Mr Graeme Allan Jack, Mr Philip Lawrence Kadoorie, Mrs Leung Lau Yau Fun, Sophie, Mr Paul Joseph Tighe, Ms Tsim Sin Ling, Ruth and Mr Wong Kwai Lam, being independent non-executive directors of the Company, has been formed to advise and provide recommendation to the Independent Shareholders in respect of CKI Sub's Disposal. With the approval of the Independent Board Committee, we have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of CKI Sub's Disposal.

During the past two years, there were no engagements between the Company and Somerley Capital Limited. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Company, CKI, CKA, PAH, Engie, the Target or their respective substantial shareholders, subsidiaries, associated companies or joint ventures that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Apart from normal professional fees paid or payable to us in connection with this appointment and our appointment as the independent financial adviser to the independent board committee and the independent shareholders of CKI in relation to CKI Sub's Disposal, no arrangement exists whereby we will receive any fees or benefits from the Company, CKI, CKA, PAH, Engie, the Target or their respective substantial shareholders, subsidiaries or associates.

#### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Group, including the CKI Group, which we have assumed to be true, accurate and complete in all material aspects and will remain so up to the time of the EGM. We have reviewed (i) the Share Purchase Agreement; (ii) the annual reports of the Company and CKI for the year ended 31 December 2024; (iii) the annual results announcements of the Company and CKI for the year ended 31 December 2025; (iv) the annual reports and financial statements of the Target Group for the years ended 31 March 2024 and 2025; and (v) information contained in the Circular. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information which we have received is sufficient for us to reach our opinion and recommendation as set out in this letter and to justify our reliance on such information. We have, however, not conducted any independent investigation into the business and affairs of the



Company, CKI, CKA, PAH, Engie, the Target or their respective substantial shareholders, subsidiaries, associated companies or joint ventures. We have also assumed that all representations contained or referred to in the Circular are true as at the date of the Circular.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation with regard to CKI Sub's Disposal, we have taken into account the principal factors and reasons set out below.

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

#### **(i) The Group and CKI Group**

The Group is principally engaged in ports and related services, retail, infrastructure and telecommunications. The diverse businesses of the Company and its subsidiaries and associated companies operate in over 50 countries/markets across the world. Shares of the Company are listed on the Stock Exchange, with a market capitalisation of approximately HK\$226.5 billion as at the Latest Practicable Date.

The infrastructure division of the Group comprises interests in certain co-owned infrastructure investments with CKI and the approximately 75.67% interest in CKI, which are incorporated in the financial statements of the Company. As stated in CKI annual reports, one of its stated long term development strategies is to expand its portfolio by acquiring quality businesses with strong and recurrent returns. The CKI Group has made various acquisitions over the years to expand its business portfolio, some of which were regulated businesses like the Target Group, which have generated predictable and stable recurring revenue. Many of the CKI Group's acquisitions were made together with joint venture partners, including for example the acquisition of the Target Group in 2010.

According to the Company's 2025 annual results announcement, the Group recorded revenue of approximately HK\$280.0 billion, profit before tax of approximately HK\$26.6 billion, and profit attributable to ordinary shareholders of approximately HK\$11.8 billion in 2025. The Group's share of profits less losses of joint ventures, which included the contribution from the Target Group, amounted to approximately HK\$11.1 billion in 2025. According to the same announcement, total assets of the Group amounted to approximately HK\$1,155.7 billion as at 31 December 2025, out of which approximately HK\$171.1 billion (or approximately 14.8%) represented its interests in joint ventures, including the Target Group.

As at the Latest Practicable Date, the Target was owned as to 40% by CKI Sub, 40% by PAH Sub and 20% by CKA Sub, and the Group holds approximately 75.67% of CKI, which wholly owns CKI Sub. Accordingly, the Group's interest in CKI Sub's 40% stake translates into an effective interest of approximately 30.27% in the Target.



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

The CKA Group is a multinational conglomerate with business activities presently encompassing property development and investment, hotel and serviced suite operation, property and project management, pub operation and investment in infrastructure and utility asset operation. As at the Latest Practicable Date, the Group had no shareholding interest in CKA or CKA Sub.

The principal activities of the PAH Group are investment in energy and utility-related businesses in the United Kingdom, Hong Kong, Australia, New Zealand, Chinese Mainland, Thailand, the Netherlands, Canada and the United States. As at the Latest Practicable Date, CKI indirectly held approximately 36.01% of the issued shares of PAH.

**(iii) Engie**

Each of the Purchaser and the Purchaser's Guarantor is ultimately wholly-owned by Engie.

Engie is a major player in the energy transition, covering the entire energy value chain, from production to infrastructures and sales. Engie combines complementary activities: renewable electricity and green gas production, flexibility assets (notably batteries), gas and electricity transmission and distribution networks, local energy infrastructures (heating and cooling networks) and the supply of energy to individuals, local authorities and businesses. Engie is listed on Euronext with a market capitalisation of approximately EUR68.6 billion as at the business day before the Latest Practicable Date.

According to the website of Engie, (i) its largest shareholder is the French State, holding an approximately 22.64% share capital interest as at 3 March 2026, and (ii) it has obtained credit ratings of Baa1 from Moody's Ratings, and BBB+ from S&P Global Ratings and Fitch Ratings. Based on its latest published financial statements for the year ended 31 December 2025, Engie recorded revenue and net income of approximately EUR71.9 billion and EUR4.7 billion respectively in 2025, and had total assets and net assets of approximately EUR169.2 billion and EUR40.8 billion respectively as at 31 December 2025.

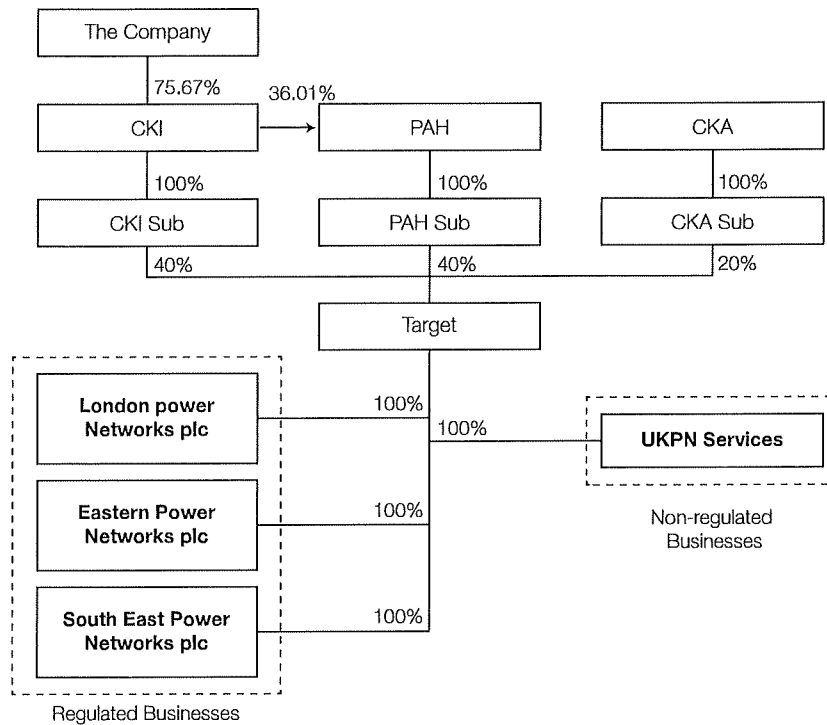
As stated in the respective (joint) announcements of the Company, CKI, CKA and PAH in relation to the Disposal, the Purchaser, the Purchaser's Guarantor, Engie and their respective ultimate beneficial owner are third parties independent of the Company, CKI, CKA, PAH and their respective connected persons.

**(iv) The Target Group**

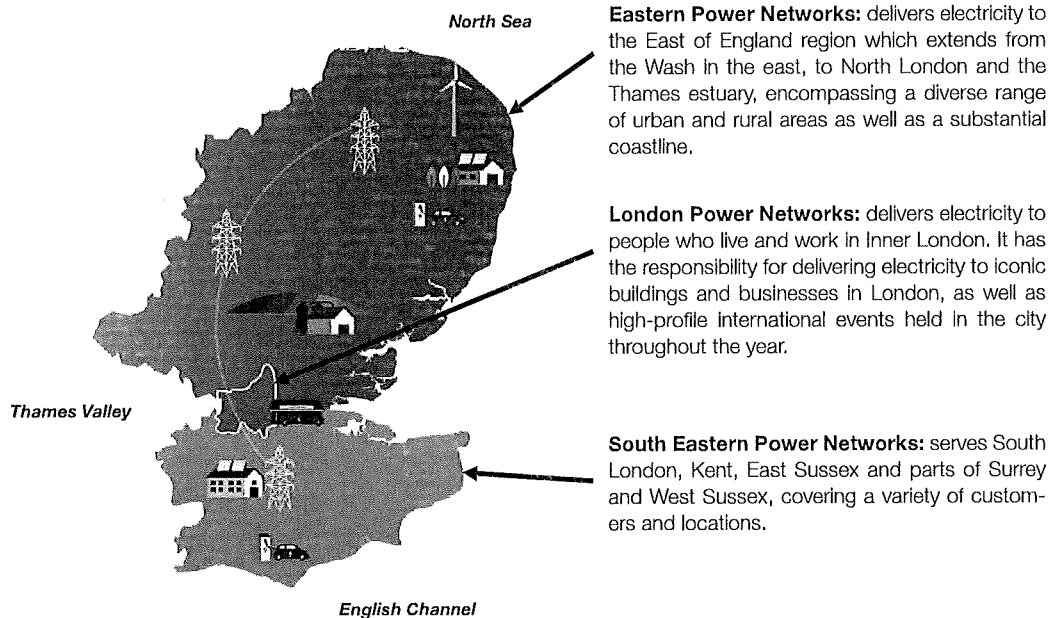
The Target Group is an electricity distribution network operator serving London, the South East and the East of England region, responsible for distributing electricity to end users including homes and businesses. The Target Group's network is approximately 192,000 kilometres in length and covers an area of over 29,000 square kilometres. According to its website, the Target Group is the largest electricity distribution network operator in the United Kingdom in terms of customers, serving 8.5 million homes and businesses. While the great majority of the Target Group's turnover and profit comes from the above regulated business, the Target Group also has a non-regulated business, UKPN Services, which designs, builds, owns and operates private networks for both public and private sector clients.



Set out below is a summary of the simplified shareholding and organisation structure of the Target as at the Latest Practicable Date:



The Target Group operates its regulated business across three areas in the United Kingdom via three licensed companies:



Source: Target's FY2025 annual report



The regulated business of the Target Group as an electricity distribution network operator is operated within a regulatory framework under licence from its energy regulator, the Office of Gas and Electricity Markets (“Ofgem”), which sets out mechanisms to determine the price that the Target Group and other operators in the industry can charge their customers. The allowed revenue for the Target Group’s regulated business is largely based on an allowed return over its regulatory asset value (“RAV”), which represents the capitalised value of the assets that the Target Group uses to provide its regulated services, on which Ofgem allows the earning of a regulated return. The capital expenditure required to deliver the licensed service of electricity distribution to be included in the RAV for each regulatory price control period is determined by Ofgem. The current regulatory framework, known as the “RIIO” model (Revenues = Incentives + Innovation + Outputs), emphasises the delivery of good operational performance in areas such as network reliability and customer service, while delivering the lowest possible prices for customers. The Target Group commenced its current regulatory regime (known as RIIO-ED2) on 1 April 2023, which provides predictable and stable recurring revenue to the Target Group, and indirectly to CKI and the Company, for a period of five years.

The Target Group has continued to invest in its business over the years. In 2024, the Target Group supported approximately GBP800 million of upgrades in the electricity network to increase network capacity and resilience, and to enable more low carbon electricity generation to be fed into the grid. During the same year, the Target Group acquired Powerlink Renewable Assets, a portfolio of renewable assets, for an enterprise value of approximately GBP91 million.

Based on CKI’s 2024 annual report, the Target Group recorded profit for the year of HK\$4,791 million for the year ended 31 December 2024. As at the Latest Practicable Date, the Target was owned as to 40% by CKI Sub, 40% by PAH Sub, and 20% by CKA Sub, and the Group holds approximately 75.67% of CKI, which wholly owns CKI Sub. Accordingly, the Group’s interest in CKI Sub’s 40% share of this result in 2024 amounted to approximately HK\$1,450 million.

**(v) Reasons for and benefits of CKI Sub’s Disposal**

As stated in the Letter from the Board in the Circular, the CKI Directors believe that CKI Sub’s Disposal will allow the CKI Group, and indirectly the Group, to monetise its investment at an attractive valuation with significant accounting gain and cash proceeds for future investments or acquisitions. The receipt of the disposal consideration of approximately GBP4.2 billion (or approximately HK\$44.3 billion), i.e. the Base CKI Consideration, will allow the Group and the CKI Group to further strengthen their balance sheets for any future investment opportunities. As advised by the CKI Group, it considers and evaluates acquisition opportunities from time to time in order to maximise shareholder value, and has not made any decisions on significant acquisitions as at the Latest Practicable Date.

Considering that the Group’s profit attributable to ordinary shareholders was approximately HK\$11.8 billion in 2025, the expected gain of approximately HK\$14.5 billion (after the 24.33% share of non-controlling interests of CKI) or HK\$19.3 billion (before the 24.33% share of non-controlling interests of CKI) to be recognised by the Group, which however is non-recurring in nature, should provide a substantial boost to the Company’s profitability in 2026.



We consider the valuation as represented by consideration of the Disposal to be in line with precedent transactions we identified, and with an implied yield lower than those of certain safe investments, allowing the CKI Group to hold the proceeds at higher interest rates before pursuing other investment opportunities. Please refer to the sections below headed "4. Analysis of the CKI Consideration" and "5. Financial effects of CKI Sub's Disposal" for our further analyses of the consideration and financial effects of CKI Sub's Disposal on the Group.

## **2. Principal terms of the Disposal**

On 25 February 2026, the Share Purchase Agreement was entered into between the Sellers (i.e. CKI Sub, PAH Sub and CKA Sub), the Purchaser and the Purchaser's Guarantor in respect of the sale and purchase of the Sale Shares and the Shareholder Debt Instruments. Set out below are the principal terms of the Share Purchase Agreement, further details of which are set out in the Letter from the Board in the Circular.

### ***The Disposal***

Each Seller has agreed to severally sell to the Purchaser its respective Sale Shares, which together represent 100% of the issued share capital of the Target. Each Seller has also agreed to sell, or procure the sale of, each Shareholder Debt Instrument to the Purchaser.

### ***Guarantees***

The Purchaser's Guarantor has agreed to guarantee the performance and observance of the obligations of the Purchaser under the Share Purchase Agreement. Engie, a substantial company, has entered into the Purchaser Parent Guarantee, under which Engie will guarantee the payment of the purchase price by the Purchaser under the Share Purchase Agreement.

Each of CKI, PAH and CKA has entered into separate guarantee letters on 25 February 2026 (London time) addressed to the Purchaser, under which CKI, PAH and CKA guarantee the performance and observance of the obligations of CKI Sub, PAH Sub and CKA Sub under the Share Purchase Agreement, respectively.

### ***CKI Consideration***

The CKI Consideration for CKI Sub's Sale Shares and CKI Sub's Shareholder Debt Instruments shall be an amount in cash equal to the sum of:

- (i) the Base CKI Consideration, being GBP4,219,200,000 (equivalent to approximately HK\$44,301,600,000); *plus*
- (ii) an amount equal to the interest that would have accrued if interest had been charged at a rate of 4% per annum on the Base CKI Consideration from (and excluding) 31 March 2025 up to (and including) the Closing Date, accruing daily; *less*
- (iii) the Known CKI Permitted Leakage Amount; *less*
- (iv) to the extent not deducted from the Base CKI Consideration under paragraph (iii) above, an amount equal to: (a) the Known CKI Leakage Amount (if any); *plus* (b) the Reimbursement Amount in respect of such Known CKI Leakage Amount; *less*



- (v) where Closing occurs on or after 1 July 2026 solely due to one (or more) of the Sellers failing to convene the relevant extraordinary or special general meetings of the Company, CKI, PAH and CKA to approve the relevant resolution(s) in connection with the Disposal on or before 30 June 2026 (other than where the failure to do so was a direct result of a breach by the Purchaser of its obligations to provide information, documentation and other assistance in accordance with the Share Purchase Agreement), an amount equal to the CKI Permitted Leakage Reimbursement Amount.

The amount of the CKI Consideration allocated to each CKI Sub's Shareholder Debt Instrument shall be the aggregate of all its principal, interest, fees and other amounts outstanding at Closing, with the remainder of the CKI Consideration allocated to CKI Sub's Sale Shares. The CKI Consideration is payable by the Purchaser to CKI Sub in full in cash at Closing.

The CKI Consideration was determined based on arm's length negotiations between CKI Sub and the Purchaser and after taking into account factors including: (i) the prevailing market prices of similar assets; (ii) the performance of the business conducted by the Target Group; and (iii) the information set out under the section headed "5. Reasons for and benefits of CKI Sub's Disposal" in the Letter from the Board in the Circular.

The Company itself will not directly receive any net proceeds from CKI Sub's Disposal.

#### **Conditions**

Closing is conditional upon satisfaction of the following Conditions, or their satisfaction subject only to Closing:

- (i) approval by the Shareholders of all resolution(s) relating to the transactions to be performed by CKI Sub under the Share Purchase Agreement as may be required under the Listing Rules or otherwise required by the Stock Exchange, or the grant by the Stock Exchange of a waiver from the need to obtain such approval;
- (ii) approval by the shareholders of CKI of all resolution(s) relating to the transactions to be performed by CKI Sub under the Share Purchase Agreement as may be required under the Listing Rules or otherwise required by the Stock Exchange, or the grant by the Stock Exchange of a waiver from the need to obtain such approval;
- (iii) approval by the shareholders of PAH of all resolution(s) relating to the transactions to be performed by PAH Sub under the Share Purchase Agreement as may be required under the Listing Rules or otherwise required by the Stock Exchange, or the grant by the Stock Exchange of a waiver from the need to obtain such approval;
- (iv) approval by the shareholders of CKA of all resolution(s) relating to the transactions to be performed by CKA Sub under the Share Purchase Agreement as may be required under the Listing Rules or otherwise required by the Stock Exchange, or the grant by the Stock Exchange of a waiver from the need to obtain such approval;
- (v) a notification under the National Security and Investment Act 2021 of the United Kingdom having been accepted and (a) the Secretary of State confirming before the end of the review period that no further action will be taken in relation to the Disposal; or (b) if the Secretary of State issues a call-in notice in relation to the Disposal, the relevant parties (or any party) to the Share Purchase Agreement receiving confirmation that the Secretary of State will take no further action in relation to the call-in notice and the Disposal under the National Security and Investment Act 2021; or (c) the



Secretary of State making a final order in relation to the Disposal (and, to the extent relevant, all conditions or obligations contained in such an order necessary for Closing having been satisfied or complied with or any restriction preventing Closing having been lifted or released); and

- (vi) (a) the GFSC giving notice in writing that it approves or has no objection to the acquisition of UKPN Insurance by the Purchaser and all other persons who would at Closing become a shareholder controller of UKPN Insurance; or (b) (1) the surrendering of the authorisation or licence of UKPN Insurance to carry on insurance business under the relevant laws in the Island of Guernsey; and (2) the discontinuance and winding-up of the insurance business of UKPN Insurance, such that the no objection of the GFSC is not required in connection with the Disposal.

None of the Conditions may be waived by any party to the Share Purchase Agreement. As at the Latest Practicable Date, save for the Condition set out under paragraph (vi) above which had been satisfied, none of the Conditions had been satisfied.

If (a) the GFSC objects in writing to any person becoming a shareholder controller of UKPN Insurance following the Disposal within 90 days of the date of the Share Purchase Agreement; or (b) the GFSC does not provide written confirmation of no objection to satisfy the Condition set out under paragraph (vi) above within 90 days of the date of the Share Purchase Agreement (or such other date as may be agreed in writing between the parties to the Share Purchase Agreement), then the parties agree that the Longstop Date shall be automatically extended by a period of three months in accordance with the following paragraph.

Subject to the preceding paragraph, if any of the Conditions is not satisfied on or before 5:00 p.m. (London time) on the Longstop Date, either the Sellers (acting jointly) (by notice to the Purchaser) or the Purchaser (by notice to the Sellers' representative) may extend the Longstop Date by a period of three months. The Longstop Date refers to 30 June 2026 or such other date as the Sellers and the Purchaser may agree in writing.

If (i) the Purchaser or the Sellers have not extended the Longstop Date pursuant to the preceding paragraph and any Condition is not satisfied on or before 5:00 p.m. (London time) on the Longstop Date; or (ii) the Purchaser or the Sellers have extended the Longstop Date pursuant to the preceding paragraph or the Longstop Date has been automatically extended as set out above and any Condition is not satisfied on or before 5:00 p.m. (London time) on the extended Longstop Date, the Purchaser or the Sellers (acting jointly) may in their sole discretion terminate the Share Purchase Agreement in accordance with its terms.

### **Closing**

Closing shall take place on the tenth business day following (but excluding) the date on which the fulfilment of the last Condition is notified by the relevant party to the other parties to the Share Purchase Agreement, or at such other time or date as may be agreed between the Purchaser and the Sellers' representative in writing.

At Closing, each of the Sellers and the Purchaser shall comply with their respective closing obligations under the Share Purchase Agreement, including the delivery by each of the Sellers and the Purchaser to each other of various closing deliverables, and the payment of the total consideration (including the CKI Consideration) for the relevant Disposal by the Purchaser to the respective Sellers.

Upon Closing, the Company will no longer hold any equity interests in the Target.



### ***Exclusivity***

During the Exclusivity Period, each Seller undertakes that it shall not, and shall procure that its respective affiliates shall not, discuss, negotiate or solicit or accept any offer from any other third party for an acquisition (whether direct or indirect) of any of the issued share capital of the Target or any other material members of the Target Group, or of any assets, business or undertakings which are material in the context of the business of the Target Group taken as a whole. "Exclusivity Period" means: (i) if Closing occurs, the period from the date of the Share Purchase Agreement until Closing; (ii) if Closing does not occur solely due to one or more of the Sellers' Shareholder Conditions not being satisfied (other than where the failure to do so was a direct result of a breach by the Purchaser of its obligations to provide information, documentation and other assistance in accordance with the Share Purchase Agreement), the period of 18 months from the date of the Share Purchase Agreement; and (iii) if Closing does not occur for any other reason, the period from the date of the Share Purchase Agreement until termination of the Share Purchase Agreement.

### ***Rights and obligations for each of the Sellers***

The rights and obligations of each of CKI Sub, PAH Sub and CKA Sub under the Share Purchase Agreement are on a several basis, and each of CKI Sub, PAH Sub and CKA Sub will only have rights and obligations to the extent they relate to the Sale Shares or the Shareholder Debt Instruments it agrees to sell, or procure to sell, under the Share Purchase Agreement.

### ***Our view***

The Company is not directly a party to the Share Purchase Agreement or its associated agreement for CKI Sub's Disposal. CKI Sub's Disposal constitutes a discloseable transaction of the Company under the Listing Rules due to the transaction being undertaken by CKI Sub and Express Train, members of the CKI Group, which in turn are members of the Group. This by itself does not require shareholders' approval. However, CKA has been deemed by the Stock Exchange to be a connected person of the Company under the Listing Rules, and that CKI Sub's Disposal constitutes a connected transaction for the Company. On this basis, CKI Sub's Disposal requires approval from the Independent Shareholders.

Pursuant to the Share Purchase Agreement, each of CKI Sub and the other Sellers has severally agreed to sell, or procure the sale of, its relevant percentage of the issued share capital of the Target (i.e. its Sale Shares) and its shareholder loans (i.e. its Shareholder Debt Instruments) to the Purchaser. The CKI Consideration was determined based on arm's length negotiation between CKI Sub and the Purchaser, who (together with its ultimate beneficial owner) is a third party independent of the Company, CKI, CKA, PAH and their respective connected persons. Based on our analysis of the terms of CKI Sub's Disposal, we consider that CKI Sub and the other Sellers have negotiated an arm's length price with the Purchaser for the benefit of the shareholders of CKI (and indirectly, shareholders of the Company), CKA and PAH.

The CKI Consideration, payable by cash to CKI Sub at Closing, will be determined based on the Base CKI Consideration of GBP4,219.2 million, plus a 4% interest on the Base CKI Consideration accrued from 31 March 2025 to the Closing Date, less adjustments relating to certain "leakage" since 31 March 2025, including for example payment of equity dividend and shareholder loan interest to CKI Sub. We consider that the 4% interest to be accrued on the Base CKI Consideration to be reasonable, referencing the yield of approximately 3.2% based on the total equity dividends and shareholder loan interest paid by the Target



Group of approximately GBP340 million during the year ended 31 December 2025 and the Aggregate Base Consideration of GBP10,548 million, as further analysed in the section below headed "5. Financial effects of CKI Sub's Disposal".

We note that each Seller's rights and obligations under the Share Purchase Agreement are on a several basis, and each Seller will only have rights and obligations to the extent they relate to the Sale Shares or the Shareholder Debt Instruments it agreed to sell or procure to sell. Upon Closing, each of CKI Sub and the other Sellers will separately receive their respective proportion of the consideration of the Disposal on a pro-rata basis according to their respective percentage interest in the Target. We consider the several basis of the rights and obligations to be a fair principle between the Sellers.

Apart from the Purchaser's Guarantor guaranteeing the performance and observance of the Purchaser's obligations under the Share Purchase Agreement, Engie, the ultimate beneficial owner of the Purchaser and the Purchaser's Guarantor, will also guarantee the payment of the purchase price by the Purchaser. Given the substantial size of the purchase price, we consider it beneficial for the payment obligation to be guaranteed by Engie, a sizeable corporation as further described in the section above headed "1. Background and reasons".

We note that if Closing does not occur solely due to one or more of the Sellers' Shareholder Conditions not being satisfied, the Sellers shall not discuss, negotiate or solicit or accept any offer from a third party for an acquisition of the Target or any of its material members during the Exclusivity Period of 18 months from the date of the Share Purchase Agreement. Having considered that the Sellers' Shareholder Conditions represent additional obligations of the Company, CKI, CKA and PAH pursuant the Listing Rules due to their listings on the Stock Exchange, we consider it fair for the Sellers to offer the above Exclusivity Period to allow time for the Purchaser to discuss and negotiate an alternative transaction structure if any of the Sellers' Shareholder Conditions are not satisfied. Independent Shareholders should note that if any of the Sellers' Shareholder Conditions (none of which is waivable) are not satisfied, the Disposal will not proceed, and the CKI Group and therefore the Group will not receive the proceeds of CKI Sub's Disposal nor recognise the accounting gain as disclosed in the section below headed "5. Financial effects of CKI Sub's Disposal".



### 3. Financial information of the Target Group

#### (i) Financial performance

The following table sets out a summary of the consolidated profit and loss account of the Target Group for the three years ended 31 March 2023 (“FY2023”), 2024 (“FY2024”), and 2025 (“FY2025”), as extracted from the annual reports and financial statements of the Target Group. It should be noted that the Target Company adopts a financial year end of 31 March and prepares its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. This is different from the Company’s financial year (ending 31 December) and accounting standards (currently IFRS Accounting Standards).

	For the year ended 31 March		
	2025 <i>(audited)</i> GBP million	2024 <i>(audited)</i> GBP million	2023 <i>(audited)</i> GBP million
Turnover	2,463	1,825	2,194
Operating costs	<u>(1,096)</u>	<u>(1,076)</u>	<u>(1,187)</u>
Operating profit	1,367	749	1,007
Finance costs (net) – bank loans, bonds and others	(147)	(205)	(111)
Finance costs (net) – shareholder loans	<u>(71)</u>	<u>(77)</u>	<u>(77)</u>
Profit before taxation	1,149	467	819
Taxation	<u>(296)</u>	<u>(155)</u>	<u>(186)</u>
Profit for the financial year	853	312	633
Equity dividends paid	248	243	218

#### (a) Turnover

The Target Group’s turnover has shown some volatility. Turnover represents income derived from electricity distribution, management of private electricity networks, electrical contracting services and invoice value of other goods and services provided.

FY2024 was the first year of the new 5-year RIIO-ED2 price control, which incorporates a lower allowed rate of return and more challenging incentive mechanisms when compared to the previous RIIO-ED1 regime. As a result, the Target Group’s turnover declined by approximately 16.8% year-on-year to approximately GBP1,825 million in FY2024.

In FY2025, however, the turnover of the Target Group increased by approximately 35.0% year-on-year to approximately GBP2,463 million. The increase was mainly due to (i) the recovery of additional amounts relating to higher inflation, which was under-recovered in previous financial periods owing to actual rates of inflation being much higher than those assumed when revenue tariffs were set, and (ii) higher incentives relating to the RIIO-ED1 price control, which are collected with a two-year lag. In relation to item (i) above, it is disclosed in the Circular that as tariffs chargeable to customers need to be set



between 15 and 27 months before their implementation, the relevant regulatory framework allows for a subsequent tariff adjustment based on prior-year inflation. In this respect, we note that inflation<sup>1</sup> in the United Kingdom rose above 5% in October 2021, reached a high of approximately 14.2% in October 2022, and then came down gradually and fell below 5% after December 2023. The period of high inflation resulted in increases in tariffs and therefore revenue of the Target Group in FY2025. In relation to item (ii) above, the Target Group are eligible to earn financial incentives linked to operational performance as determined by Ofgem based on actual performance in a given regulatory year, but were only incorporated into allowed revenues approximately two years later.

*(b) Profits*

The Target Group's profit decreased by approximately 50.7% year-on-year to approximately GBP312 million in FY2024, mainly due to lower turnover as explained above, and the increase in capital and operating expenditure to achieve commitments during the RIIO-ED2 price control period. Profit then increased by approximately 1.7 times year-on-year to approximately GBP853 million in FY2025, mainly due to higher revenue as explained above.

For similar reasons, profits before net interest, taxation, depreciation and amortisation ("**EBITDA**") of the Target Group fluctuated in a pattern similar to the Target Group's profit, recording a reduction in FY2024 and an increase in FY2025. For FY2023, FY2024 and FY2025, EBITDA of the Target Group amounted to approximately GBP1.4 billion, GBP1.2 billion and GBP1.8 billion respectively. EBITDA of the Target Group for the year ended 31 December 2025 amounted to approximately GBP1.3 billion.

As explained above, in our view, the revenue and profits of the Target Group for FY2025 were not typical. The significant increase in financial performance in FY2025 was due to (i) the recovery of additional amounts relating to higher inflation, which was under-recovered in previous financial periods, and (ii) higher incentives relating to the RIIO-ED1 price control. As stated in the Target Group's annual report and financial statements for FY2025, due to the non-recurring nature of the above items, revenues and therefore the financial performance of the Target Group are expected to be lower from 1 April 2025.

*(c) Return to shareholders*

Equity dividends paid to shareholders of the Target Group (i.e. the Sellers) amounted to approximately GBP218 million, GBP243 million, GBP248 million during FY2023, FY2024 and FY2025 respectively. In addition, aggregate shareholder loan interests recorded by the Target Group, which were included in finance costs (net), were approximately GBP77 million, GBP77 million and GBP71 million during FY2023, FY2024 and FY2025 respectively.

<sup>1</sup> Based on percentage changes of the Retail Price Index All Items over 12 months, as extracted from the website of the Office for National Statistics of the United Kingdom (<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23>)



(ii) **Financial position**

The following table sets out a summary of the consolidated balance sheet of the Target Group as at 31 March 2023, 2024 and 2025, as extracted and summarised from the annual reports and financial statements of the Target Group.

	<b>As at 31 March</b>		
	<b>2025</b> <i>(audited)</i> GBP million	<b>2024</b> <i>(audited)</i> GBP million	<b>2023</b> <i>(audited)</i> GBP million
<b>ASSETS</b>			
Intangible fixed assets	1,886	1,848	1,866
Tangible fixed assets	15,080	14,126	13,377
Derivative financial assets	103	108	94
Cash and cash equivalents	90	117	235
Other assets	<u>962</u>	<u>767</u>	<u>919</u>
 Total assets	 18,121	 16,966	 16,491
<b>LIABILITIES</b>			
Borrowings – bank loans, bonds and others	5,376	5,161	4,842
Borrowings – shareholder loans	774	774	774
Deferred income	4,191	3,971	3,786
Derivative financial liabilities	408	442	421
Other liabilities	<u>1,788</u>	<u>1,678</u>	<u>1,649</u>
 Total liabilities	 12,537	 12,026	 11,472
 Shareholders' funds	 5,584	 4,940	 5,019
 RAV ( <i>Note</i> )	 9,176	 8,568	 8,127

*Note: As explained in the FY2025 annual report and financial statements of the Target Group, the RAV as at 31 March 2025 presented is provisional at the date the financial statements are signed. Discussion with Ofgem may result in RAV being increased or decreased. The prior period comparatives have been restated to reflect the latest agreed position*

*Assets*

As at 31 March 2025, the Target Group had tangible fixed assets of approximately GBP15,080 million, accounting for approximately 83.2% of its total assets. Such assets mainly represented the Target Group's electricity distribution networks in the United Kingdom. The intangible fixed assets of approximately GBP1,886 million as at 31 March 2025 mainly represented goodwill arising from the acquisition of the network businesses when the Target was first acquired by CKI and the other joint venture partners in October 2010. As at 31 March 2025, the Target Group had cash and cash equivalents of approximately GBP90 million.

*Liabilities*

As at 31 March 2025, the Target Group had borrowings of approximately GBP6,150 million, which included (i) bank loans and bonds of approximately GBP5,376 million, mostly due between 2027 and 2043, and (ii) shareholder loans of



approximately GBP774 million, maturing in June 2041 (i.e. the Shareholder Debt Instruments). On the same date, the Target Group recorded deferred income of approximately GBP4,191 million, representing customer contributions received as payment for connections to the network, which would be released to turnover over the expected useful lives of the related assets.

RAV of the Target Group continued to grow in recent years, from approximately GBP8,127 million as at the end of March 2023 to approximately GBP9,176 million as at the end of March 2025, mainly a reflection of the higher retail prices index in the United Kingdom and the continued investment.

*EBITDA, Net Debt and Distributions for the LTM Dec 2025*

As set out in the Letter from the Board in the Circular, based on the unaudited financial information provided by the Target Group, (a) EBITDA of the Target Group for the year ended 31 December 2025 ("**LTM Dec 2025**") was approximately GBP1.3 billion (equivalent to approximately HK\$13,650 million); (b) the net debt of the Target Group, which represents the total external borrowings net of cash and cash equivalent, as at 31 December 2025 was approximately GBP5.9 billion (equivalent to approximately HK\$61,950 million); and (c) the total amount of distributions, which represents dividends received and interests received under the Shareholder Debt Instruments, from the Target Group to the Sellers and/or the Shareholder Debt Instrument Holders for the LTM Dec 2025 was approximately GBP340 million (equivalent to approximately HK\$3,570 million).

#### **4. Analysis of the CKI Consideration**

As discussed in the section headed "2. Principal terms of the Disposal", the Disposal was negotiated between the Sellers (including CKI Sub which is a part of the Group) and the Purchaser, an independent third party, on arm's length basis with reference to a number of factors. Based on the Announcement and the announcements published by CKA and PAH in respect of the Disposal, we note the Aggregate Base Consideration is GBP10,548 million (equivalent to approximately HK\$110,754 million). The Company itself will not directly receive any net proceeds from CKI Sub's Disposal, but the Group, through its indirect interest in CKI Sub, is entitled to the Base CKI Consideration of GBP4,219.2 million (equivalent to approximately HK\$44,301.6 million), or 40% of the Aggregate Base Consideration, based on CKI Sub's 40% interest in the Target. For the purpose of analysing the reasonableness of the CKI Consideration, and by extension the total consideration of the Disposal, we have researched precedent transactions and trading comparables and analysed relevant financial metrics as represented by such transactions and comparables against those represented by the Aggregate Base Consideration.

As the Target Group is an electricity distribution network operator, we consider it appropriate to have regard principally to the enterprise value ("**EV**") to RAV ratio, a metric used by the United Kingdom regulator for electricity distribution network operators to earn an allowed return, in analysing the Aggregate Base Consideration. We have also made reference to the EV to EBITDA ratio, a commonly used financial metric in evaluating and comparing infrastructure businesses.

##### **(i) Precedent transactions – acquisitions/disposals**

We have researched publicly disclosed acquisitions/disposals of interests in companies that are principally engaged or invested in the business of distribution of electricity in the United Kingdom (the "**Precedent Transaction(s)**"), announced and



completed since January 2020, where the target company had an implied EV (on a 100% basis) of at least GBP1.0 billion. The above selection criteria are to identify Precedent Transactions involving target companies that, same as the Target Group, operate under the Ofgem regulatory framework applicable to electricity distribution network operators in the United Kingdom, with an appropriate minimum monetary threshold to include only transactions with scales comparable to that of the Disposal while being able to identify sufficient number of transactions for the purpose of a meaningful analysis. We consider the list of Precedent Transactions set out below to be an exhaustive list according to our research based on the above criteria. We note that SSE plc (Stock code: SSE.LN) (“**SSE**”) announced in November 2022 the sale of 25% interest in Scottish Hydro Electric Transmission (“**SSEN Transmission**”). SSEN Transmission is principally engaged in the high-voltage transmission of electricity from generating plant to distribution network, which is subject to growth profile (e.g. growth in renewable energy generation connected to its network) that is different from that of the Target Group’s business of electricity distribution to end users. As such, we did not include the above transaction involving SSEN Transmission in our analysis below. Details of our findings are as follows:

Date of announcement	Target	Size of consideration (percentage of interest acquired)	EV	RAV	EBITDA	EV/RAV	EV/EBITDA
		(Note 1) GBP million	(Note 1) GBP million	(Note 2) GBP million	(Note 3) GBP million	times	times
August 2024	Electricity North West	2,100 (88%)	4,200	2,685	376	1.56	11.17
March 2021	Western Power Distribution	7,800 (100%)	14,213	8,516	1,241	1.67	11.45
February 2026	<b>The Target (EBITDA in FY2025)</b>	<b>10,548 (100%)</b>	<b>16,424 (Note 4)</b>	<b>9,492</b>	<b>1,819</b>	<b>1.73</b>	<b>9.03</b>
	<b>The Target (EBITDA in LTM Dec 2025)</b>				<b>1,300 (Note 5)</b>		<b>12.63</b>

Notes:

- (1) Transaction figures sourced from the respective press releases, public announcements, or regulatory filings. EV for the Western Power Distribution case represents the sum of the equity consideration (on a 100% basis) and net debt, as extracted from its releases, public announcements, or regulatory filings
- (2) RAV for each transaction represents the (sum of the) respective regulatory asset value, as extracted from the respective latest financial statements of the target group companies or its listed parent company (where available). The Target Group’s RAV of approximately GBP9,492 million as at 30 September 2025 is arrived at based on relevant disclosure in the interim reports of each of London Power Networks plc, South Eastern Power Networks plc and Eastern Power Networks plc for the six months ended 30 September 2025



- (3) *EBITDA for each transaction represents the earnings before net interest, taxation, depreciation and amortisation, as extracted from the respective latest full year financial statements of the target group, published on or before the announcements of the respective transactions*
- (4) *EV of the Target represents the sum of (i) the Aggregate Base Consideration of GBP10,548 million, (ii) the accrued interest amount of approximately GBP316 million, calculated based on the Aggregate Base Consideration and the rate of 4% per annum for the period from 1 April 2025 to 31 December 2025, and (iii) the net debt of the Target Group of approximately GBP5.9 billion as at 31 December 2025, minus the total amount of distributions of approximately GBP340 million, as set out in the Letter from the Board in the Circular*
- (5) *EBITDA of the Target is based on its EBITDA of approximately GBP1.3 billion for the LTM Dec 2025, as set out in the Letter from the Board in the Circular*

As shown in the table above, the EV/RAV ratio as represented by the Aggregate Base Consideration of approximately 1.73 times is higher than the EV/RAV ratios of the Precedent Transactions between approximately 1.56 times and 1.67 times.

Separately, we note that the EV/EBITDA ratio as represented by the Aggregate Base Consideration, based on the Target Group's EBITDA in FY2025, is approximately 9.03 times, lower than the EV/EBITDA ratios of the Precedent Transactions. In our view, this lower ratio is mainly due to special circumstances relating to the Target's FY2025 results – the higher revenue and EBITDA of the Target Group in FY2025 due to the non-recurring factors as described in the section above headed “3. Financial information of the Target Group”. Based on the Target Group's EBITDA for the LTM Dec 2025, the Target Group's EV/EBITDA ratio of approximately 12.63 times is higher than the EV/EBITDA ratios of the Precedent Transactions.

RAV relates to the overall capital investments made on the respective electricity distribution infrastructure, and is therefore less susceptible to annual fluctuation in profitability, for example the Target Group's higher EBITDA in FY2025 due to the non-recurring factors. In these circumstances, we consider that the EV/RAV ratio may provide a more useful analysis.

**(ii) Trading comparables – listed companies**

We have reviewed companies listed on the London Stock Exchange that are principally engaged or invested in, among others, the business of distribution of electricity in the United Kingdom, which had a market capitalisation of at least GBP1.0 billion as at the business day before the Latest Practicable Date. Although we have identified National Grid plc (Stock code: NG.LN) (“**National Grid**”) and SSE based on the above criteria, we note from their latest published annual reports that (i) over 50% of National Grid's revenue in its latest financial year came from businesses in the United States, while the revenue from electricity distribution business in the United Kingdom only accounted for approximately 13% of revenue, and (ii) SSE's electricity distribution business only accounted for approximately 15% of revenue in its latest financial year, with the remaining revenue from other businesses including electricity generation and transmission, energy trading and energy customer solutions, many of which are non-regulated businesses. As such, the valuation of National Grid and SSE are largely dependent on businesses other than distribution of electricity in the United Kingdom, the principal business of the Target Group. We therefore do not consider an analysis of trading comparables to be of significant relevance to the Independent Shareholders.



Broadly speaking, based on our analysis, as the Purchaser and its ultimate beneficial owner are independent third parties, we consider that CKI Sub and the other Sellers have negotiated an arm's length price with the Purchaser for the benefit of the shareholders of CKI (and indirectly, shareholders of the Company), CKA and PAH.

## **5. Financial effects of CKI Sub's Disposal**

The Target Group is currently equity accounted for in the Company's consolidated balance sheet as an investment in a joint venture. Upon Closing, the Target Group will cease to be a joint venture of the CKI Group and therefore the Group.

### **(i) Earnings and net assets**

As disclosed in the Circular, the Group expects to recognise a gain of approximately HK\$14.5 billion (subject to audit) attributable to its ordinary shareholders upon the completion of the Disposal. This figure reflects a lower cost of disposal relating to the Target at the Group level compared to that of the CKI Group, and is stated after accounting for the 24.33% share of non-controlling interests in CKI. Before considering such non-controlling interests, the gain would amount to approximately HK\$19.3 billion. Against the Group's profit before taxation of approximately HK\$26.6 billion in 2025, the above gain is expected to provide a substantial boost to the Company's profitability in 2026.

As stated in the section above headed "1. Background and reasons", the Group's share of results of the Target Group was approximately HK\$1,450 million for the year ended 31 December 2024. While the absence of such profit upon Closing is expected to reduce profitability of the CKI Group and the Group in the near term, the substantial consideration of approximately HK\$44,302 million (based on the Base CKI Consideration) to be received by the CKI Group (which is a part of the Group) upon Closing will enable the CKI Group to pursue future investment opportunities in a more active manner, and/or to provide a substantial enhancement of its general working capital.

As disclosed in the Letter from the Board in the Circular, the total equity dividends and shareholder loan interest paid by the Target Group were approximately GBP340 million during the year ended 31 December 2025, which represents a yield of approximately 3.2% based on the Aggregate Base Consideration of GBP10,548 million. We note that the above yield is lower than the yield of 10-year bonds issued by the Government of the United Kingdom of approximately 5.0% as at the business day before the Latest Practicable Date as sourced from Bloomberg. This means that the Group may hold the proceeds from CKI Sub's Disposal in relatively safe investments at higher interest rates, before pursuing other investment opportunities.

As set out in the Letter from the Board in the Circular, the CKI Group will continue to identify and pursue investment opportunities whether in regulated industries or businesses with long term secure contracts, or other businesses which offer great potential, in existing and new markets, including the United Kingdom and beyond.



**(ii) Cash flow and gearing**

As at 31 December 2025, the Group had liquid assets of approximately HK\$151.3 billion (comprising cash and cash equivalents of approximately HK\$143.7 billion and liquid funds and other listed investments of approximately HK\$7.6 billion), a net debt position<sup>1</sup> (excluding interest bearing loans from non-controlling shareholders which are viewed as quasi equity) of approximately HK\$113.8 billion and a net debt to net total capital ratio<sup>1</sup> of approximately 13.9%. The substantial consideration of approximately HK\$44,302 million (based on the Base CKI Consideration) to be received by the CKI Group (which is a part of the Group) upon Closing would further strengthen the Group's balance sheet, and lower its net debt to net total capital ratio.

**DISCUSSION**

The infrastructure division of the Group comprises interests in certain co-owned infrastructure investments with CKI and the approximately 75.67% shareholding interest in CKI, which develops, invests and operates infrastructure businesses globally. One of the most significant investments of the CKI Group is its 40% joint venture interest in the Target Group, the largest electricity distribution network operator in the United Kingdom in terms of customers. PAH and CKA currently own the remaining 40% and 20% interests in the Target Group respectively. CKI also owns approximately 36% interests of PAH. The Company has no shareholding in CKA.

The great majority of the Target Group's turnover and profit comes from its regulated business, which is operated within a regulatory framework under license from Ofgem. For the financial year ended 31 March 2025, the Target Group's has achieved revenue, EBITDA and net profit amounting to approximately GBP2.4 billion, GBP1.8 billion and GBP0.9 billion respectively, representing significant improvement when compared to the previous financial year. This was mainly as a result of the recovery of additional amounts relating to higher inflation and higher incentives allowable under the regulatory framework. Due to the non-recurring nature of the above items, revenues and therefore financial performance of the Target Group are expected to be lower from 1 April 2025. For the LTM Dec 2025, the Target Group recorded EBITDA of approximately GBP1.3 billion.

The Share Purchase Agreement was entered into on 25 February 2026 among the Sellers (including CKI Sub, an indirect non-wholly owned subsidiary of the Company), the Purchaser and the Purchaser's Guarantor in respect of the Sellers' disposal of the entire equity interest in the Target and shareholder loans. Although the Company is not directly a party to CKI Sub's Disposal, CKI Sub's Disposal constitutes a discloseable transaction of the Company under the Listing Rules due to the transaction being undertaken by subsidiaries of CKI, which in turn are members of the Group.

<sup>1</sup> *Net debt is defined as total bank and other debts (total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions) less total cash, liquid funds and other listed investments. Net total capital is defined as total bank and other debts plus total equity (adjusted to exclude IFRS 16 effects) and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments*



We have reviewed the terms of the Share Purchase Agreement and the guarantee letters in relation to CKI Sub's Disposal. We note that the Sellers, being wholly-owned subsidiaries of CKI, PAH and CKA respectively, entered into these agreements on the basis that the rights and obligations of each of the Sellers are "several". This means that if, for example, PAH or CKA fails to obtain consent from its own independent shareholders or to fulfil any obligations under the Share Purchase Agreement, CKI will not step into their shoes or make good any shortfall, and the Disposal as a whole will not proceed. Accordingly, although the disposal by each of the Sellers constitutes a connected transaction for its listed parent(s), each Seller will go through its own independent shareholders' approval procedures to fulfil its obligations under the Share Purchase Agreement without reference to the other Sellers. To this extent the Sellers are acting at arm's length from each other.

CKA, the holding company of one of the Sellers, has been deemed by the Stock Exchange to be a connected person of the Company under the Listing Rules, and that CKI Sub's Disposal constitutes a connected transaction of the Company. Nevertheless, in most other aspects, we consider that the Disposal has the characteristics of an arm's length transaction. Connected disposals are often so classified because the purchaser is a connected person. Here the Purchaser is part of the Engie group, a wholly independent third party, incorporated in France and listed on Euronext. In addition, the rights and obligations of the Sellers are several and each Seller must obtain approval from the independent shareholders of its own listed parent(s), without which the Disposal will not complete. The terms for each Seller are the same (bearing in mind the different percentage of the Target held by CKA Sub) and there is no element of cross-subsidy or other assistance between the Sellers.

The CKI Consideration was determined after taking into account factors including the prevailing market prices of similar assets, the Target Group's business performance and other reasons and benefits as discussed in the section above headed "1. Background and reasons". In our view, the CKI Consideration is generally in line with the Precedent Transactions in the electricity distribution sector in the United Kingdom which we have been able to identify. In evaluating the CKI Consideration against recent transactions, we take note that the Target Group's performance was significantly boosted in FY2025 by non-recurring factors, which are not expected to be repeated in FY2026. The CKI's Sub Disposal will allow the CKI Group to realise its investment in the Target Group at a valuation that we consider fair and reasonable.

The Group expects to record a substantial accounting gain upon Closing. Cash proceeds of approximately HK\$44.3 billion will be received by the CKI Group, further strengthening its financial position and enabling significant future investments or acquisitions to be made, in turn strengthening the position of the Group. The CKI Group will be able to hold the proceeds in relatively safe investments at interest rates higher than the yield as represented by the disposal consideration, before pursuing other investment opportunities.




## OPINION AND RECOMMENDATION

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

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve CKI Sub's Disposal.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**

*M. N. Sabine* 

**M. N. Sabine**      **John Wong**  
Chairman              Director

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

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