

ASX RELEASE

18 July 2014

The Manager
ASX Market Announcements
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney NSW 2000



Electronic Lodgement

Dear Sir or Madam

Envestra releases Target's Statement

In accordance with item 14 of section 633 of the *Corporations Act 2001* (Cth), attached is the Target's Statement in relation to the off-market takeover by CK ENV Investments Pty Ltd ACN 169 818 035 for all of the shares in Envestra Limited.

Copies of the Target's Statement have been lodged with ASIC and given to CK ENV Investments Pty Ltd today. The Target's Statement will also be sent to Envestra's shareholders.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Des Petherick", is written over a circular stamp or seal.

Des Petherick
Company Secretary

Telephone: (08) 8418 1114

ENVESTRA LIMITED
ABN 19 078 551 685

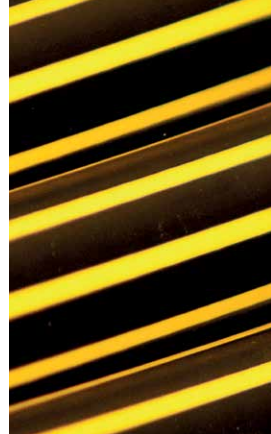
TARGET'S STATEMENT

in response to the conditional off-market takeover bid made by CK ENV Investments Pty Ltd, for all of the issued shares in Envestra Limited

THE NON AFFILIATED
DIRECTORS UNANIMOUSLY
RECOMMEND THAT YOU

ACCEPT

THE CK OFFER, IN THE ABSENCE
OF A SUPERIOR PROPOSAL
AND SUBJECT TO THE BID
IMPLEMENTATION AGREEMENT¹
NOT BEING TERMINATED.



The Non Affiliated Directors are
John Allpass, Ian Little, Fraser Ainsworth AM and Olaf O'Duill.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to how to deal with it, you should consult your legal, financial, taxation or other professional adviser.

If you have any questions about the CK Offer, please call the Envestra Shareholder Information Line on 1300 784 494 (from within Australia) or + 61 1300 784 494 (from outside Australia) between 8.30am and 5.00pm (Sydney time), Monday to Friday.

1. The Bid Implementation Agreement is an agreement between Envestra, CK ENV Investments Pty Ltd and the CK Consortium in relation to the orderly implementation of the CK Offer. Envestra will notify you if the Bid Implementation Agreement is terminated and the Non Affiliated Directors consequently change their recommendation.

IMPORTANT NOTICES

Nature of this document

This document is a Target's Statement issued by Envestra Limited (ACN 078 551 685) (**Envestra**) under Division 3 of Part 6.5 of the Corporations Act. This Target's Statement is given in response to the conditional off-market takeover bid by CK ENV Investments Pty Ltd (ACN 169 818 035) (**CK ENV Investments**), for all of the Envestra Shares. This is an important document and requires your immediate attention.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and sent to the ASX. Neither ASIC nor the ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

Definitions and interpretation

A number of defined terms are used in this Target's Statement. These terms are explained in Section 10 of this Target's Statement together with the rules of interpretation that apply to this Target's Statement.

Investment decisions

Nothing in this Target's Statement constitutes investment, legal, tax or other advice. This Target's Statement does not take into account your individual objectives, financial situation or particular needs and should not therefore be relied on as the sole basis for any decision in relation to the CK Offer. You should seek your own independent legal, financial and taxation advice before deciding whether to accept or reject the CK Offer.

Forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are not statements of known fact and that there is no certainty of outcome in relation to the matters to which the statements relate. They reflect views held only as at the date of this document and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks

specific to Envestra and the market sector in which Envestra operates as well as general economic conditions, conditions in the financial markets, exchange rates and interest rates and regulatory changes, many of which are outside the control of Envestra, the Envestra Board and the Non Affiliated Directors. As a consequence, actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Envestra, Envestra's directors, officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

Information about the CK Consortium Group in this Target's Statement

Except where disclosed otherwise in this Target's Statement, the information about the CK Consortium Group contained in this Target's Statement has been prepared by Envestra using publicly available information including the CK Bidder's Statement, which has not been independently verified by Envestra. Accordingly, to the maximum extent permitted by law, Envestra does not assume responsibility and does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

Diagrams and rounding

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement. In addition, any numerical information may not add up due to rounding.

Notice to foreign shareholders

The release, publication or distribution of this Target's Statement may, in some jurisdictions, be restricted by law or regulation and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations applicable outside of Australia.

Privacy

Envestra has collected your information from the Envestra Register for the purpose of providing you with this Target's Statement. The type of information Envestra has collected about you includes your name, contact details and information on your Envestra Shareholding. Without this information, Envestra would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Envestra Shareholders to be held in a public register.

No website is part of this Target's Statement

Any references in this Target's Statement to websites are a textual reference for information only and no information in any website forms part of this Target's Statement.

Date of this Target's Statement

This document is dated 18 July 2014.

KEY DATES AND EVENTS

Date CK Bidder's Statement lodged with ASIC	20 June 2014
Date of the CK Offer	4 July 2014
Commencement of the CK Offer Period	4 July 2014
Date of this Target's Statement	18 July 2014
Final Dividend Record Date	18 July 2014
Close of the CK Offer Period¹	7.00pm (Sydney time), 8 August 2014

Note:

1. CK ENV Investments may extend the CK Offer Period in accordance with the Corporations Act in the circumstances described in Section 6.6 of this Target's Statement. If CK ENV Investments does so, CK ENV Investments is required to send you a notice specifying the new date that the CK Offer Period closes (unless you have already accepted the CK Offer and, other than in the case of an automatic extension, the CK Offer is unconditional). CK ENV Investments may also withdraw the CK Offer in accordance with the Corporations Act in the circumstances described in Section 6.18 of this Target's Statement. If CK ENV Investments does so, Envestra Shareholders will no longer be able to accept the CK Offer. In addition, if the CK Offer remains conditional at the time of the withdrawal, then the contracts formed by Envestra Shareholders' acceptances of the CK Offer will be void and those Envestra Shareholders will remain the holders of their Envestra Shares. If the CK Offer is unconditional at the time of the withdrawal, all contracts arising from acceptance of the CK Offer before the withdrawal will remain enforceable.

CHAIRMAN'S LETTER

18 July 2014

Dear Envestra Shareholder

ACCEPT the CK Offer for your Envestra Shares

On 30 May 2014, Envestra announced it had entered into a Bid Implementation Agreement with a consortium comprising Cheung Kong (Holdings) Limited, Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited (together, the **CK Consortium**) and CK ENV Investments Pty Ltd (**CK ENV Investments**), an entity indirectly jointly owned by the CK Consortium.

Under the Bid Implementation Agreement, CK ENV Investments agreed to make and has now opened for acceptances a conditional off-market takeover offer to acquire all Envestra Shares for cash consideration of \$1.32 per Envestra Share (the **CK Offer**).

As announced to the ASX on 11 July 2014, Envestra has declared a Final Dividend of 3.5 cents per Envestra Share. Under the terms of the CK Offer, Envestra Shareholders as at the Final Dividend Record Date (18 July 2014) are entitled to retain the Final Dividend without reduction of the CK Offer Price.

Envestra's Non Affiliated Directors unanimously recommend that Envestra Shareholders accept the CK Offer, in the absence of a superior proposal and subject to the Bid Implementation Agreement not being terminated. The Non Affiliated Directors are John Allpass, Ian Little, Fraser Ainsworth AM and Olaf O'Duill.

The APA Affiliated Directors and the CK Consortium Affiliated Directors do not give a recommendation, for the reasons contained in Section 2.1(b) of this Target's Statement. The APA Affiliated Directors are Michael McCormack and Ross Gersbach and the CK Consortium Affiliated Directors are Dominic Chan and Ivan Chan.

On 4 March 2014, Envestra entered into a Scheme Implementation Agreement with APA Group to propose and implement a scheme of arrangement under which APA Group would have acquired all of the Envestra Shares it did not already own (**APA Scheme**). However, upon entering into the Bid Implementation Agreement and upon the Non Affiliated Directors unanimously recommending the CK Offer, Envestra terminated the Scheme Implementation Agreement. As a result, the APA Scheme Meeting was cancelled and the proposal for the APA Scheme has come to an end and will not be implemented.

As compared with the APA Scheme, the Non Affiliated Directors considered the CK Offer to be in the best interests of Envestra Shareholders having regard to:

- the certainty of the cash consideration under the CK Offer;
- the uncertainty regarding the voting intentions of Cheung Kong Infrastructure Holdings (Malaysian) Ltd (**CKIHM**) in relation to the APA Scheme; and
- the potentially variable implied value range of the consideration under the APA Scheme.

The CK Offer Price of \$1.32 cash per Envestra Share represents:

- a premium of 16.8% to the closing price of Envestra Shares of \$1.13 on 7 May 2014, the last trading day prior to the date on which Envestra announced that it had received an indicative, non-binding, conditional off-market takeover proposal from the CK Consortium; and
- a premium of 33.3% to the 30-day VWAP of Envestra Shares of \$0.99 up to and including 15 July 2013, the last trading day prior to announcement of the APA Scheme.

In making their unanimous recommendation, the Non Affiliated Directors consider that:

- the CK Offer Price represents a significant premium to the pre-bid prices of Envestra Shares;
- the CK Offer provides Envestra Shareholders with certainty of price and cash;
- the CK Offer Price is at the top end of the valuation range for Envestra Shares as assessed by the APA Scheme Independent Expert in its report dated 7 April 2014 prepared in connection with the APA Scheme;

ENVESTRA TARGET'S STATEMENT

- you may not receive a control premium if the CK Offer does not proceed, as either CKIHM or APA Group (or their respective Associates) may increase their Envestra Shareholdings over time and may obtain control without making a proposal to all Envestra Shareholders;
- there is a risk that liquidity in Envestra Shares may be reduced if the CK Offer becomes unconditional and CK ENV Investments is unable to proceed to compulsory acquisition (which may make it difficult for you to sell your Envestra Shares); and
- the Envestra Share price is likely to fall if the CK Offer is not successful and no alternative proposal emerges.

I encourage you to read this Target's Statement and the CK Bidder's Statement (which you should have already received) in their entirety, and consider the CK Offer having regard to your own personal risk profile, investment strategy and tax circumstances.

To accept the CK Offer you should carefully follow the instructions in the CK Bidder's Statement and complete the acceptance form enclosed with it. The CK Offer is due to close at 7.00pm (Sydney time) on 8 August 2014.²

The Non Affiliated Directors will continue to keep you informed of all material developments with respect to the CK Offer and any other competing offer or proposal that may emerge. In the meantime, if you have any questions in relation to this Target's Statement or your Envestra Shareholding, please call our Shareholder Information Line on 1300 784 494 (within Australia) or +61 1300 784 494 (from outside Australia) between 8.30am and 5.00pm (Sydney time), Monday to Friday. All company announcements are available on our website at www.envestra.com.au and ASX's website at www.asx.com.au (ASX code: ENV).

Yours sincerely



John Allpass
Chairman
Envestra Limited

2. CK ENV Investments may extend the CK Offer Period in accordance with the Corporations Act in the circumstances described in Section 6.6 of this Target's Statement. If CK ENV Investments does so, CK ENV Investments will be required to send you a notice specifying the new date that the CK Offer Period closes (unless you have already accepted the CK Offer and, other than in the case of an automatic extension, the CK Offer is unconditional). CK ENV Investments may also withdraw the CK Offer in accordance with the Corporations Act in the circumstances described in Section 6.18 of this Target's Statement. If CK ENV Investments does so, Envestra Shareholders will no longer be able to accept the CK Offer. In addition, if the CK Offer remains conditional at the time of the withdrawal, then the contracts formed by Envestra Shareholders' acceptances of the CK Offer will be void and those Envestra Shareholders will remain the holders of their Envestra Shares. If the CK Offer is unconditional at the time of the withdrawal, all contracts arising from acceptance of the CK Offer before the withdrawal will remain enforceable.

SECTION 1

SUMMARY OF THE CK OFFER

Set out below is a summary of the key features of the CK Offer. Please also refer to Section 4 of this Target's Statement for responses to a number of frequently asked questions in relation to the CK Offer.

CK Offer Price	CK ENV Investments is offering to acquire all of your Envestra Shares for \$1.32 cash per Envestra Share.
Final Dividend	<p>As announced to the ASX on 11 July 2014, Envestra has declared a Final Dividend of 3.5 cents per Envestra Share.</p> <p>Under the terms of the CK Offer, Envestra Shareholders as at the Final Dividend Record Date (18 July 2014) are entitled to retain the Final Dividend without reduction of the CK Offer Price.</p> <p>Section 6.5 of this Target's Statement provides further information about the Final Dividend.</p>
Envestra Directors' recommendation	<p>The Non Affiliated Directors, namely John Allpass, Ian Little, Fraser Ainsworth AM and Olaf O'Duill, unanimously recommend you accept the CK Offer, in the absence of a superior proposal and subject to the Bid Implementation Agreement not being terminated.</p> <p>The CK Consortium Affiliated Directors and the APA Affiliated Directors do not give a recommendation, for the reasons contained in Section 2.1(b) of this Target's Statement.</p>
Reasons to accept the CK Offer	<ol style="list-style-type: none"> 1. The CK Offer Price represents a significant premium to the pre-bid prices of Envestra Shares. 2. The CK Offer provides Envestra Shareholders with certainty of price and cash. 3. The CK Offer Price is at the top end of the valuation range for Envestra Shares as assessed by the APA Scheme Independent Expert in its report dated 7 April 2014 prepared in connection with the proposed APA Scheme. 4. You may not receive a control premium if the CK Offer does not proceed, as either CKIHM or APA Group (or their respective Associates) may increase their Envestra Shareholdings over time and may obtain control without making a proposal to all Envestra Shareholders. 5. There is a risk that liquidity in Envestra Shares may be reduced if the CK Offer becomes unconditional and CK ENV Investments is unable to acquire 100% of the Envestra Shares by proceeding to compulsory acquisition. 6. The Envestra Share price is likely to fall if the CK Offer is not successful and no alternative proposal emerges. <p>Section 2 of this Target's Statement provides further information on the reasons to accept the CK Offer.</p>
Reasons you may not wish to accept the CK Offer	<ol style="list-style-type: none"> 1. You may consider that there is the potential for a superior proposal to be made in relation to Envestra in the foreseeable future. 2. The potential tax consequences of accepting the CK Offer may not be suitable to your financial position. 3. You may wish to participate in any potential benefits of remaining an Envestra Shareholder. 4. You may believe the CK Offer Price is inadequate. <p>Section 3 of this Target's Statement provides further information on the reasons you may not wish to accept the CK Offer.</p>

ENVESTRA TARGET'S STATEMENT

Actions available to Envestra Shareholders	<p>You have the following choices in relation to your Envestra Shareholding:</p> <ul style="list-style-type: none"> accept the CK Offer by taking the steps described in Section 6.9 of this Target's Statement; reject the CK Offer (which does not require you to take any further action); or sell your Envestra Shares on-market. <p>Section 5 of this Target's Statement provides further information about these choices.</p>												
Consequences of accepting the CK Offer now	<p>If you accept the CK Offer, you will give up your right to sell your Envestra Shares on-market, accept any competing proposal in relation to Envestra or otherwise deal with your Envestra Shares, except in limited circumstances in which you exercise withdrawal rights that have become available (see Section 6.11 of this Target's Statement).³</p>												
Key dates	<table border="1" data-bbox="414 869 1404 1209"> <tr> <td>Date of the CK Bidder's Statement:</td> <td>20 June 2014</td> </tr> <tr> <td>Date of the CK Offer:</td> <td>4 July 2014</td> </tr> <tr> <td>Commencement of CK Offer Period:</td> <td>4 July 2014</td> </tr> <tr> <td>Date of this Target's Statement:</td> <td>18 July 2014</td> </tr> <tr> <td>Final Dividend Record Date:</td> <td>18 July 2014</td> </tr> <tr> <td>Close of the CK Offer Period:¹</td> <td>7.00pm (Sydney time), 8 August 2014</td> </tr> </table> <p>Note:</p> <p>1. CK ENV Investments may extend the CK Offer Period in accordance with the Corporations Act in the circumstances described in Section 6.6 of this Target's Statement. If CK ENV Investments does so, CK ENV Investments is required to send you a notice specifying the new date that the CK Offer Period closes (unless you have already accepted the CK Offer and, other than in the case of an automatic extension, the CK Offer is unconditional). CK ENV Investments may also withdraw the CK Offer in accordance with the Corporations Act in the circumstances described in Section 6.18 of this Target's Statement. If CK ENV Investments does so, Envestra Shareholders will no longer be able to accept the CK Offer. In addition, if the CK Offer remains conditional at the time of the withdrawal, then the contracts formed by Envestra Shareholders' acceptances of the CK Offer will be void. If the CK Offer is unconditional at the time of the withdrawal, all contracts arising from acceptance of the CK Offer before the withdrawal will remain enforceable.</p>	Date of the CK Bidder's Statement:	20 June 2014	Date of the CK Offer:	4 July 2014	Commencement of CK Offer Period:	4 July 2014	Date of this Target's Statement:	18 July 2014	Final Dividend Record Date:	18 July 2014	Close of the CK Offer Period: ¹	7.00pm (Sydney time), 8 August 2014
Date of the CK Bidder's Statement:	20 June 2014												
Date of the CK Offer:	4 July 2014												
Commencement of CK Offer Period:	4 July 2014												
Date of this Target's Statement:	18 July 2014												
Final Dividend Record Date:	18 July 2014												
Close of the CK Offer Period: ¹	7.00pm (Sydney time), 8 August 2014												
Conditions and terms of CK Offer	<p>The full terms and conditions of the CK Offer are contained in Part 2 of the CK Bidder's Statement. You should note in particular that the CK Offer is currently subject to a number of conditions, as set out in section 7 of Part 2 of the CK Bidder's Statement. These include conditions regarding:</p> <ul style="list-style-type: none"> more than 50% minimum acceptance (inclusive of the 17.46% Relevant Interest in Envestra Shares held by CKIHM as at the commencement of the CK Offer); financier confirmations being obtained and not withdrawn to the effect that Envestra's debt financiers will not be able to declare a change of control of Envestra resulting from the CK Offer to be "unacceptable" for the purposes of the Intercreditor Deed Poll; no Envestra Prescribed Event occurring; no material adverse change occurring; no termination or material breach of the Bid Implementation Agreement by Envestra; there being no Event of Default, as defined in the Intercreditor Deed Poll (which governs Envestra's financing arrangements); and no further dividends (other than a Final Dividend of no more than 3.5 cents per Envestra Share). 												

3. You would also become free to deal with your Envestra Shares if a defeating condition to the CK Offer (other than an Envestra Prescribed Event) is neither waived nor satisfied by the end of the CK Offer Period (or if the Envestra Prescribed Event condition is not satisfied at the end of the CK Offer Period or waived by the date that is three business days after the end of the CK Offer Period) (see Section 6.7 of this Target's Statement) or CK ENV Investments withdraws the CK Offer (see Section 6.18 of this Target's Statement).

ENVESTRA TARGET'S STATEMENT

<p>Conditions and terms of CK Offer continued</p>	<p>The Non Affiliated Directors' commentary on those conditions is contained in Section 6.7 of this Target's Statement.</p> <p>As noted in section 7.3 of Part 1 of the CK Bidder's Statement, FIRB approval of the CK Offer was obtained on 13 June 2014. Accordingly, FIRB approval is not a condition of the CK Offer.</p> <p>As at the date of this Target's Statement, a sufficient number of binding confirmations have been obtained from Envestra's financiers to ensure that a change of control of Envestra as a result of CK ENV Investments obtaining a Relevant Interest in more than 50% of Envestra Shares under the CK Offer will not be declared "unacceptable" for the purposes of the Intercreditor Deed Poll. Envestra is not aware of any event or circumstance which would give any such financier the right to withdraw or materially adversely modify their confirmation such that this condition would not be satisfied, provided the CK Offer completes or has been declared or become unconditional, and the CK Offer has not been withdrawn, by 31 December 2014.</p>
<p>Key risks of remaining an Envestra Shareholder</p>	<p>Please refer to Sections 6.17 and 7.7 for a description of the key risks of not accepting the CK Offer and remaining an Envestra Shareholder.</p>
<p>What does the CK Offer mean for the APA Scheme?</p>	<p>In view of the Non Affiliated Directors' unanimous recommendation of the CK Offer, Envestra has terminated the Scheme Implementation Agreement with APA Group and will not proceed with the APA Scheme. On 30 May 2014, the Federal Court of Australia ordered that the adjourned APA Scheme Meeting that was scheduled to resume at 10.00am (Adelaide time) on 13 June 2014 be cancelled.</p> <p>As a result, the proposal for the APA Scheme has come to an end and will not be implemented.</p>
<p>What are APA Group's intentions?</p>	<p>As at the close of trading on 16 July 2014 (the last practicable trading day prior to the date of this Target's Statement), APA Group holds 33.05% of the Envestra Shares and has not publicly stated whether it intends to accept the CK Offer.</p> <p>Given the size of the APA Group's Envestra Shareholding, if APA Group accepts the CK Offer, the minimum acceptance condition (see Section 6.7(a)) will be satisfied. If APA Group does not accept the CK Offer, CK ENV Investments will need to receive acceptances representing approximately 65.75% of those Envestra Shares held by persons other than APA Group and CKIHM in order for this condition to be satisfied (including acceptances already received as at the date of this Target's Statement).</p>

SECTION 2

WHY YOU SHOULD ACCEPT THE CK OFFER

2.1 Envestra Directors' recommendations

(a) Non Affiliated Directors

The Envestra Board has appointed a committee of Envestra Directors to consider and respond to the CK Offer (**Independent Board Committee**). The Independent Board Committee is comprised of all of the Envestra Directors who are neither APA Affiliated Directors nor CK Consortium Affiliated Directors (discussed in Section 2.1(b) below). In this Target's Statement, the members of the Independent Board Committee are referred to as the Non Affiliated Directors.

The Non Affiliated Directors are:

- John Allpass (Chairman and Non-Executive, Independent Director);
- Ian Little (Managing Director);
- Fraser Ainsworth AM (Non-Executive, Independent Director); and
- Olaf O'Duill (Non-Executive, Independent Director).

The Non Affiliated Directors unanimously recommend that Envestra Shareholders accept the CK Offer, in the absence of a superior proposal and subject to the Bid Implementation Agreement not being terminated.

In addition, each of the Non Affiliated Directors intends to accept the CK Offer in respect of the Envestra Shares that he owns or controls, in the absence of a superior proposal and subject to the Bid Implementation Agreement not being terminated.

The reasons for the Non Affiliated Directors' recommendation are set out in Section 2.2.

(b) APA Affiliated Directors and CK Consortium Affiliated Directors

The APA Affiliated Directors are Michael McCormack and Ross Gersbach. Michael McCormack is an APA Affiliated Director because he is the Managing Director and Chief Executive Officer of APA Group (which proposed the APA Scheme). Ross Gersbach is an APA Affiliated Director because he is the Chief Executive Strategy and Development of APA Group.

The CK Consortium Affiliated Directors are Dominic Chan and Ivan Chan. Dominic Chan is a CK Consortium Affiliated Director because he is the Executive Director and Chief Financial Officer of Cheung Kong Infrastructure Holdings Limited (**CKI**) and an Executive Director of Power Assets Holdings Limited (**PAH**), both of which are CK Consortium Members. Ivan Chan is a CK Consortium Affiliated Director because he is the Chief Planning and Investment Officer of CKI and Chief Financial Officer of PAH.

Due to the APA Affiliated Directors' relationships with the APA Group, and the CK Consortium Affiliated Directors' relationships with the CK Consortium Group, the Envestra Board considered it appropriate that neither the APA Affiliated Directors nor the CK Consortium Affiliated Directors participate in the Independent Board Committee's consideration of and response to the CK Offer. For the same reasons, the APA Affiliated Directors and the CK Consortium Affiliated Directors are not making a recommendation to Envestra Shareholders in relation to the CK Offer.

Michael McCormack has not advised Envestra whether he intends to accept the CK Offer in respect of the 66,681 Envestra Shares that he owns or controls. Ross Gersbach, Dominic Chan and Ivan Chan do not own or control any Envestra Shares.

2.2 Reasons to accept the CK Offer

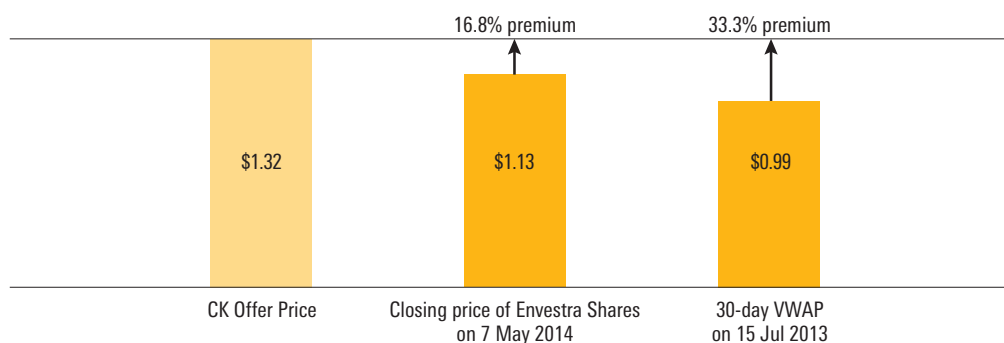
1. **The CK Offer Price represents a significant premium to the pre-bid prices of Envestra Shares.**
2. **The CK Offer provides Envestra Shareholders with certainty of price and cash.**
3. **The CK Offer Price is at the top end of the valuation range for Envestra Shares as assessed by the APA Scheme Independent Expert in its report dated 7 April 2014 prepared in connection with the proposed APA Scheme.**
4. **You may not receive a control premium if the CK Offer does not proceed, as either CKIHM or APA Group (or their respective Associates) may increase their Envestra Shareholdings over time and may obtain control without making a proposal to all Envestra Shareholders.**
5. **There is a risk that liquidity in Envestra Shares may be reduced if the CK Offer becomes unconditional and CK ENV Investments is unable to acquire 100% of the Envestra Shares by proceeding to compulsory acquisition.**
6. **The Envestra Share price is likely to fall if the CK Offer is not successful and no alternative proposal emerges.**

Reason 1: The CK Offer Price represents a significant premium to the pre-bid prices of Envestra Shares

The CK Offer Price of \$1.32 cash per Envestra Share represents:

- a premium of 16.8% to the closing price of Envestra Shares of \$1.13 on 7 May 2014, the last trading day prior to the date on which Envestra announced that it had received an indicative, non-binding, conditional off-market takeover proposal from the CK Consortium; and
- a premium of 33.3% to the 30-day VWAP of Envestra Shares of \$0.99 up to and including 15 July 2013, the last trading day prior to announcement of the APA Scheme.

CK Offer Price premium over historical trading prices for Envestra Shares



Source: IRESS

The Non Affiliated Directors believe that the CK Offer provides Envestra Shareholders with a compelling premium to the pre-bid Envestra Share price and, being cash, provides an opportunity for you to realise your investment in Envestra.

In addition, Envestra Shareholders as at the Final Dividend Record Date will be entitled to retain the Final Dividend without reduction of the CK Offer Price.

Reason 2: The CK Offer provides Envestra Shareholders with certainty of price and cash

The Non Affiliated Directors have carefully considered the CK Offer in light of the options presently available to all Envestra Shareholders. The CK Offer comprises 100% cash. If you accept the CK Offer in accordance with the instructions contained in the CK Offer and the acceptance form enclosed with the CK Bidder's Statement and the CK Offer becomes or is declared unconditional:

- you will be entitled to receive \$1.32 cash per Envestra Share from CK ENV Investments. If you are the registered holder of Envestra Shares at the Final Dividend Record Date (18 July 2014), you will also be entitled to receive the Final Dividend of 3.5 cents per Envestra Share from Envestra. Under the terms of the CK Offer, the Final Dividend will not reduce the amount of the CK Offer Price payable to you;
- you will not incur brokerage fees which would otherwise be likely to be incurred if you were to sell your Envestra Shares on-market;⁴ and
- as stated in section 2.2 of Part 2 of the CK Bidder's Statement, you will be entitled to be sent payment by CK ENV Investments for your Envestra Shares within the earlier of:
 - if the CK Offer was unconditional when you accepted it, one month of you accepting the CK Offer or, if the CK Offer was subject to a defeating condition when you accepted it, one month after the date that the CK Offer becomes, or is declared, unconditional; and
 - 21 days after the end of the CK Offer Period.

The Non Affiliated Directors considered the CK Offer to be superior to the proposed APA Scheme for reasons including:

- the uncertainty regarding CKIHM's voting intentions in relation to the APA Scheme; and
- the potentially variable implied value range of the consideration under the APA Scheme.

The Non Affiliated Directors considered that the certainty of the cash consideration under the CK Offer, and therefore the CK Offer, is in the best interests of Envestra Shareholders.

The certainty of the cash consideration offered by CK ENV Investments should be compared to the uncertainty and risks to Envestra Shareholders of remaining invested in Envestra, which are described in Sections 6.17 and 7.7 of this Target's Statement.

4. However, if you hold your Envestra Shares through CHESS or through a bank, custodian or other nominee, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the CK Offer.

Reason 3: The CK Offer Price is at the top end of the valuation range for Envestra Shares as assessed by the APA Scheme Independent Expert in its report dated 7 April 2014 prepared in connection with the proposed APA Scheme

As previously announced to the ASX on 7 April 2014, in connection with the proposed APA Scheme, Envestra engaged Grant Samuel & Associates Pty Limited (the **APA Scheme Independent Expert**), who assessed the full underlying value of Envestra (including a premium for control) to be in the range of \$1.11 to \$1.32 per Envestra Share in its report dated 7 April 2014 prepared in connection with the APA Scheme.

The CK Offer Price of \$1.32 is at the top end of the valuation range for Envestra Shares, as assessed by the APA Scheme Independent Expert.

Reason 4: You may not receive a control premium if the CK Offer does not proceed, as either CKIHM or APA Group (or their respective Associates) may increase their Envestra Shareholdings over time and may obtain control without making a proposal to all Envestra Shareholders

The Corporations Act allows APA Group to increase its Relevant Interest in Envestra Shares (inclusive of the Relevant Interests of its Associates) by up to 3% every six months through further acquisitions (including acquisitions on the ASX) without making a full takeover offer or offering a control premium.

If the CK Offer lapses or is withdrawn such that CKIHM's Relevant Interest in Envestra Shares reverts to 17.46%⁵ upon the lapse or withdrawal of the CK Offer, CKIHM may immediately increase its Relevant Interest in Envestra Shares to 20% through, for example, acquisitions on the ASX. After a period of six months of having a Relevant Interest in not less than 19% of Envestra Shares, the Corporations Act allows CKIHM to increase its Relevant Interest in Envestra Shares (inclusive of the Relevant Interests of its Associates) by up to 3% every six months through further acquisitions (including acquisitions on the ASX) without making a full takeover offer or offering a control premium.

At the close of trading on 16 July 2014 (the last practicable trading day prior to the date of this Target's Statement), APA Group's Relevant Interest in Envestra Shares is 33.05% and CKIHM's Relevant Interest in Envestra Shares (ignoring Relevant Interests arising from acceptances of the CK Offer) is 17.46%.⁶ If there is a change of control of Envestra as a result of APA Group or CKIHM (or their respective Associates) increasing their Relevant Interests in Envestra Shares in the manner referred to above, there is a risk that such a change of control may be considered "unacceptable" to Envestra's financiers who are parties to the Intercreditor Deed Poll, and therefore an Event of Default as defined in the Intercreditor Deed Poll. This may result in Envestra's financiers requiring early repayment of Envestra's debt and substantial payments above face value and other costs.⁷ It is therefore not clear to the Non Affiliated Directors whether APA Group or CKIHM would be prepared to proceed with such a strategy without first entering into a binding arrangement with Envestra's financiers confirming that the change of control would not be declared "unacceptable" under the Intercreditor Deed Poll.

5. Being CKIHM's Relevant Interest in Envestra Shares as at the close of trading on 16 July 2014 (the last practicable trading day prior to the date of this Target's Statement), ignoring Relevant Interests arising from acceptances of the CK Offer.
6. The notice of change of interests of substantial holder dated 15 July 2014 and lodged on behalf of CK ENV Investments with the ASX on that date states that CK ENV Investments and its Associates (including CKIHM, the CK Consortium Members and CK ENV UK Limited) have a Relevant Interest in the Envestra Shares for which the registered holders are CKIHM (holding approximately 17.46% of Envestra Shares) and those Envestra Shareholders who have already accepted the CK Offer (holding approximately 1.28% of Envestra Shares). Please refer to that notice of change of interests of substantial holder for a full list of the Associates of CK ENV Investments. The notice is available from Envestra's website at www.envestra.com.au and ASX's website at www.asx.com.au (ASX code: ENV).
7. All of Envestra's debt and hedging instruments are potentially subject to early repayment in these circumstances. As at 30 June 2014, Envestra expects that the quantum of payments above face value that may be required in these circumstances would be in the range of \$275 million to \$325 million (however, these amounts will vary from time to time with changes to exchange rates, interest rates and the amount of Envestra's debt outstanding).

Reason 5: There is a risk that liquidity in Envestra Shares may be reduced if the CK Offer becomes unconditional and CK ENV Investments is unable to acquire 100% of the Envestra Shares by proceeding to compulsory acquisition

There is a possibility that, if the CK Offer becomes or is declared unconditional, but CK ENV Investments has not received sufficient acceptances to be able to proceed to compulsory acquisition (and so acquire 100% of the Envestra Shares), Envestra will remain a publicly traded company but with reduced liquidity for ongoing Envestra Shareholders due to the substantially reduced number of Envestra Shares available for trading on the ASX. The limited free float or liquidity may also cause Envestra to be removed from a number of S&P/ASX indices, which may result in reduced demand for Envestra Shares from investors.

This decreased liquidity and absence of a takeover offer for Envestra after the CK Offer has closed may adversely affect the Envestra Share price.

Ordinarily, this scenario would arise if CK ENV Investments does not proceed to compulsory acquisition of Envestra Shares following the CK Offer Period because it (together with its Associates) does not have, during or at the end of the CK Offer Period, a Relevant Interest in at least 90% (by number) of the Envestra Shares, including any Relevant Interest held by CKIHM.⁸

CK ENV Investments has stated in section 3.2(a) of Part 1 of the CK Bidder's Statement that, if CK ENV Investments becomes entitled to proceed to compulsory acquisition during or at the end of the CK Offer Period, it intends to give notices to compulsorily acquire any outstanding Envestra Shares in accordance with Part 6A.1 of the Corporations Act and will have Envestra apply for its removal from the official list of the ASX.

In addition, CK ENV Investments has stated in section 3.3(b) of Part 1 of the CK Bidder's Statement that it intends to apply to the ASX for Envestra to be delisted from the ASX without the approval of Envestra Shareholders if (i) it acquires a Relevant Interest in more than 75%, but less than 100% of Envestra Shares following conclusion of the CK Offer; and (ii) the conditions of section 2.10 of ASX Guidance Note 33 are satisfied.

CK ENV Investments has also stated that, even if the conditions in section 2.10 of ASX Guidance Note 33 are not satisfied, such that the ASX will not permit Envestra to be delisted without the approval of Envestra Shareholders, depending on CK ENV Investments' Relevant Interest in Envestra Shares and the number of remaining Envestra Shareholders, CK ENV Investments may consider obtaining the consent of the ASX for Envestra to seek the approval of Envestra Shareholders to the delisting of Envestra.

If Envestra were to be delisted, any remaining Envestra Shareholders would be holders of unlisted securities. This would further reduce the trading liquidity of Envestra Shares, and would mean that Envestra would no longer be subject to the continuous disclosure requirements of the ASX Listing Rules and various requirements and protections for minority Envestra Shareholders under the ASX Listing Rules would cease to apply (such as restrictions on the issue of new securities, related party provisions and requirements to seek Envestra Shareholder approval for significant changes to the nature and scale of activities).⁹

Please refer to Sections 6.16(a) and 6.17(d) for further details regarding the intentions of CK ENV Investments in relation to the potential delisting of Envestra following conclusion of the CK Offer.

8. Please refer to Section 6.16(a) for further details. As at 7.00pm (Sydney time) on 16 July 2014 (the last practicable trading day prior to the date of this Target's Statement), CK ENV Investments and its Associates (including CKIHM) have a Relevant Interest in 18.73% of the Envestra Shares. Please also refer to Section 6.16(b) regarding general compulsory acquisition if at any time, CK ENV Investments (together with its Related Bodies Corporate) acquires full beneficial interest in at least 90% (by number) of the Envestra Shares.

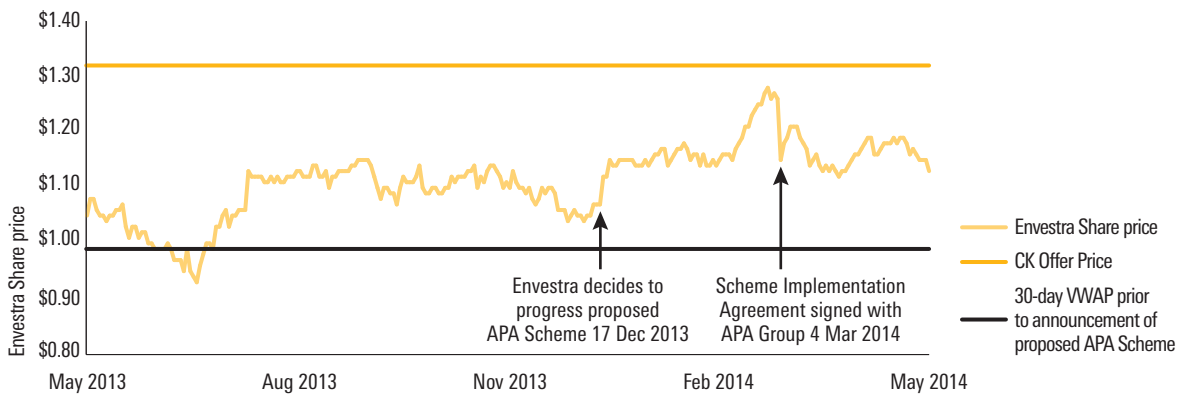
9. However, while Envestra remains a public company, the provisions of Chapter 2E of the Corporations Act (related party transactions) would continue to apply to Envestra. In addition, if Envestra remains a "disclosing entity" under Part 1.2A of the Corporations Act after delisting, it would continue to be subject to continuous disclosure obligations under the Corporations Act.

Reason 6: The Envestra Share price is likely to fall if the CK Offer is not successful and no alternative proposal emerges

Since the day prior to the announcement of the proposed APA Scheme on 16 July 2013, the Envestra Share price has risen 24.5% up to \$1.32 at the close of trading on 16 July 2014, being the last practicable trading day prior to the date of this Target's Statement.

There are many factors that affect the Envestra Share price; however, the Non Affiliated Directors consider that in the absence of the CK Offer or an alternative proposal, or speculation regarding an alternative proposal, the Envestra Share price may fall below current levels and below the CK Offer Price.

Envestra Share price prior to announcement of the CK Offer
(12 months up to and including 7 May 2014)



Source: IRESS

SECTION 3

REASONS YOU MAY NOT WISH TO ACCEPT THE CK OFFER

The CK Offer has a number of potential disadvantages and risks that Envestra Shareholders should consider when deciding whether or not to accept the CK Offer.

Although the Non Affiliated Directors consider that these disadvantages and risks are outweighed by the advantages of the CK Offer, and unanimously recommend that Envestra Shareholders accept the CK Offer in the absence of a superior proposal and subject to the Bid Implementation Agreement not being terminated, Envestra Shareholders should consider their individual circumstances in determining whether or not to accept the CK Offer.

- 1. You may consider that there is the potential for a superior proposal to be made in relation to Envestra in the foreseeable future.**
- 2. The potential tax consequences of accepting the CK Offer may not be suitable to your financial position.**
- 3. You may wish to participate in any potential benefits of remaining an Envestra Shareholder.**
- 4. You may believe the CK Offer Price is inadequate.**

ENVESTRA TARGET'S STATEMENT

Reason 1: You may consider that there is the potential for a superior proposal to be made in relation to Envestra in the foreseeable future

You may believe that there is a possibility that a superior proposal could emerge in the foreseeable future. However, as at the date of this Target's Statement, there is no superior proposal that is available to be accepted by Envestra Shareholders.

Reason 2: The potential tax consequences of accepting the CK Offer may not be suitable to your financial position

Acceptance and subsequent implementation of the CK Offer may result in taxation consequences for you.

Section 8 of this Target's Statement sets out a general summary of the Australian taxation consequences for Envestra Shareholders of accepting the CK Offer. The application of tax laws to Envestra Shareholders will be dependent on particular facts and circumstances and accordingly it is strongly encouraged that Envestra Shareholders obtain their own independent taxation advice.

Reason 3: You may wish to participate in any potential benefits of remaining an Envestra Shareholder

If you accept the CK Offer, and the CK Offer becomes unconditional, you will cease to hold your Envestra Shares. The sale of Envestra Shares under the CK Offer may result in disadvantages to those who wish to maintain their current investment profile.

In particular, you may wish to maintain your investment in Envestra in order to have an investment in a publicly listed company¹⁰ with the specific characteristics of Envestra in terms of risk, predominant exposure to regulated assets and earnings, operational profile, size, capital structure and potential dividend stream.

However, in deciding to unanimously recommend that you accept the CK Offer, the Non Affiliated Directors determined that, on balance, the potential benefits of the CK Offer, as set out in Section 2.2 of this Target's Statement, offer a more favourable and certain outcome for Envestra Shareholders than the benefits that might otherwise be available to them if Envestra remains a standalone listed company and seeks to execute its current business strategy.

In coming to this conclusion, the Non Affiliated Directors had regard to a number of specific risks to Envestra Shareholders of remaining invested in Envestra, which are described in Sections 6.17 and 7.7 of this Target's Statement.

Reason 4: You may believe the CK Offer Price is inadequate

You may disagree with the unanimous recommendation of the Non Affiliated Directors, and consider that the CK Offer Price of \$1.32 cash per Envestra Share is inadequate and that you should therefore not accept the CK Offer.

You are not obliged to follow the recommendation of the Non Affiliated Directors.

* * *

Before deciding not to accept the CK Offer, Envestra Shareholders should consider the information in this Target's Statement, including the information in Sections 6.17 and 7 regarding Envestra and its likely circumstances following the CK Offer, which is relevant to a decision to remain an Envestra Shareholder.

10. Envestra Shareholders should be aware that, if the CK Offer becomes unconditional, Envestra could potentially be removed from the official list of the ASX even if CK ENV Investments is unable to acquire 100% of the Envestra Shares by proceeding to compulsory acquisition. Please refer to Sections 6.16(a) and 6.17(d) for further details regarding the intentions of CK ENV Investments in relation to the potential delisting of Envestra following conclusion of the CK Offer.

SECTION 4

FREQUENTLY ASKED QUESTIONS

This Section 4 answers questions that may be commonly asked about the CK Offer. A number of other questions may also be answered by the summary of the CK Offer which is contained in Section 1 of this Target's Statement.

This Section 4 is not intended to address all relevant issues for Envestra Shareholders. It should be read together with all other parts of this Target's Statement and the CK Bidder's Statement.

1.	What is the CK Offer?	CK ENV Investments is offering to acquire all of your Envestra Shares for \$1.32 cash per Envestra Share, on the terms and conditions contained in Part 2 of the CK Bidder's Statement.
2.	What is the Final Dividend?	<p>As announced to the ASX on 11 July 2014, Envestra has declared a Final Dividend of 3.5 cents per Envestra Share.</p> <p>Under the terms of the CK Offer, Envestra Shareholders as at the Final Dividend Record Date (18 July 2014) are entitled to retain the Final Dividend without reduction of the CK Offer Price.</p> <p>Section 6.5 of this Target's Statement provides further information about the Final Dividend.</p>
3.	What do the Envestra Directors recommend I do?	<p>The Non Affiliated Directors unanimously recommend you accept the CK Offer, in the absence of a superior proposal and subject to the Bid Implementation Agreement not being terminated, for the reasons contained in Section 2.2 of this Target's Statement.</p> <p>The CK Consortium Affiliated Directors and the APA Affiliated Directors do not give a recommendation, for the reasons contained in Section 2.1(b) of this Target's Statement.</p>
4.	What do the Envestra Directors intend to do with their Envestra Shares?	<p>Each of the Non Affiliated Directors intends to accept the CK Offer in respect of the Envestra Shares that they own or control, in the absence of a superior proposal and subject to the Bid Implementation Agreement not being terminated.</p> <p>Michael McCormack has not advised Envestra whether he intends to accept the CK Offer in respect of the 66,681 Envestra Shares that he owns or controls. Ross Gersbach, Dominic Chan and Ivan Chan do not own or control any Envestra Shares.</p>
5.	What does the CK Offer mean for the APA Scheme?	<p>In view of the Non Affiliated Directors' unanimous recommendation of the CK Offer, Envestra has terminated the Scheme Implementation Agreement with APA Group and will not proceed with the APA Scheme. On 30 May 2014, the Federal Court of Australia ordered that the adjourned APA Scheme Meeting that was scheduled to resume at 10.00am (Adelaide time) on 13 June 2014 be cancelled.</p> <p>As a result, the proposal for the APA Scheme has come to an end and will not be implemented.</p>

ENVESTRA TARGET'S STATEMENT

6.	What are APA Group's intentions?	<p>As at the close of trading on 16 July 2014 (the last practicable trading day prior to the date of this Target's Statement), APA Group holds 33.05% of the Envestra Shares and has not publicly stated whether it intends to accept the CK Offer.</p> <p>Given the size of the APA Group's Envestra Shareholding, if APA Group accepts the CK Offer, the minimum acceptance condition (see Section 6.7(a)) will be satisfied. If APA Group does not accept the CK Offer, CK ENV Investments will need to receive acceptances representing approximately 65.75% of those Envestra Shares held by persons other than APA Group and CKIHM in order for this condition to be satisfied (including acceptances already received as at the date of this Target's Statement).</p>
7.	What is the difference between CK ENV Investments and the CK Consortium?	<p>The CK Offer is being made by CK ENV Investments.</p> <p>CK ENV Investments is indirectly jointly owned by the CK Consortium.</p> <p>The CK Consortium Members are CKH, CKI and PAH, each of which is a Hong Kong listed company. For further information about the CK Consortium Members and the structure of the CK Consortium, please refer to section 1 of Part 1 of the CK Bidder's Statement.</p>
8.	What is the CK Bidder's Statement?	<p>The CK Bidder's Statement is the document prepared by CK ENV Investments which sets out the terms of the CK Offer, as required by the Corporations Act. CK ENV Investments lodged the CK Bidder's Statement with ASIC on 20 June 2014.</p> <p>All Envestra Shareholders should have recently received a copy of the CK Bidder's Statement in the post. If you have misplaced or have not received your CK Bidder's Statement, please contact CK ENV Investments' offer information line on 1300 621 435 (within Australia) or +61 3 9415 4877 (from outside Australia) to request another copy.</p>
9.	What is this Target's Statement?	<p>This Target's Statement is the formal response by the Envestra Directors to the CK Offer, as required by the Corporations Act. This document has been prepared by Envestra and contains important information to help you decide whether to accept the CK Offer.</p>
10.	What choices do I have as an Envestra Shareholder?	<p>You have the following choices in relation to your Envestra Shareholding:</p> <ul style="list-style-type: none"> • accept the CK Offer; • reject the CK Offer (which does not require you to take any further action); or • sell your Envestra Shares on-market. <p>Section 5 of this Target's Statement provides further information about these choices.</p>
11.	How do I accept the CK Offer?	<p>To accept the CK Offer, refer to section 3 of Part 2 of the CK Bidder's Statement, as well as the instructions on the acceptance form enclosed with the CK Bidder's Statement. If you wish to accept the CK Offer, you should ensure that you correctly accept the CK Offer before the end of the CK Offer Period. If you have misplaced or have not received your acceptance form, please contact CK ENV Investments' offer information line on 1300 621 435 (within Australia) or +61 3 9415 4877 (from outside Australia) to request another acceptance form.</p> <p>See also Section 6.9 of this Target's Statement for further information about how to accept the CK Offer.</p>

ENVESTRA TARGET'S STATEMENT

12.	How do I reject the CK Offer?	To reject the CK Offer, you should take no action.
13.	What happens if I do nothing?	<p>If you do nothing in relation to the CK Offer and do not otherwise dispose of your Envestra Shares, you will remain an Envestra Shareholder, subject to the comments below.</p> <p>CK ENV Investments has stated in section 3.2(a) of Part 1 of the CK Bidder's Statement that it intends to compulsorily acquire all remaining Envestra Shares if CK ENV Investments (with its Associates) has a Relevant Interest in at least 90% (by number) of the Envestra Shares during or at the end of the CK Offer Period. See Section 6.16 of this Target's Statement for more details.</p> <p>Even if CK ENV Investments does not proceed to compulsory acquisition, it may still acquire a significant Envestra Shareholding as a result of the CK Offer. You should consider the implications of remaining a minority Envestra Shareholder in these circumstances, as set out in Section 6.17 of this Target's Statement.</p>
14.	What happens if there is a competing proposal from a third party?	<p>If there is a competing proposal in relation to Envestra from a third party, the Non Affiliated Directors will reconsider their recommendation of the CK Offer and advise Envestra Shareholders accordingly.</p> <p>If you have already accepted the CK Offer at that time, you will only be able to withdraw your acceptance in limited circumstances referred to in Section 6.11 of this Target's Statement.</p> <p>Accordingly, you should be aware that if you accept the CK Offer, you may be unable to accept a competing proposal if one arises. As at the date of this Target's Statement, there is no competing proposal in relation to Envestra.</p>
15.	What is the Bid Implementation Agreement?	<p>The Bid Implementation Agreement was entered into between Envestra, CK ENV Investments and the CK Consortium Members on 30 May 2014. Amongst other things, it contains the terms and conditions on which CK ENV Investments would proceed with the CK Offer. The Bid Implementation Agreement was attached to Envestra's announcement to the ASX on 30 May 2014 and a summary of the key terms of the Bid Implementation Agreement is contained in section 7.1 of Part 1 of the CK Bidder's Statement.</p>
16.	Can CK ENV Investments increase its offer price?	<p>Yes. If you accept the CK Offer, you will be entitled to receive the increased price for your Envestra Shares if the CK Offer Price is subsequently increased (provided that the CK Offer becomes unconditional).</p>
17.	What happens if the conditions of the CK Offer are not satisfied or waived?	<p>If the conditions of the CK Offer are not satisfied or waived by the end of the CK Offer Period, the CK Offer will lapse. If you accepted the CK Offer, you will remain an Envestra Shareholder and will be free to deal with your Envestra Shares again.</p>

18.	When do I get paid if I accept the CK Offer?	<p>It is important to understand that even if you accept the CK Offer, you will not be entitled to receive any consideration for your Envestra Shares unless all of the conditions of the CK Offer are satisfied or waived.</p> <p>Please refer to Section 6.7 for a summary of the conditions and their status as at the date of this Target's Statement.</p> <p>CK ENV Investments has stated in section 2.2 of Part 2 of the CK Bidder's Statement that if you accept the CK Offer in accordance with the instructions contained in the CK Offer and the acceptance form enclosed with the CK Bidder's Statement and the CK Offer becomes unconditional, CK ENV Investments will provide consideration for your Envestra Shares on or before the earlier of:</p> <ul style="list-style-type: none"> • if the CK Offer is unconditional when you accept, one month after the date you accept the CK Offer or, if the CK Offer is subject to a condition when accepted, one month after the date the takeover contract resulting from your acceptance of the CK Offer becomes unconditional; and • 21 days after the end of the CK Offer Period. <p>See Section 6.12 of this Target's Statement for further details.</p>
19.	How will I know whether the CK Offer has become unconditional?	<p>CK ENV Investments must inform Envestra Shareholders as soon as the conditions to the CK Offer have been satisfied or waived. Notices from CK ENV Investments will also be available on Envestra's website at www.envestra.com.au and ASX's website at www.asx.com.au (ASX code: ENV).</p>
20.	What are the tax implications of accepting the CK Offer?	<p>A general outline of the Australian taxation implications of accepting the CK Offer is set out in Section 8 of this Target's Statement.</p> <p>As the outline is a general outline only, Envestra Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p>
21.	Can I accept for part of my Envestra Shareholding?	<p>No. You may only accept the CK Offer for all of the Envestra Shares held by you.</p>

ENVESTRA TARGET'S STATEMENT

22.	Can I be forced to sell my Envestra Shares?	<p>You cannot be forced to sell your Envestra Shares unless CK ENV Investments is legally entitled to proceed to compulsory acquisition of Envestra Shares.</p> <p>This may occur if CK ENV Investments (together with its Associates) has a Relevant Interest in at least 90% (by number) of the Envestra Shares through acceptances under the CK Offer or otherwise, during or at the end of the CK Offer Period. In that event, you will be entitled to receive the same consideration for your Envestra Shares that you would have received under the CK Offer, but it is likely to take longer for you to receive the consideration from CK ENV Investments.</p> <p>Alternatively, even if the requirements set out in the paragraph above are not satisfied at the end of the CK Offer Period, it is possible that CK ENV Investments may proceed to compulsory acquisition if it (either alone or together with its Related Bodies Corporate) acquires at any time full beneficial interest in at least 90% (by number) of the Envestra Shares. In that event, CK ENV Investments will need to pay "fair value" for the Envestra Shares (as assessed by an expert).</p> <p>See Section 6.16 of this Target's Statement for further information about compulsory acquisition.</p>
23.	If I accept the CK Offer, can I withdraw my acceptance?	<p>If you accept the CK Offer, you will not be able to withdraw your acceptance, except in certain limited circumstances referred to in Section 6.11 of this Target's Statement.</p>
24.	Can I sell my Envestra Shares on-market?	<p>During the CK Offer Period, you may sell your Envestra Shares on-market for cash (less any brokerage that may be payable), unless you have already accepted the CK Offer and have not withdrawn your acceptance (where you have become entitled to do so as a result of one of the circumstances referred to in Section 6.11 of this Target's Statement).</p> <p>Before selling your Envestra Shares on-market, you should carefully consider the implications of this course of action, including the implications referred to in Section 5.3 of this Target's Statement.</p>
25.	Will I need to pay brokerage or stamp duty if I accept the CK Offer?	<p>No brokerage or stamp duty will be payable by you as a result of your acceptance of the CK Offer. However, if you hold your Envestra Shares through CHESS or through a bank, custodian or other nominee, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the CK Offer.</p>
26.	Who do I contact if I have further questions?	<p>If you have any further questions in relation to the CK Offer, please call the Envestra Shareholder Information Line on 1300 784 494 (from within Australia) or +61 1300 784 494 (from outside Australia) between 8.30am and 5.00pm (Sydney time), Monday to Friday. Calls to these numbers may be recorded.</p>

SECTION 5

YOUR CHOICES AS AN ENVESTRA SHAREHOLDER

The Non Affiliated Directors unanimously recommend that you ACCEPT the CK Offer in the absence of a superior proposal and subject to the Bid Implementation Agreement not being terminated.

However, as an Envestra Shareholder, you have three choices currently available to you:

5.1 Accept the CK Offer

Details of how to accept the CK Offer are contained in section 3 of Part 2 of the CK Bidder's Statement and Section 6.9 of this Target's Statement.

If you accept the CK Offer, a binding contract of sale will immediately exist between you and CK ENV Investments and you will give up your right to sell your Envestra Shares on-market or accept any competing proposal in relation to Envestra or otherwise deal with your Envestra Shares, except in limited circumstances in which you exercise withdrawal rights that have become available (see Section 6.11 of this Target's Statement).¹¹

The taxation consequences of accepting the CK Offer depend on a number of factors and will vary according to your particular circumstances. A general outline of the Australian taxation implications of accepting the CK Offer is set out in Section 8 of this Target's Statement. You should seek your own specific professional advice regarding the taxation consequences for you of accepting the CK Offer.

5.2 Reject the CK Offer

If, despite the Non Affiliated Directors' unanimous recommendation, you do not wish to accept the CK Offer, you do not need to take any action.

5.3 Sell your Envestra Shares on-market

You can sell your Envestra Shares on-market if you have not accepted the CK Offer.

The latest price of Envestra Shares may be obtained from the ASX website at www.asx.com.au (ASX code: ENV).

Envestra Shareholders who sell their Envestra Shares on-market:

- (a) will lose the opportunity to receive any future benefits from being an Envestra Shareholder;
- (b) may incur a brokerage charge; and
- (c) will lose the opportunity to participate in the benefits of any potential higher offer from CK ENV Investments or under any competing proposal, if such a higher offer or competing proposal eventuates.

11. You would also become free to deal with your Envestra Shares if a defeating condition to the CK Offer (other than an Envestra Prescribed Event) is neither waived nor satisfied by the end of the CK Offer Period (see Section 6.7 of this Target's Statement) or CK ENV Investments withdraws the CK Offer (see Section 6.18 of this Target's Statement).

SECTION 6

INFORMATION REGARDING THE CK OFFER

6.1 Overview

This Section 6 contains the Non Affiliated Directors' commentary on the terms and conditions of the CK Offer. The full terms and conditions of the CK Offer are set out in Part 2 of the CK Bidder's Statement.

6.2 CK ENV Investments and the CK Consortium

The CK Offer is being made by CK ENV Investments. CK ENV Investments is indirectly jointly owned by the CK Consortium.

The CK Consortium is comprised of Cheung Kong (Holdings) Limited (**CHK**), Cheung Kong Infrastructure Holdings Limited (**CKI**) and Power Assets Holdings Limited (**PAH**). Each of CKH, CKI and PAH are Hong Kong listed companies. Cheung Kong Infrastructure Holdings (Malaysian) Ltd (**CKIHM**), which holds approximately 17.46% of the Envestra Shares as at the close of trading on 16 July 2014 (the last practicable trading day prior to the date of this Target's Statement), is a subsidiary of CKI.

Further details regarding CK ENV Investments and the CK Consortium are contained in section 1 of Part 1 of the CK Bidder's Statement.

6.3 The CK Offer

CK ENV Investments is offering to acquire all Envestra Shares from Envestra Shareholders. The CK Offer relates to Envestra Shares that existed as at 7.00pm (Sydney time) on 25 June 2014.

You may only accept the CK Offer in respect of **all** of your Envestra Shares.

The CK Offer is subject to a number of conditions, which are discussed in more detail in Section 6.5 of this Target's Statement.

6.4 CK Offer Price

CK ENV Investments is offering \$1.32 cash per Envestra Share. Please also refer to Section 6.5 regarding the Final Dividend.

The CK Offer Price will only be payable if all of the conditions of the CK Offer are satisfied or waived in accordance with the CK Bidder's Statement and the Corporations Act.

6.5 Final Dividend

As announced to the ASX on 11 July 2014, Envestra has declared a Final Dividend of 3.5 cents per Envestra Share.

Under the terms of the CK Offer, Envestra Shareholders as at the Final Dividend Record Date (18 July 2014) are entitled to retain the Final Dividend without reduction of the CK Offer Price.

Envestra Shareholders should also be aware of the objection raised by CK ENV Investments and the CK Consortium in relation to the timing of the declaration of the Final Dividend. However, the Non Affiliated Directors do not consider that this objection will affect the entitlement of an Envestra Shareholder on the Final Dividend Record Date to retain the Final Dividend. The details of this objection are summarised in the media release made by the Takeovers Panel and released to the ASX on 9 July 2014 in the following manner:

"In an announcement made on 20 June 2014, Envestra stated that it proposed declaring a final dividend of \$0.035 per share with accelerated ex-dividend and record dates around mid-July but that the CK Consortium objected to the declaration of a dividend in those circumstances. In a media release later that day, the CK Consortium stated that they had no objection to the declaration of a final dividend but did object to the accelerated timetable for declaration and payment.

Envestra applied to the Panel for a declaration of unacceptable circumstances on the basis (among others) that the objection was designed to deter early declaration of the final dividend and deprive shareholders of the benefit of the final dividend. Envestra has sought final orders including to the effect that Envestra shareholders who accept the offer also receive the final dividend in addition to the offer amount of \$1.32 per share."

On 9 July 2014, the Takeovers Panel announced that it had declined to conduct proceedings in relation to this matter on the basis that unacceptable circumstances had not yet arisen, but noted that if either Envestra or CK ENV Investments departs in future from the statements made in their 30 May 2014 ASX releases (being statements to the effect that Envestra Shareholders will be entitled to receive a Final Dividend of up to 3.5 cents per Envestra Share without any reduction to the CK Offer Price, provided that such dividend is declared or determined to be paid on or prior to 21 August 2014) then a fresh application to the Takeovers Panel could be made.

In light of the Takeovers Panel's decision, and in order to ensure that there is no departure from the 30 May 2014 ASX releases made by Envestra and CK ENV Investments, the Envestra Directors proceeded with their previously announced intentions and declared the Final Dividend on 11 July 2014 with a Final Dividend Record Date of 18 July 2014.

Envestra notes that, as at the date of this Target's Statement, it has not received any further communication from CK ENV Investments or the CK Consortium in relation to their objection. Envestra has not been provided with sufficient information regarding the nature of the objection to enable Envestra to make any further disclosure in relation to the objection. The Corporations Act requires CK ENV Investments to disclose in the CK Bidder's Statement all information that is material to the making of a decision by Envestra Shareholders whether to accept the CK Offer which is known to CK ENV Investments. There is no disclosure in the CK Bidder's Statement concerning the objection referred to above.

6.6 CK Offer Period

The CK Offer is currently scheduled to close at 7.00pm (Sydney time) on 8 August 2014.

If the CK Offer remains subject to conditions, CK ENV Investments may extend the CK Offer Period at any time before giving notice of the status of conditions of the CK Offer (which it has indicated in the CK Bidder's Statement that it will do on 31 July 2014, unless that date is varied in accordance with the Corporations Act).

However, if the CK Offer is unconditional (that is, all of the conditions are satisfied or waived), CK ENV Investments may extend the CK Offer Period at any time before the end of the CK Offer Period (but the CK Offer Period must not in any event exceed 12 months).

In addition, there would be an automatic extension of the CK Offer Period if, within the last seven days of the CK Offer Period:

- CK ENV Investments improves the consideration under the CK Offer; or
- CK ENV Investments' voting power in Envestra increases to more than 50%,

in which case the CK Offer Period would be automatically extended so that it would end 14 days after the relevant event occurs.

If CK ENV Investments extends the CK Offer Period (including in the case of an automatic extension), CK ENV Investments is required to send you a notice specifying the new date that the CK Offer Period closes (unless you have already accepted the CK Offer and, other than in the case of an automatic extension, the CK Offer is unconditional).

6.7 Conditions of the CK Offer

The CK Offer is subject to a number of conditions which are set out in full in section 7 of Part 2 of the CK Bidder's Statement. All of the conditions must be satisfied, or be waived by CK ENV Investments, before the end of the CK Offer Period (except for the Envestra Prescribed Event condition, which may also be waived within three business days after the end of the CK Offer Period), in order for the CK Offer to proceed. If any condition of the CK Offer is neither satisfied nor waived within the relevant period described above:

- the CK Offer will lapse;
- Envestra Shareholders who have accepted the CK Offer will not be entitled to receive any consideration under the CK Offer; and
- Envestra Shareholders who have accepted the CK Offer will become entitled to deal with their Envestra Shares again.

Under the Bid Implementation Agreement, the minimum acceptance condition described in (a) below, and the financier confirmation condition described in (b) below, may only be waived with the prior consent of Envestra (such consent not to be unreasonably withheld or delayed), unless one of the exceptions described in the paragraph below applies.

If a third party¹² publicly announces a takeover bid for Envestra and the Bid Implementation Agreement has not been terminated:

- CK ENV Investments may waive the minimum acceptance condition described in (a) below without obtaining the prior consent of Envestra if the offers under the third party's takeover bid are not, will not be, or cease to be, subject to a minimum acceptance condition; and
- CK ENV Investments may waive the financier confirmation condition described in (b) below without obtaining the prior consent of Envestra.

If the Bid Implementation Agreement is terminated (irrespective of whether a third party has announced a takeover bid for Envestra), CK ENV Investments will be able to waive these conditions at its own discretion.¹³

These conditions might affect the prospects of success of the CK Offer given that, as explained below, certain of these conditions are out of Envestra's control or require Envestra to take (or refrain from taking) various actions.

Set out below is a summary of, and specific comments in relation to, each condition. Please refer to section 7 of Part 2 of the CK Bidder's Statement for the full text of each condition. The numbering of the conditions below corresponds to the numbering of the conditions in section 7 of Part 2 of the CK Bidder's Statement.

As noted in section 7.3 of Part 1 of the CK Bidder's Statement, FIRB approval of the CK Offer was obtained on 13 June 2014. Accordingly, FIRB approval is not a condition of the CK Offer.

(a) More than 50% minimum acceptance condition

The effect of this condition is that before the end of the CK Offer Period, CK ENV Investments must have received sufficient acceptances for it and its Associates to have a Relevant Interest in more than 50% of the Envestra Shares (by number).

The Envestra Shares held by Cheung Kong Infrastructure Holdings (Malaysian) Ltd (CKIHM), comprising 17.46% of all Envestra Shares,¹⁴ count towards that 50% threshold, meaning that CK ENV Investments will need to receive acceptances in excess of 32.54% of all Envestra Shares in order for this condition to be satisfied (including acceptances already received as at the date of this Target's Statement).

12. For these purposes, "third party" means any person or entity other than a Consortium Member, CK ENV Investments or any of their Related Entities.

13. In addition, if the Bid Implementation Agreement is terminated by Envestra or by CK ENV Investments due to Envestra's material breach of the Bid Implementation Agreement, CK ENV Investments may be able to rely on a defeating condition to the CK Offer. Please refer to Section 6.7(e) & (f) for further information.

14. As at the close of trading on 16 July 2014, the last practicable trading day prior to the date of this Target's Statement.

ENVESTRA TARGET'S STATEMENT

As at the close of trading on 16 July 2014 (the last practicable trading day prior to the date of this Target's Statement), other than CK ENV Investments and its Associates (including CKIHM),¹⁵ the only entities with a substantial holding of Envestra Shares (within the meaning of the Corporations Act) are APA Group, which holds approximately 33.05% of the Envestra Shares, and UBS AG and its Related Bodies Corporate, which hold approximately 5.20% of the Envestra Shares.

Given the size of the APA Group's Envestra Shareholding, if APA Group accepts the CK Offer, this condition will be satisfied. If APA Group does not accept the CK Offer, CK ENV Investments will need to receive acceptances representing approximately 65.75% of those Envestra Shares held by persons other than APA Group and CKIHM in order for this condition to be satisfied (including acceptances already received as at the date of this Target's Statement). As at 16 July 2014 (the last practicable trading day prior to the date of this Target's Statement), APA Group has not publicly stated whether it intends to accept the CK Offer.

(b) Financier confirmation

The CK Offer is conditional upon certain matters being satisfied which, taken together, will mean that Envestra's debt financiers will not be able to declare a change of control of Envestra resulting from the CK Offer to be "unacceptable" for the purposes of the Intercreditor Deed Poll (which would have had the consequences described in Section 6.14).

As at the date of this Target's Statement, a sufficient number of binding confirmations have been obtained from Envestra's financiers to ensure that a change of control of Envestra as a result of CK ENV Investments obtaining a Relevant Interest in more than 50% of Envestra Shares under the CK Offer will not be declared "unacceptable" for the purposes of the Intercreditor Deed Poll. Envestra is not aware of any event or circumstance which would give any such financier the right to withdraw or materially adversely modify their confirmation such that this condition would not be satisfied, provided the CK Offer completes or has been declared or become unconditional, and the CK Offer has not been withdrawn, by 31 December 2014.

(c) No Envestra Prescribed Event

This condition prohibits a variety of events from occurring during the CK Offer Period, such as changes to Envestra's capital structure (such as the issue of new securities in Envestra), the disposal of or granting of a security interest in the whole or a substantial part of the business or property of any member of the Envestra Group, or the entry of any member of the Envestra Group into an insolvency process. As at the date of this Target's Statement, the Envestra Directors are not aware of any matter having occurred or which is currently planned which would cause this condition not to be satisfied.

(d) No material adverse change

This condition requires that between 30 May 2014 (being the date of the Bid Implementation Agreement) and the end of the CK Offer Period, no material adverse change to Envestra Group occurs or becomes known to CK ENV Investments, subject to certain exceptions.

As at the date of this Target's Statement, no information has come to the attention of the Envestra Directors which indicates that this condition will not be satisfied. However, events may arise following the date of this Target's Statement which are partly or wholly outside the control of Envestra and which may lead to this condition not being satisfied.

(e) & (f) No termination or material breach of the Bid Implementation Agreement by Envestra

These conditions require that between 30 May 2014 (being the date of the Bid Implementation Agreement) and the end of the CK Offer Period, Envestra does not terminate the Bid Implementation Agreement, or commit a material breach of it (and if the breach is capable of remedy, does not remedy the breach within five business days of a Consortium Member or CK ENV Investments giving notice of the breach to Envestra).

15. The notice of change of interests of substantial holder dated 15 July 2014 and lodged on behalf of CK ENV Investments with the ASX on that date states that CK ENV Investments and its Associates (including CKIHM, the CK Consortium Members and CK ENV UK Limited) have a Relevant Interest in the Envestra Shares for which the registered holders are CKIHM and those Envestra Shareholders who have already accepted the CK Offer. Please refer to that notice of change of interests of substantial holder for a full list of the Associates of CK ENV Investments. The notice is available from Envestra's website at www.envestra.com.au and ASX's website at www.asx.com.au (ASX code: ENV).

ENVESTRA TARGET'S STATEMENT

As at the date of this Target's Statement, the Bid Implementation Agreement has not been terminated and the Envestra Directors are not aware of any actual or likely material breach of the Bid Implementation Agreement by Envestra. However, events may arise following the date of this Target's Statement which may lead to these conditions not being satisfied.

(g) No Event of Default, as defined in the Intercreditor Deed Poll

This condition requires that before the end of the CK Offer Period, no Event of Default, as defined in the Intercreditor Deed Poll, has occurred or is subsisting, and no event has arisen which may give rise to an Event of Default under the Intercreditor Deed Poll.

As at the date of this Target's Statement, no such Event of Default or other event has come to the attention of the Envestra Directors. However, events may arise following the date of this Target's Statement which are partly or wholly outside the control of Envestra and which may lead to this condition not being satisfied.

(h) No further dividends

This condition provides that the only dividend that Envestra may declare, authorise, determine, announce or otherwise pay or make payable before the end of the CK Offer Period is a Final Dividend of no more than 3.5 cents per Envestra Share, which must be declared (or determined to be paid) on or prior to 21 August 2014. The Final Dividend of 3.5 cents per Envestra Share announced to the ASX on 11 July 2014 with a Final Dividend Record Date of 18 July 2014 complies with this condition.

This condition will be satisfied unless the Envestra Directors declare, authorise, determine, announce, or otherwise pay or make payable a further dividend (in addition to the Final Dividend) at any time up to and including the end of the CK Offer Period (including any dividend declared, authorised, determined or announced during the CK Offer Period where payment is made or due to be made after the end of the CK Offer Period). The Envestra Directors do not intend to do so before (at least) 31 December 2014.

6.8 Notice of status of conditions

The CK Bidder's Statement indicates that CK ENV Investments will give a notice of the status of the conditions to the CK Offer on 31 July 2014.

CK ENV Investments is required to set out in its notice of status of conditions:

- whether the CK Offer is free of any or all of the conditions;
- whether, so far as CK ENV Investments knows, the conditions have been fulfilled on the date the notice is given; and
- CK ENV Investments' voting power in Envestra.

If the CK Offer Period is extended before the time by which the notice of status of conditions is to be given, the date for giving the notice of status of conditions will be taken to be postponed for the same period.

In the event of such an extension, CK ENV Investments is required, as soon as practicable after the extension, to give a notice to the ASX and Envestra that states:

- the new date for the giving of the notice of status of conditions;
- whether the CK Offer has been freed from the conditions; and
- whether, so far as CK ENV Investments knows, the conditions have been fulfilled on the date of the notice.

If a condition is fulfilled (so that the CK Offer becomes free of that condition) during the CK Offer Period but before the date on which the notice of status of conditions is required to be given, CK ENV Investments must, as soon as practicable, give the ASX and Envestra a notice that states that the particular condition has been fulfilled.

6.9 How to accept

If you decide to accept the CK Offer, your acceptance must be received before the close of the CK Offer Period (currently scheduled to be 7.00pm (Sydney time) on 8 August 2014, unless extended in accordance with the Corporations Act).

You should read this Target's Statement and the CK Bidder's Statement before making a decision on whether to accept the CK Offer.

Depending on the nature of your holding, you may accept the CK Offer in the following ways:

**(a) For Issuer Sponsored Holdings of Envestra Shares
(Securityholder Reference Number beginning with "I"):**

Complete and sign the acceptance form (included with the CK Bidder's Statement) and send it, and all other documents required by the instructions on the acceptance form, so that they are received before the end of the CK Offer Period at the address stated on the acceptance form.

**(b) For CHESS Holdings of Envestra Shares (who are not Participants)
(Holder Identification Number beginning with "X"):**

Either:

- instruct your Controlling Participant (usually your broker) to initiate acceptance of the CK Offer for your Envestra Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the CK Offer Period; or
- authorise CK ENV Investments to instruct your Controlling Participant (usually your broker) on your behalf to initiate acceptance of the CK Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules by completing, signing and sending the acceptance form (included with the CK Bidder's Statement) in accordance with the instructions on it. The acceptance form will only give rise to a valid acceptance if it is received before the end of the CK Offer Period (or if CK ENV Investments lawfully determines it is otherwise valid) which will then enable CK ENV Investments to instruct your Controlling Participant to initiate acceptance on your behalf.

(c) For Participants

If your Envestra Shares are in a CHESS Holding and you are a Participant, your acceptance of the CK Offer may be initiated in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the CK Offer Period.

* * *

If you have misplaced or have not received your acceptance form, please contact CK ENV Investments' offer information line on 1300 621 435 (within Australia) or +61 3 9415 4877 (from outside Australia) to request another.

CK ENV Investments has established an institutional acceptance facility in relation to the CK Offer, pursuant to which certain professional investors may indicate their intention to accept the CK Offer without actually accepting the CK Offer. Further details in relation to the institutional acceptance facility are set out in section 6 of Part 1 of the CK Bidder's Statement.

6.10 Effect of acceptance

If you accept the CK Offer, you will give up your right to sell your Envestra Shares on-market, accept any competing proposal in relation to Envestra or otherwise deal with your Envestra Shares, except in limited circumstances in which you exercise withdrawal rights that have become available (see Section 6.11 of this Target's Statement).¹⁶

However, you should ensure that, if you do wish to accept the CK Offer, you allow sufficient time for your acceptance to be processed before the end of the CK Offer Period. Please refer to section 3 of Part 2 of the CK Bidder's Statement and Section 6.9 of this Target's Statement for further information.

Other consequences of accepting the CK Offer are set out in section 5 of Part 2 of the CK Bidder's Statement. You are encouraged to read section 5 of Part 2 of the CK Bidder's Statement in full. In particular, you should note that by accepting the CK Offer you will:

- be deemed to give CK ENV Investments certain representations and warranties regarding your title to your Envestra Shares;
- if the CK Offer becomes unconditional, appoint CK ENV Investments and its directors, officers, agents and nominees, severally, as your attorney to exercise your rights in relation to your Envestra Shares (including voting rights); and
- if the CK Offer becomes unconditional, agree not to attend or vote in person at any general meeting of Envestra.

6.11 Your ability to withdraw your acceptance

If you accept the CK Offer, you will only have limited rights to withdraw your acceptance. You may only withdraw your acceptance of the CK Offer if CK ENV Investments varies the CK Offer in a way that postpones, for more than one month, the time when CK ENV Investments needs to meet its obligations under the CK Offer and the CK Offer is still conditional at that time. The earliest that withdrawal rights would become available under the Corporations Act would be if CK ENV Investments extends the CK Offer Period by more than one month (i.e. beyond 8 September 2014) and the CK Offer is still subject to conditions at that time.

If you accept the CK Offer, you would also become free to deal with your Envestra Shares if a defeating condition to the CK Offer (other than an Envestra Prescribed Event) is neither waived nor satisfied by the end of the CK Offer Period (or if the Envestra Prescribed Event condition is not satisfied at the end of the CK Offer Period or waived by the date that is three business days after the end of the CK Offer Period) (see Section 6.7 of this Target's Statement). You would also become free to deal with your Envestra Shares if CK ENV Investments withdraws the CK Offer (see Section 6.18 of this Target's Statement) and the CK Offer remains conditional at the time of the withdrawal, in which case, the contracts formed by your acceptance of the CK Offer will be void and you will remain the holder of your Envestra Shares.

6.12 When will you receive your consideration if you accept the CK Offer?

CK ENV Investments has stated in section 2.2 of Part 2 of the CK Bidder's Statement that, subject to certain qualifications referred to in that section, it will provide the consideration for your Envestra Shares on or before the earlier of:

- if the CK Offer is unconditional when accepted, one month after the date you accept the CK Offer or, if the CK Offer is subject to a condition when accepted, one month after the date the takeover contract resulting from your acceptance of the CK Offer becomes unconditional; and
- 21 days after the end of the CK Offer Period.

Payment of the CK Offer Price may be delayed if you do not provide with your acceptance any additional documents which are required under the terms of the CK Offer. Please refer to section 2.2 of Part 2 of the CK Bidder's Statement for further details.

16. You would also become free to deal with your Envestra Shares if a defeating condition to the CK Offer (other than an Envestra Prescribed Event) is neither waived nor satisfied by the end of the CK Offer Period (or if the Envestra Prescribed Event condition is not satisfied at the end of the CK Offer Period or waived by the date that is three business days after the end of the CK Offer Period) (see Section 6.7 of this Target's Statement) or CK ENV Investments withdraws the CK Offer (see Section 6.18 of this Target's Statement).

6.13 Effect of an improvement in the CK Offer Price

As required by the Corporations Act, if CK ENV Investments improves the consideration offered under the CK Offer, all Envestra Shareholders who accept the CK Offer, whether or not they have accepted the CK Offer before or after the improvement in consideration, will be entitled to the benefit of that improved consideration.

6.14 Change of control consequences

Envestra has identified one contract to which a member of the Envestra Group is a party which contains a provision that may be triggered by a change of control in connection with the CK Offer and which is material in the context of the business, assets or properties of the Envestra Group.

That contract is the Intercreditor Deed Poll, which governs Envestra's financing arrangements. Under the Intercreditor Deed Poll, a specified majority of Envestra's financiers are entitled to determine that a change of control of Envestra is "unacceptable" and therefore an Event of Default as defined in the Intercreditor Deed Poll, which would require the early repayment of Envestra's debt and substantial payments above face value and other costs.¹⁷

As at the date of this Target's Statement, a sufficient number of binding confirmations have been obtained from Envestra's financiers to ensure that a change of control of Envestra as a result of CK ENV Investments obtaining a Relevant Interest in more than 50% of Envestra Shares under the CK Offer will not result in Envestra's financiers calling an Event of Default under the Intercreditor Deed Poll. Envestra is not aware of any event or circumstance which would give any such financier the right to withdraw or materially adversely modify their confirmation, provided the CK Offer completes or has been declared or become unconditional, and the CK Offer has not been withdrawn, by 31 December 2014.

6.15 Taxation implications of the CK Offer for Envestra

As Head Company of the Envestra Consolidated Group, Envestra currently has carry forward revenue and capital losses amounting to approximately \$506.8 million and \$8.2 million respectively.¹⁸ Whether these losses will be available to be used by the Envestra Consolidated Group following the CK Offer to set off against future taxable income and capital gains is dependent upon a number of factors and will only be relevant to you if you remain an Envestra Shareholder following the CK Offer.

These factors include whether the applicable requirements of the tax legislation for utilisation of losses are able to be satisfied. In particular, losses may only be available to be used where the requirements of either the Continuity of Ownership Test (COT) or the Same Business Test (SBT) are satisfied.

If CK ENV Investments acquires Envestra Shares under the CK Offer, any resulting change in the underlying ownership of Envestra that is reflected in a year where losses would be expected to be used, relative to the underlying ownership of Envestra in the applicable year in which the loss was made, may cause Envestra to fail, or may increase the risk in the future that Envestra will fail, the COT under the tax legislation.

Where the COT is not satisfied, it may still be possible for losses to be used provided Envestra can satisfy the SBT. Broadly, the SBT requires (in general terms) that Envestra maintain the "same business" both immediately before the COT failure and in the year in which the loss is sought to be used. The requirements of the SBT are very strict. With the passage of time and changes in business operations, the SBT can become particularly difficult to satisfy with certainty.

The inability of Envestra to satisfy either COT or SBT requirements to access tax losses in future years may result in Envestra incurring income tax liabilities that it might not have incurred had the losses remained available. The denial of access to tax losses may adversely affect Envestra's financial performance and position in subsequent years as a result.

17. All of Envestra's debt and hedging instruments are potentially subject to early repayment in these circumstances. As at 30 June 2014, Envestra expects that the quantum of payments above face value that may be required in these circumstances would be in the range of \$275 million to \$325 million (however, these amounts will vary from time to time with changes to exchange rates, interest rates and the amount of Envestra's debt outstanding).

18. As per Envestra's 2012-13 Consolidated Income Tax Return.

6.16 Implications of CK ENV Investments reaching 90%

CK ENV Investments has stated in section 3.2(a) of Part 1 of the CK Bidder's Statement that it intends to compulsorily acquire all remaining Envestra Shares if CK ENV Investments (with its Associates) has a Relevant Interest in at least 90% (by number) of Envestra Shares during or at the end of the CK Offer Period (inclusive of the 17.46% Relevant Interest in Envestra Shares held by CKIHM as at the commencement of the CK Offer).

If compulsory acquisition occurs, Envestra will become wholly owned by the CK Consortium Group.

(a) Compulsory acquisition following the takeover bid

CK ENV Investments will be entitled, under Part 6A.1 of the Corporations Act, to compulsorily acquire any Envestra Shares in respect of which it has not received an acceptance under the CK Offer if, during or at the end of the CK Offer Period, CK ENV Investments (together with its Associates) has a Relevant Interest in at least 90% (by number) of Envestra Shares. Compulsory acquisition must occur on the same terms as the CK Offer, including as to the amount of consideration to be paid per Envestra Share.

If this threshold is met, CK ENV Investments will have up to one month after the end of the CK Offer Period within which to give compulsory acquisition notices to all Envestra Shareholders who have not accepted the CK Offer, but it may choose to commence compulsory acquisition sooner if the threshold is satisfied at an earlier date. Envestra Shareholders have certain statutory rights to challenge the compulsory acquisition. However, a successful challenge will require the relevant holder to establish to the satisfaction of a court that the consideration offered does not represent "fair value" for their Envestra Shares.

If compulsory acquisition occurs, Envestra Shareholders who have their Envestra Shares compulsorily acquired should be aware that they are not likely to receive payment until at least one month after the compulsory acquisition notice is issued to them by CK ENV Investments.

If CK ENV Investments (with its Associates) has a Relevant Interest in at least 90% (by number) of Envestra Shares at the end of the CK Offer Period, CK ENV Investments must offer to buy out the remaining Envestra Shareholders on the same terms as the CK Offer, even if, contrary to its stated intention, CK ENV Investments does not seek to compulsorily acquire all remaining Envestra Shares. If you do not accept the CK Offer and CK ENV Investments is required to offer to buy out your remaining Envestra Shares, CK ENV Investments will be required to send you a notice informing you of your right to be bought out. You may accept that offer within one month of CK ENV Investments giving you the notice by notifying CK ENV Investments in writing that you wish to have your Envestra Shares bought out.

CK ENV Investments has stated in section 3.2(a) of Part 1 of the CK Bidder's Statement that, if CK ENV Investments becomes entitled to proceed to compulsory acquisition during or at the end of the CK Offer Period, it intends to give notices to compulsorily acquire any outstanding Envestra Shares in accordance with Part 6A.1 of the Corporations Act and will have Envestra apply for its removal from the official list of the ASX.

(b) Later compulsory acquisition

Even if CK ENV Investments does not satisfy the compulsory acquisition threshold by the end of the CK Offer Period, it is possible that CK ENV Investments may, at some time after the end of the CK Offer Period, become entitled to rely on the general compulsory acquisition provisions of Part 6A.2 of the Corporations Act.

Under these provisions, CK ENV Investments will become entitled to compulsorily acquire any outstanding Envestra Shares if CK ENV Investments (together with its Related Bodies Corporate) acquires full beneficial interest in at least 90% (by number) of all Envestra Shares.

In that event, compulsory acquisition will occur if (among other things):

- CK ENV Investments lodges a compulsory acquisition notice with ASIC within six months of satisfying the general compulsory acquisition threshold;
- CK ENV Investments proposes a cash sum for the Envestra Shares to be compulsorily acquired; and
- CK ENV Investments obtains the report of an expert stating whether, in the expert's opinion, the terms proposed in the compulsory acquisition notice give a "fair value" for the Envestra Shares to be compulsorily acquired.

In addition, CK ENV Investments will need to obtain the approval of a court for the compulsory acquisition in the event that Envestra Shareholders holding at least 10% of those remaining Envestra Shares object to the acquisition.

CK ENV Investments has stated in section 3.2(a) of Part 1 of the CK Bidder's Statement that, if CK ENV Investments becomes the full beneficial owner of 90% or more of Envestra Shares, it intends to exercise these compulsory acquisition rights; however, it reserves its rights not to do so.

6.17 Implications of CK ENV Investments reaching less than 90%

The CK Offer is not conditional on CK ENV Investments becoming entitled to proceed with compulsory acquisition of outstanding Envestra Shares. Accordingly, the CK Offer may still proceed even if CK ENV Investments does not acquire sufficient Envestra Shares to entitle it to proceed with compulsory acquisition. In these circumstances, the CK Consortium Group may control a large proportion of Envestra Shares. This Section 6.17 provides an overview of the likely implications of such an outcome for those Envestra Shareholders who choose to remain invested in Envestra.

(a) Potential impact on control of Envestra

The CK Offer is subject to a more than 50% minimum acceptance condition. If CK ENV Investments (either alone or together with its Associates) acquires a Relevant Interest in more than 50% of Envestra Shares under the CK Offer (inclusive of CKIHM's existing holding of 17.46%)¹⁹ then, assuming all other conditions to the CK Offer are fulfilled or waived, CK ENV Investments (with CKIHM and any other relevant Associate) would acquire a controlling Envestra Shareholding.

The interests of CK ENV Investments may be different from those of other Envestra Shareholders. While sections 3.3 to 3.6 of Part 1 of the CK Bidder's Statement set out CK ENV Investments' intentions for Envestra if CK ENV Investments does not become entitled to proceed with compulsory acquisition, those intentions are expressed to be subject to the outcome of the review referred to in section 3.3(c) of the CK Bidder's Statement following the close of the CK Offer, and may therefore change, potentially resulting in changes to Envestra and its strategy and activities.

If the combined ownership of CK ENV Investments and its Associates exceeds 50%, CK ENV Investments and its Associates would together obtain the legal ability to determine the outcome of ordinary resolutions at a general meeting of Envestra Shareholders. If the combined ownership exceeds 75%, they would together obtain the legal ability to pass special resolutions at a general meeting.

Even if the minimum acceptance condition is not satisfied, but CK ENV Investments waives that condition (with, where required, the consent of Envestra) and any other outstanding conditions, CK ENV Investments and its Associates may still together have the ability to determine the outcome of ordinary resolutions at a general meeting, even though their aggregate holding would not exceed 50% of Envestra Shares. Whether they have this ability in relation to an ordinary resolution will primarily depend on whether APA Group retains all or a significant part of its existing 33.05% Envestra Shareholding²⁰ in the future, the level of participation of other Envestra Shareholders when voting on the resolution and any voting exclusions in respect of that resolution.

Amongst other things, actual or effective control of the outcome of a general meeting would enable CK ENV Investments and its Associates to together determine the composition of the Envestra Board. CK ENV Investments has stated in section 3.3(b) of Part 1 of the CK Bidder's Statement that it would intend to reconstitute the Envestra Board so that at least a majority of the Envestra Directors are nominees of CK ENV Investments if the minimum acceptance condition is satisfied.

If CK ENV Investments (with its Associates) acquires actual or effective control of Envestra, but not 100% ownership, the prospect of a takeover subsequently being made for Envestra by a third party may be materially diminished. Furthermore, there is no certainty as to whether or when CK ENV Investments would make a further takeover for any outstanding Envestra Shares held by remaining Envestra Shareholders, or as to the terms, including price, that would be offered.

19. As at the close of trading on 16 July 2014, the last practicable trading day prior to the date of this Target's Statement.

20. As at the close of trading on 16 July 2014, the last practicable trading day prior to the date of this Target's Statement.

(b) Strategic review

CK ENV Investments has stated in section 3.2(b) of Part 1 of the CK Bidder's Statement that it intends that Envestra would continue to conduct its current core business; however, to the extent it is able to do so, CK ENV Investments has stated that it may seek that a broad-based review of Envestra be conducted. This review could include Envestra's financing, capital plans and distribution policy and asset portfolio. In making a decision as to whether or not to accept the CK Offer, Envestra Shareholders should note that the strategy, operations, asset mix and funding of Envestra under control of the CK Consortium Group remains unclear as at the date of this Target's Statement.

(c) Potential impact on liquidity of Envestra Shares

If CK ENV Investments acquires a significant ownership interest in Envestra, this may reduce the free float of Envestra Shares and the trading liquidity of Envestra Shares. This would be exacerbated in the event that Envestra was delisted.

In the event that Envestra remained listed, Envestra may be removed from a number of S&P/ASX indices due to insufficient free float or liquidity, which may further reduce the liquidity of Envestra Shares.

(d) Delisting

CK ENV Investments has stated in section 3.3(b) of Part 1 of the CK Bidder's Statement that it intends to apply to the ASX for Envestra to be delisted from the ASX without the approval of Envestra Shareholders if:

- it acquires a Relevant Interest in more than 75%, but less than 100%, of Envestra Shares following conclusion of the CK Offer; and
- the other conditions of section 2.10 of ASX Guidance Note 33 are satisfied. These conditions include that, other than CK ENV Investments and its Related Bodies Corporate, the number of holders of Envestra Shares having holdings with a value of at least \$500 is fewer than 150.

Under the ASX Listing Rules, the ASX has the discretion to remove an entity from the official list at the entity's request but is not required to act on such a request and may impose conditions (e.g. that the delisting is subject to a resolution passed by a majority of Envestra Shareholders) to be satisfied before the request is acceded to. Such discretion is exercised by the ASX on a case by case basis.

ASX Guidance Note 33 states that the ASX will not usually require an entity to obtain shareholder approval to its removal from the official list of the ASX if, after a successful takeover bid, the bidder and its related bodies corporate own or control at least 75% of the entity's ordinary shares and the other conditions set out in section 2.10 of Guidance Note 33 are satisfied.

CK ENV Investments has stated that if the conditions in section 2.10 of ASX Guidance Note 33 are not satisfied, such that the ASX will not permit Envestra to be delisted without the approval of Envestra Shareholders, depending on CK ENV Investments' Relevant Interest in Envestra Shares and the number of remaining Envestra Shareholders, CK ENV Investments may consider obtaining the consent of the ASX for Envestra to seek the approval of Envestra Shareholders to the delisting of Envestra.

If Envestra were to be delisted, any remaining Envestra Shareholders would be holders of unlisted securities. This would further reduce the trading liquidity of Envestra Shares, and would mean that Envestra would no longer be subject to the continuous disclosure requirements of the ASX Listing Rules and various requirements and protections for minority Envestra Shareholders under the ASX Listing Rules would cease to apply (such as restrictions on the issue of new securities, related party provisions and requirements to seek Envestra Shareholder approval for significant changes to the nature and scale of activities).²¹

21. However, while Envestra remains a public company, the provisions of Chapter 2E of the Corporations Act (related party transactions) would continue to apply to Envestra. In addition, if Envestra remains a "disclosing entity" under Part 1.2A of the Corporations Act after delisting, it would continue to be subject to continuous disclosure obligations under the Corporations Act.

6.18 Withdrawal of the CK Offer by CK ENV Investments

In accordance with section 652B of the Corporations Act, the CK Offer may be withdrawn with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

If CK ENV Investments withdraws the CK Offer, Envestra Shareholders will no longer be able to accept the CK Offer. In addition, if the CK Offer remains conditional at the time of the withdrawal, then the contracts formed by Envestra Shareholders' acceptances of the CK Offer will be void and those Envestra Shareholders will remain the holders of their Envestra Shares. If the CK Offer is unconditional at the time of the withdrawal, all contracts arising from acceptance of the CK Offer before the withdrawal will remain enforceable.

SECTION 7

INFORMATION REGARDING ENVESTRA

7.1 Background

This Section 7 contains information in relation to Envestra. Additional information about Envestra is included in Section 9 of this Target's Statement.

Further information regarding Envestra is also available in Envestra's Annual Report for the financial year to 30 June 2013 and its financial statements for the half year to 31 December 2013, which are available from the Envestra website at www.envestra.com.au.

7.2 Overview of Envestra

Envestra is one of Australia's largest natural gas distribution companies, with origins dating back over 150 years. The South Australian and Brisbane Gas Companies, which began operating in 1861 and 1864, respectively, were combined into one organisation, Envestra, and listed on the ASX in August 1997. In March 1999, Envestra acquired part of the former Victorian Gas and Fuel Corporation distribution network.

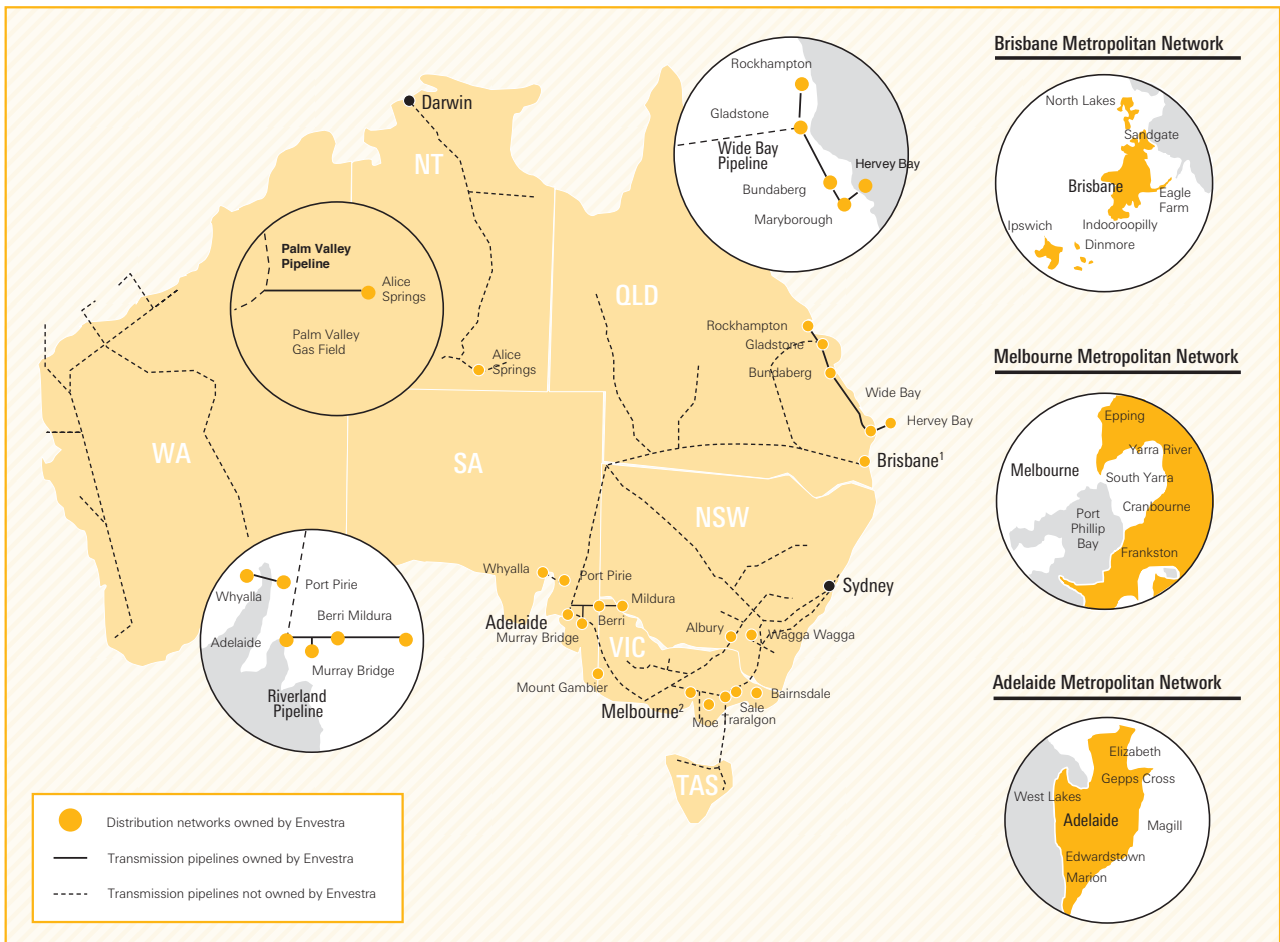
Envestra today owns natural gas networks that operate mainly as regulated monopolies in the key population centres of Victoria, South Australia and Queensland, as well as in smaller centres in New South Wales and the Northern Territory, reaching approximately 1.2 million customers. Envestra's assets consist of 22,856 km of distribution networks and 1,123 km of transmission pipelines (as at 31 December 2013). Envestra's revenue is generated mainly by charging retailers and industrial customers for the provision of gas haulage services through its networks.

CKIHM, a subsidiary of CKI, acquired a 19.97% stake in Envestra in September 1999. Its Envestra Shareholding has been slightly diluted over time to 17.46% as at the close of trading on 16 July 2014 (the last practicable trading day prior to the date of this Target's Statement).

In July 2007, APA Group acquired Origin Energy's 17.21% stake in Envestra (and APA Group has subsequently increased its stake to 33.05%). As part of the transaction between APA Group and Origin Energy, APA Group also took over the long-term Operating and Management Agreements to operate, maintain and expand Envestra's distribution networks and transmission pipelines. These contracts are due to expire in June 2027. Envestra's management team closely oversees management of those activities undertaken by, on average, 550 direct employees of APA Group and 940 employees of contractors working for APA Group.

An overview of the geographical locations of Envestra's operations is provided in **Figure 7.1** below:

Figure 7.1: Geographical overview of Envestra's assets



Notes:

- 1 North of the Brisbane River.
- 2 Melbourne's central business district, northern and north eastern suburbs and the outer south eastern suburbs, including the Mornington Peninsula.

ENVESTRA TARGET'S STATEMENT

A summary of key statistics for Envestra's assets is provided below, as at 31 December 2013:

Location	Length of mains (km)	Number of consumers	Volume of gas delivered for HY2014 (Petajoules)
Victoria	10,156	600,350	28.6
South Australia	8,107	428,102	17.5
Queensland	2,703	91,865	7.8
New South Wales	1,851	53,415	3.4
Northern Territory	39	1,111	1.7
Total	22,856	1,174,843	59.0

Transmission pipelines	Length (km)
Victoria	225
South Australia	372
Queensland	283
New South Wales	84
Northern Territory	159
Total	1,123

The figures below provide a breakdown of Envestra's assets, its revenue and its EBITDA, by geographic location of its assets.

Figure 7.2: Breakdown of Envestra's assets as at 31 December 2013 Figure 7.3: Breakdown of Envestra's HY2014 revenue

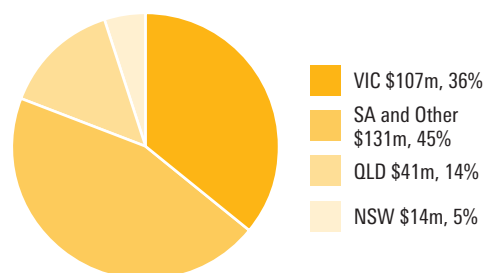
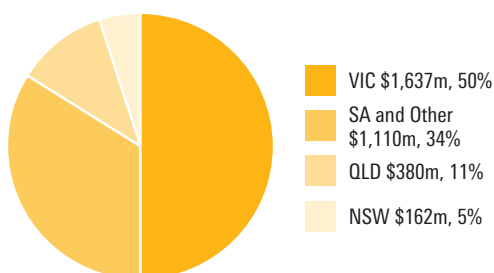
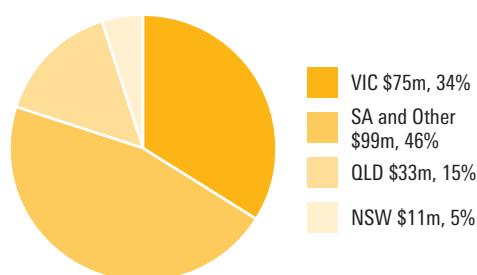


Figure 7.4: Breakdown of Envestra's HY2014 EBITDA

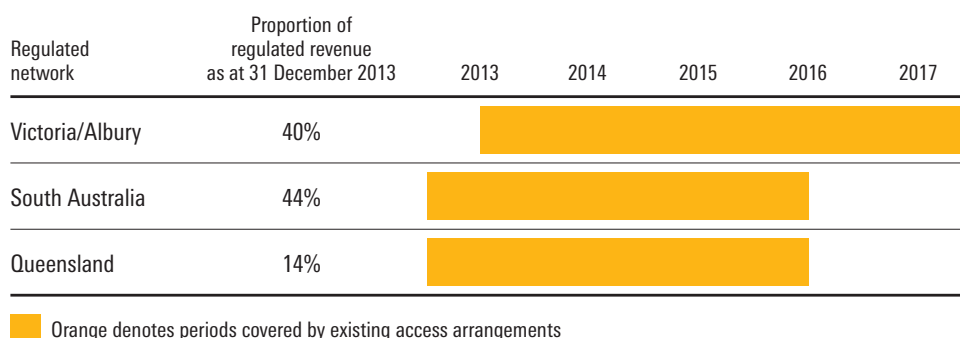


With its monopoly position as a natural gas distributor in certain markets, the majority of Envestra's revenue is subject to price regulation by the AER. Regulated revenues are based on tariffs determined as a result of decisions made by the AER, after consultation with Envestra, retailers, energy user groups and community organisations. The AER's review process considers both the allowed regulatory costs, including return on capital, and the AER's views on demand forecasts over the access period. For each network, Envestra tariffs typically include a fixed charge component and a usage-based charge.

Access Arrangements are usually set for a period of five years. Following a final decision on the Access Arrangements for Victoria and Albury in March 2013, Envestra's Access Arrangements are now in place for key networks until at least 2016, as demonstrated in Figure 7.5.

The Access Arrangements for South Australia and Queensland were last reset on 1 July 2011. The Access Arrangements for Victoria and Albury were last reset on 1 July 2013.

Figure 7.5: Timeline of expiry of Envestra's Access Arrangements



Note

- The figures under "Proportion of regulated revenue as at 31 December 2013" do not include the Wagga Wagga gas distribution network, which comprised 2% of Envestra's regulated revenue as at 31 December 2013. The Wagga Wagga gas distribution network was deregulated in April 2014. Please refer to Envestra's announcement to the ASX on 9 April 2014 in relation to the deregulation. The announcement is available from Envestra's website at www.envestra.com.au and ASX's website at www.asx.com.au (ASX code: ENV).

7.3 Directors and senior management

(a) Directors

The current directors of Envestra are:

Name	Position
John Allpass	Chairman, Non-Executive, Independent Director
Ian Little	Managing Director
Fraser Ainsworth AM	Non-Executive, Independent Director
Dominic Chan	Non-Executive Director
Ivan Chan	Non-Executive Director
Olaf O'Duill	Non-Executive, Independent Director
Michael McCormack	Non-Executive Director
Ross Gersbach	Non-Executive Director

(b) Senior management

Key members of Envestra's senior management team include:

Name	Position
Ian Little	Managing Director
Des Petherick	Company Secretary
Paul May	Group Manager, Finance & Joint Company Secretary
Greg Meredith	Group Manager, Treasury and Risk
Andrew Staniford	Group Manager, Commercial
Craig de Laine	Group Manager, Regulation

7.4 Material changes in financial position of Envestra and other developments

(a) Half year results

On 20 February 2014, Envestra released its results for the six-month period ended 31 December 2013. A copy of Envestra's results announcement and half year financial statements are available from Envestra's website at www.envestra.com.au and ASX's website at www.asx.com.au (ASX code: ENV).

(b) Trading update for the financial year ended 30 June 2014

The Envestra Directors expect that Envestra will announce net profit after tax for the financial year ended 30 June 2014 that is consistent with previous guidance provided to the market on 23 June 2014 (being net profit after tax of around \$150 million), excluding financial advisory transaction fees resulting from the CK Offer.

On 11 July 2014, the Envestra Directors declared a Final Dividend for the financial year ended 30 June 2014 of 3.5 cents per Envestra Share (\$62.9 million in aggregate).

(c) Other material matters

Except as disclosed above, based on the most recent management accounting information available as at the date of this Target's Statement, within the knowledge of the Envestra Directors there have been no material changes to the financial position of Envestra since 31 December 2013 (the end date for the reporting period for the interim financial report for the six-month period ended 31 December 2013 released by Envestra to the ASX on 20 February 2014) which is not outlined in the notes to and forming part of that interim financial report.

7.5 Issued Envestra Shares

As at the date of this Target's Statement, Envestra had 1,796,808,474 fully paid ordinary shares on issue.

Envestra will not be issuing any Envestra Shares before 8 August 2014, being the last day of the CK Offer Period as currently scheduled. (The CK Offer Period may be extended or withdrawn in the circumstances described in sections 8 and 9 of Part 2 of the CK Bidder's Statement.)

7.6 Envestra substantial holders

The Envestra Shareholders with substantial holdings (within the meaning of the Corporations Act) as at 7.00pm (Sydney time) on 16 July 2014, being the last practicable trading day prior to the date of this Target's Statement, are as follows:

Name of substantial holder	Number of Envestra Shares	Percentage of Envestra Shares
APA Group	593,755,789	33.05%
CK ENV Investments and its Associates ²²	336,629,689	18.73%
UBS AG and its Related Bodies Corporate ²³	93,426,188	5.20%

Envestra has relied on substantial holder notices provided to it up to 9.30am (Sydney time) on 17 July 2014, which are available on the ASX website, and information provided by its share registry, to compile the above table.

22. The notice of change of interests of substantial holder dated 15 July 2014 and lodged on behalf of CK ENV Investments with the ASX on that date states that CK ENV Investments and its Associates (including CKIHM, the CK Consortium Members and CK ENV UK Limited) have a Relevant Interest in the Envestra Shares for which the registered holders are CKIHM and those Envestra Shareholders who have already accepted the CK Offer. Please refer to that notice of change of interests of substantial holder for a full list of the Associates of CK ENV Investments. The notice is available from Envestra's website at www.envestra.com.au and ASX's website at www.asx.com.au (ASX code: ENV).

23. The notice of initial substantial holding dated 11 July 2014 and lodged on behalf of UBS AG and its Related Bodies Corporate with the ASX on that date states that UBS AG and certain of its Related Bodies Corporate have a Relevant Interest in the Envestra Shares for which Brispot Nominees Pty Ltd, UBS Wealth Management Australia Nominees Pty Ltd and "Various Custodians" are the registered holders. Please refer to that notice of initial substantial holding for further information. The notice is available from Envestra's website at www.envestra.com.au and ASX's website at www.asx.com.au (ASX code: ENV).

7.7 Risk factors

The risk factors in this Section 7.7 are existing risks relating to Envestra's business and the industry in which it operates. These risks will continue to be relevant to Envestra Shareholders who do not accept the CK Offer and retain their current investment in Envestra. The risks will also continue to be relevant to all Envestra Shareholders if the CK Offer does not proceed (for example, because it does not become unconditional).

This Section describes key, but not all, risks associated with an investment in Envestra. This Section does not take into account the investment objectives, financial situation, taxation position or particular needs of Envestra Shareholders and is not exhaustive. Prior to deciding whether to accept the CK Offer, Envestra Shareholders should carefully consider the risk factors discussed in this Section 7.7, as well as other information contained in this Target's Statement and, if in doubt, seek independent professional advice.

This Section should be read in conjunction with Section 6.17, which describes the implications to Envestra Shareholders of the CK Offer proceeding in circumstances where CK ENV Investments does not become entitled to compulsorily acquire all remaining Envestra Shares.

(a) General risk factors

As with any entity with listed securities on the ASX, the future prospects, operating and financial performance of Envestra and the value of Envestra Shares are affected by a variety of general business cycles, economic and political factors in Australia and overseas, including economic growth, inflation, interest rates, employment levels, changes in government policies or regulatory regimes, changes in accounting or financial reporting standards, and changes in taxation laws (or their interpretation) or regulations in the markets in which Envestra operates. Deterioration of the general economic conditions, adverse foreign exchange rate movements, the Australian and overseas stock markets, natural disasters and catastrophic events may also affect Envestra's operating and financial position.

(b) Specific risk factors

Specific risk factors for Envestra include, but are not limited to, the following:

(i) Price regulation risk

Envestra's monopoly position in certain markets as a gas distributor means its revenue is subject to price regulation by the AER. The AER reviews Envestra's Access Arrangements at five-yearly intervals under the National Gas Law and National Gas Rules. This process determines future revenues and, as a consequence, tariffs, as well as contractual terms for retailers and some large-volume customers over the regulatory period.

There is a risk that allowed revenues will be lower than that expected to be received by an "efficient operator" within the meaning of the National Gas Rules if the AER determines Access Charges lower than efficient cost. Such a determination may adversely affect Envestra's future performance.

The AER's assessment of Access Charges also assumes that Envestra will be considered an "efficient operator" and that therefore all operating and capital costs will be recouped through Envestra's Access Charges. To the extent that Envestra's operating and capital costs exceed the level set by the AER (being the level expected to be achieved by an "efficient operator"), Envestra may not be able to recover those costs. The inability to recover these costs could adversely affect Envestra's future performance.

(ii) Government policy risk

Changes in the National Gas Law and the National Gas Rules, relevant taxation laws, interest rates, accounting standards, other legal, legislative and administrative regimes, and government policies, may have an adverse effect on the assets and ultimately the financial performance of Envestra. These factors may ultimately affect Envestra's financial position and performance.

(iii) Natural gas volume risk

Envestra's Access Charges include a component based on the volume of natural gas distributed. Domestic consumers account for most of Envestra's revenue. Consumers may use less natural gas for a variety of reasons, including warmer weather, or through reliance on competing energy sources. If gas volumes delivered do not match those allowed by the AER under the Access Arrangements, this could impact future revenue.

Because domestic consumers use natural gas for basic household requirements they constitute a relatively stable category of consumer.

(iv) Refinancing risk

Developments in global financial markets may adversely affect the liquidity of global credit markets. This may result in an increase in the cost of funding and in some cases a reduction in the availability of some funding sources throughout global markets, including Australia. Lack of access to credit markets, or access on less favourable terms, will affect Envestra's ability to refinance existing facilities on maturity and to fund its operations, undertake future projects, develop new business initiatives or respond to competitive pressures, and this may have an adverse effect on Envestra's future financial performance and position.

(v) Capital expenditure

The AER's assessment of Access Charges involves an assessment of expected capital expenditure in the forecast period. If the level of capital expenditure incurred is higher than expected and the additional expenditure is not allowed by the AER as an addition to Envestra's asset base and not reflected in Access Charges, returns to Envestra Shareholders may be negatively affected.

(vi) Supply and network operational risk

Disruption to Envestra's networks, including a loss of gas supply, would negatively affect returns to Envestra Shareholders. While disruptions pose a potential risk, it is most unlikely that, other than in circumstances of a major transmission pipeline failure, supply would be lost to more than a small part of a network at any one time.

Envestra has insurance against damage to the networks and consequential loss arising from that damage.

(vii) Loss of key management personnel

Envestra's success depends to a significant extent on its key personnel, in particular, the senior management team discussed in Section 7.3 of this Target's Statement. The loss of key personnel and an inability to recruit or retain suitable replacement or additional personnel may adversely affect Envestra's future financial performance.

Envestra has 15 employees, and the possible risk of loss of key management personnel accentuates the business risk given the relatively small size of Envestra's employment base.

(viii) Litigation

Envestra may be the subject of complaints or litigation by customers, suppliers, government agencies or other third parties. Such matters may have an adverse effect on Envestra's reputation, divert its financial and management resources from more beneficial uses, or have a material adverse effect on Envestra's future financial performance or position.

(ix) Operations management risk

Envestra's operating and maintenance activities are largely conducted by APA Group and associated sub-contractors. If APA Group fails to comply with the requirements of the operating and management agreements entered into between Envestra and APA Group, substantial damage could occur to Envestra's assets, information technology and databases, as well as putting employees or the public generally at risk. Damage to assets or bodily injury from such failures may be covered in some part by insurance, but this will not necessarily be the case.

(x) Counterparty risk

As part of its ongoing commercial activities, Envestra enters into transportation agreements with various third parties (mainly natural gas retailers and large industrial businesses). If a counterparty to such an agreement is unable to meet its commitments to Envestra whether in whole or in part, there is a risk that future anticipated revenue would reduce.

Counterparty risk also arises when contracts are entered into for derivatives with financial institutions. Envestra's counterparty risk is reduced by implementation of credit policies that apply to transportation and derivative contracts.

The failure of a counterparty to a transportation or derivative contract could, however, materially and adversely affect Envestra's financial position and performance and/or credit rating.

(xi) Operating licences and authorisations risk

In addition to economic regulation, the natural gas industry in Australia is regulated from an operational perspective. Envestra is directly or indirectly subject to a range of regulatory requirements such as environmental laws and regulation, occupational health and safety requirements and technical and safety standards.

All distribution network and pipeline assets owned and/or operated by Envestra require compliance with relevant federal, state and territory laws, regulations and policies. Changes in any such laws, regulations or policies may have an adverse impact on Envestra's pricing, costs or compliance regimes, which could affect Envestra's operations, earnings and/or financial position and performance.

In some instances, Envestra's assets are dependent on the granting and maintenance of appropriate licences, permits or regulatory consents. Although these authorisations may be renewed following expiry or granted (as the case may be), there can be no guarantee that this will occur, nor can it be guaranteed that authorisations will be renewed, granted or continued on no more onerous terms. Moreover, these authorisations are potentially subject to loss or forfeiture in the event of material non-compliance. Any failure to obtain or maintain necessary authorisations may adversely affect Envestra's operations and/or financial position and performance.

(xii) Environmental risk

National, state and territory environmental laws and regulations affect the operations of Envestra's assets. These laws and regulations set various standards regarding certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, obligations to remediate current facilities and locations where operations are, or were, previously conducted.

There is a risk that liability could be imposed on Envestra for damages, clean-up costs or penalties in the event of discharge of prohibited substances into the environment, environmental damage caused by Envestra or previous owners of property or assets acquired by Envestra, or other non-compliance with environmental laws and regulations. Increased costs associated with regulatory compliance and/or litigation could adversely affect Envestra's earnings and/or financial position and performance.

(xiii) Land tenure risk

Envestra's gas pipeline assets are in some instances constructed and operated on land that Envestra leases from other entities, or on third party-owned land over which Envestra has easements or licences. If Envestra loses any lease or easement rights or is otherwise required to relocate its pipelines, the business could be adversely affected. Envestra's operations could also be negatively impacted if land access costs increase, including through rental increases, renewals of expiring agreements, prevention of easement encroachments or enforcement of Envestra's current land access rights.

7.8 ASIC benchmarks

ASIC Regulatory Guide 231 – Infrastructure entities: Improving disclosure for retail investors sets out benchmark and disclosure principle requirements for infrastructure entities. A full copy of the ASIC guide can be found on the ASIC website.

Envestra is an “infrastructure entity” for the purposes of that regulatory guide and, accordingly, has made the required disclosure against the benchmarks and disclosure principles, which can be found on Envestra’s website at www.envestra.com.au/about-envestra/corporate-governance/asic-disclosure/.

7.9 Material litigation

Envestra is not involved in any litigation or dispute which is material in the context of Envestra and the Envestra Group taken as a whole.

As noted in Section 6.5, CK ENV Investments has objected to the timing of the Final Dividend. However, Envestra has not been provided with sufficient information regarding the nature of this objection to enable Envestra to make any further disclosure in relation to the objection.

7.10 Continuous disclosure

Envestra is a disclosing entity (as that term is defined in Part 1.2A of the Corporations Act) and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

Copies of the documents filed with the ASX by Envestra may be obtained from Envestra’s website at www.envestra.com.au and ASX’s website at www.asx.com.au (ASX code: ENV).

SECTION 8

OVERVIEW OF THE AUSTRALIAN TAXATION CONSEQUENCES FOR ENVESTRA SHAREHOLDERS

8.1 Introduction

This Section is a summary of the likely tax consequences for Envestra Shareholders who dispose of their Envestra Shares and who:

- are residents of Australia for Australian income tax purposes;
- hold their Envestra Shares on capital account (or are taken, under Australian law, to hold their Envestra Shares on capital account), and not as revenue assets or trading stock for Australian income tax purposes;
- are not employees of Envestra for Australian income tax purposes;
- are not “life insurance companies”;
- are not “temporary residents” for Australian income tax purposes; and
- are not subject to the Taxation of Financial Arrangements (under Division 230 of the *Income Tax Assessment Act 1997* (Cth)) in relation to their Envestra Shares.

This summary also does not address any potential foreign tax consequences for Envestra Shareholders, nor non-residents other than as detailed in Section 8.2(d).

This summary reflects the current provisions of the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth), a *New Tax System (Goods and Services Tax Act 1999)* (Cth), the current stamp duty law, the regulations made under those Acts and the current administrative practice of the Australian Taxation Office (ATO) and State Revenue Offices. Except where expressly stated, it does not otherwise take into account or anticipate changes in taxation laws, whether by way of future judicial decision or legislative actions.

Envestra Shareholders should be aware that the actual tax consequences of the CK Offer may differ to this guidance depending on their individual circumstances. As the information contained in this guidance is necessarily general in nature and does not provide final or definite tax advice for any individual Envestra Shareholder, the Envestra Shareholders will need to consult their own independent professional tax advisers regarding the consequences of the CK Offer in light of their own personal circumstances.

8.2 Capital Gains Tax (CGT) consequences

If Envestra Shares are acquired by CK ENV Investments as a result of an Envestra Shareholder accepting the CK Offer or as a result of those Envestra Shares being compulsorily acquired by CK ENV Investments, or if Envestra Shares are sold on-market, the disposal of the Envestra Shares held on capital account by an Australian resident Envestra Shareholder will constitute a CGT event and may result in a capital gain or loss.

(a) CGT event

A CGT event occurs when Envestra Shares are “disposed of” in accordance with the taxation law. The time of the disposal will depend on the circumstances below:

- if Envestra Shareholders accept the CK Offer, the disposal should take place on the date the CK Offer is accepted by the Envestra Shareholders;
- if Envestra Shareholders do not accept the CK Offer and their Envestra Shares are compulsorily acquired (as described in Section 6.16 of this Target’s Statement and section 3.2(a) of Part 1 of the CK Bidder’s Statement), the disposal of the Envestra Shares should take place on the date CK ENV Investments becomes the owner of the Envestra Shares; and
- if Envestra Shareholders dispose their Envestra Shares on-market, the disposal of the Envestra Shares should take place on the date the Envestra Shares are sold.

(b) Capital gain or loss

Any capital gain or loss made by an Envestra Shareholder upon disposal of the Envestra Shares is calculated as the difference between the capital proceeds received for their Envestra Shares and the cost base (or reduced cost base in the case of a capital loss) of their Envestra Shares.

The capital proceeds received by Envestra Shareholders who accept the CK Offer or have their Envestra Shares compulsorily acquired by CK ENV Investments will equal the CK Offer Price. If any Rights (as defined in the CK Bidder's Statement)²⁴ are declared, issued, paid, made, arise or accrue to Envestra Shareholders, the CK Offer Price, and therefore the capital proceeds of accepting the CK Offer or being compulsorily acquired, will be reduced accordingly. If Envestra Shareholders sell their Envestra Shares on-market instead, the capital proceeds received by Envestra Shareholders will be the sale price achieved on the ASX.

The cost base (or reduced cost base) for an Envestra Shareholder of the Envestra Shares generally includes the cost of acquiring those Envestra Shares. Certain other incidental costs of acquisition and disposal, such as brokerage and stamp duty, may also be included to the cost base (or reduced cost base).

Where Envestra Shareholders acquired their Envestra Shares before 21 September 1999, the cost base of their Envestra Shares may be increased for indexation based on the CPI movement from the date of acquisition to 30 September 1999. Alternatively, if you are entitled to, you may choose to claim the CGT discount (as discussed below) to reduce your capital gain.

Envestra Shareholders who in the past held Envestra Stapled Securities (Envestra Shares stapled to Loan Notes) should consider the determination of their Envestra Share CGT cost base as a consequence of interest and principal payments received over the period of their Loan Notes and the termination of the Envestra Stapled Structure which occurred on 29 May 2009 when the final repayment of principal on the Loan Notes was made.

If an Envestra Shareholder makes a capital gain on disposal of Envestra Shares, that capital gain should be aggregated with any other capital gains of the same income year and any capital losses (of the same income year or brought forward from prior income years) to ascertain the net capital gain to be included in their assessable income. This net capital gain will be included in assessable income subject to the availability of such concessions as the discount capital gains concession (which is discussed below).

If an Envestra Shareholder makes a capital loss on disposal of the Envestra Shares, that capital loss can be offset against capital gains in the same income year (but not against other assessable income) and any remaining capital loss can be carried forward to offset against capital gains arising in subsequent income years (subject to the Envestra Shareholder satisfying any relevant carry forward loss requirements under the taxation laws).

(c) Discount capital gains concession

If an Envestra Shareholder, who is an individual, trustee of a trust or a complying superannuation entity, makes a capital gain upon the disposal of their Envestra Shares, they may be eligible to claim the discount capital gains concession provided they acquired their Envestra Shares at least 12 months before the disposal time of their Envestra Shares (calculated by excluding the date of acquisition). The discount capital gains concession, if claimed, applies to capital gains after offsetting any capital loss.

This means that:

- in the case of an individual or a trustee of a trust, a 50% discount applies such that only 50% of the net capital gain (after deducting any available capital losses) made from the disposal of their Envestra Shares will be included in assessable income;
- in the case of complying superannuation entities, a 33 $\frac{1}{3}$ % discount applies such that only $\frac{2}{3}$ of the net capital gain (after deducting any available capital losses) made from the disposal of their Envestra Shares will be included in assessable income.

The discount capital gains concession is not available for companies.

24. This does not include the Final Dividend of 3.5 cents per Envestra Share declared and announced to the ASX on 11 July 2014 with a Final Dividend Record Date of 18 July 2014.

(d) Non-Australian residents

Non-Australian resident registered holders of Envestra Shares who (together with their associates for income tax purposes) hold their shares as a capital investment and who hold less than 10% of the rights to capital distributions, rights to profit distributions or rights to vote in Envestra should not be subject to Australian capital gains tax on disposal of their Envestra Shares.

Non-Australian resident registered holders of Envestra Shares who (together with their associates for income tax purposes) hold 10% or more of the rights to capital distributions, rights to profit distributions or rights to vote in Envestra or who hold their Envestra Shares other than as a capital investment should seek independent professional advice in respect of their own particular circumstances.

Non-Australian resident registered holders of Envestra Shares who hold their Envestra Shares through a permanent establishment in Australia should seek independent professional advice in respect of their own particular circumstances irrespective of the percentage rights attaching to their shareholding in Envestra.

8.3 Envestra Final Dividend

Envestra Shareholders who hold Envestra Shares on the Final Dividend Record Date (18 July 2014) will be entitled to receive the Final Dividend.

The Final Dividend will be unfranked. Further, the Final Dividend should not be capital proceeds for CGT purposes on disposal of Envestra Shares and should be assessable to investors as "normal" distributions in accordance with their individual tax circumstances.

8.4 Stamp duty

No stamp duty should be payable in Australia by Envestra Shareholders on the disposal of Envestra Shares under the CK Offer or on-market.

8.5 GST

No Australian GST should be payable by Envestra Shareholders in respect of the disposal of their interests in Envestra under the CK Offer or on-market. If registered for GST, Envestra Shareholders may be able to recover GST incurred on costs associated with the disposal of their interests in Envestra; however, Envestra Shareholders should seek their own independent tax advice on the consequences of GST based on their actual tax circumstances.

SECTION 9

OTHER IMPORTANT INFORMATION

9.1 Bid Implementation Agreement

On 30 May 2014, Envestra entered into a Bid Implementation Agreement with CK ENV Investments and each of the CK Consortium Members. A copy of the Bid Implementation Agreement was lodged with the ASX on 30 May 2014 and can be obtained from Envestra's website at www.envestra.com.au and ASX's website at www.asx.com.au (ASX code: ENV). A summary of the key terms of the Bid Implementation Agreement is contained in section 7.1 of Part 1 of the CK Bidder's Statement.

9.2 APA Scheme

As announced to the ASX on 30 May 2014, Envestra terminated the Scheme Implementation Agreement with APA Group and will not proceed with the APA Scheme. Also on 30 May 2014, the Federal Court of Australia ordered that the adjourned APA Scheme Meeting that was scheduled to resume at 10.00am (Adelaide time) on 13 June 2014 be cancelled.

As a result, the proposal for the APA Scheme has come to an end and will not be implemented.

9.3 Envestra Directors' interests in Envestra Shares

As at the date of this Target's Statement, the Envestra Directors have Relevant Interests in the following Envestra Shares:

Envestra Director	Number of Envestra Shares in which the Envestra Director has a Relevant Interest
John Allpass	399,632 ¹
Ian Little	151,362 ²
Fraser Ainsworth AM	66,000 ³
Dominic Chan	NIL
Ivan Chan	NIL
Olaf O'Duill	231,923 ⁴
Michael McCormack	66,681
Ross Gersbach	NIL

Notes:

- 51,047 Envestra Shares are held directly by Mr Allpass. 306,360 Envestra Shares are held indirectly by Mr Allpass through the John G Allpass Superannuation Fund, an entity controlled by Mr Allpass. Mr Allpass also controls 42,225 Envestra Shares through the estate of his late mother.
- These Envestra Shares are held indirectly by Mr Little through the Little Superannuation Fund, an entity controlled by Mr Little and Ms J Yuile.
- These Envestra Shares are held indirectly by Mr Ainsworth through the Fraskel Superannuation Fund, an entity controlled by Mr Ainsworth and Mrs K Ainsworth.
- These Envestra Shares are held indirectly by Mr O'Duill through the O'Duill No.1 Superannuation Fund, an entity controlled by Mr O'Duill.

The effect of the CK Offer on the interests in Envestra Shares held by the Envestra Directors will be no different from the effect on the like interests of other persons.

9.4 Envestra Directors' dealings in Envestra Shares

No Envestra Director has acquired or disposed of any Relevant Interest in Envestra Shares in the four-month period ending on the date immediately before the date of this Target's Statement.

9.5 Envestra Directors' interests in CK Consortium Group securities

As at the date of this Target's Statement, none of the Envestra Directors have a Relevant Interest in any securities in any member of the CK Consortium Group, including CK ENV Investments.

9.6 Envestra Directors' dealings in CK Consortium Group securities

No Envestra Director acquired or disposed of a Relevant Interest in any securities in CK ENV Investments or a member of the CK Consortium Group in the four-month period ending on the date immediately before the date of this Target's Statement.

9.7 Benefits and agreements

(a) Directorships and senior executive positions

As at the date of this Target's Statement, none of the Envestra Directors (other than Dominic Chan and Ivan Chan) are directors or officers of CK ENV Investments or any member of the CK Consortium Group.

Dominic Chan is the Executive Director and Chief Financial Officer of CKI. He is also an Executive Director of PAH and a number of other companies in the CK Consortium Group.

Ivan Chan is the Chief Planning and Investment Officer of CKI and the Chief Financial Officer of PAH. He is also an alternate director of a number of other companies in the CK Consortium Group.

Neither Dominic Chan nor Ivan Chan are directors or officers of CK ENV Investments.

(b) Benefits in connection with retirement from office

No person has or will as a result of the CK Offer be given any benefit (other than a benefit which can be given without Envestra Shareholder approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or management office of Envestra.

(c) Agreements connected with or conditional on the CK Offer

Except as set out in this Section 9.7(c), there are no agreements made between any Envestra Director and any other person in connection with, or conditional upon, the outcome of the CK Offer:

- (i) each Envestra Director who holds Envestra Shares and accepts the CK Offer will be entitled to receive the CK Offer Price for each Envestra Share he holds;
- (ii) under the Bid Implementation Agreement, CK ENV Investments and the CK Consortium have indemnified the directors, company secretaries and employees of each member of Envestra and its Related Bodies Corporate from and against all claims, liabilities and losses which he or she may suffer or incur by reason of a breach of any of the representations, warranties and undertakings given by CK ENV Investments and the CK Consortium in clause 8.2 of the Bid Implementation Agreement;
- (iii) CK ENV Investments and the CK Consortium have agreed in the Bid Implementation Agreement in favour of each Envestra Director and certain executives of Envestra that, prior to a Change of Control of Envestra occurring, Envestra will take out and maintain for a period of seven years following the end of the CK Offer Period, to the maximum extent permitted by law, insurance cover insuring each such person against all liabilities incurred in the course of his service as a director, company secretary or employee of Envestra or its Related Bodies Corporate prior to the end of the CK Offer Period. If Envestra does not take out such insurance cover before a Change of Control of Envestra occurs, or it ceases to be in place or available for any reason during the period of seven years after the end of the CK Offer Period, the CK Consortium must procure that Envestra takes out such cover on terms that are no less advantageous than the coverage provided under the existing directors' and officers' insurance policies of Envestra;

- (iv) CK ENV Investments and each CK Consortium Member has agreed in the Bid Implementation Agreement, on its own behalf and on behalf of each of its Related Entities and their respective directors, company secretaries or employees, that, to the maximum extent permitted by law, none of Envestra and its Related Bodies Corporate and their respective directors, company secretaries, employees, representatives or advisers accepts responsibility for due diligence information provided in connection with the CK Offer;
- (v) CK ENV Investments and the CK Consortium have agreed in the Bid Implementation Agreement to release their rights to claim against any director, company secretary, employee, representative or adviser of Envestra or its Related Bodies Corporate in connection with any breach of any representations, covenants or warranties in the Bid Implementation Agreement or any disclosures in connection with the Bid Implementation Agreement, except where the person has not acted in good faith or has engaged in wilful misconduct; and
- (vi) the CK Consortium has undertaken to ensure that, if there is a Change of Control of Envestra, the employment of all Envestra Group employees (including Mr Ian Little, an Envestra Director) will continue until at least four months after the end of the CK Offer Period, subject to the resignation, retirement or lawful termination for cause of any such employee.

(d) Benefits from the CK Offer

Except as described in Section 9.7(c) of this Target's Statement, no Envestra Director has agreed to receive, or is entitled to receive, any benefit from CK ENV Investments or a member of the CK Consortium Group which is conditional on, or is related to, the CK Offer, other than in their capacity as a holder of Envestra Shares.

(e) Interests of Envestra Directors in contracts with CK Consortium Group

Except as described in Section 9.7(a) or 9.7(c) of this Target's Statement, none of the Envestra Directors has any interest in any contract entered into by CK ENV Investments or a member of the CK Consortium Group.

9.8 Consents

(a) Consents to be named

The following parties have given and have not, before the date of this Target's Statement, withdrawn their consent to be named in this Target's Statement in the form and context in which they are named:

- Johnson Winter & Slattery, as Australian legal adviser to Envestra;
- Goldman Sachs Australia Pty Ltd, as financial adviser to Envestra;
- Grant Samuel & Associates Pty Limited, as the APA Scheme Independent Expert; and
- Link Market Services Limited, as Envestra's share registry.

(b) Consent to inclusion of statements

Grant Samuel & Associates Pty Limited has given and has not, before the date of this Target's Statement, withdrawn its consent to the inclusion of the references to the APA Scheme Independent Expert's Report (including the references to the information contained in it) in this Target's Statement in the form and context in which they appear.

(c) Disclaimers

Each person referred to in this Section 9.8:

- has not authorised or caused the issue of this Target's Statement;
- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than as specified in this Section 9.8; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement except in respect of those reports or statements to which they have consented as specified in this Section 9.8.

9.9 Consents not required under ASIC Class Orders

This Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or on the Company Announcements Platform of the ASX. Pursuant to ASIC Class Order 13/521, the consent of the parties making those statements is not required for the inclusion of those statements in this Target's Statement.

As required by ASIC Class Order 13/521, Envestra Shareholders may request a copy of those documents during the CK Offer Period by calling the Envestra Shareholder Information Line on 1300 784 494 (from within Australia) or + 61 1300 784 494 (from outside Australia) between 8.30am and 5.00pm (Sydney time), Monday to Friday. Envestra will provide a copy of the document or part of the document within two business days of the request free of charge.

Alternatively, any Envestra Shareholder who would like to receive a copy of the CK Bidder's Statement should request one by calling CK ENV Investments' offer information line on 1300 621 435 (within Australia) or + 61 3 9415 4877 (from outside Australia).

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

Pursuant to this ASIC Class Order, the consent of such persons to whom statements or documents are attributed is not required for the inclusion of those statements in this Target's Statement.

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement contains trading data sourced from IRESS without its consent.

9.10 No other material information

This Target's Statement is required to include all the information that Envestra Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the CK Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Envestra Director.

The Envestra Directors are of the opinion that the information that Envestra Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the CK Offer is the information contained in:

- the CK Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- Envestra's releases to the ASX, and in the documents lodged by Envestra with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Envestra Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the CK Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Envestra Directors do not take any responsibility for the contents of the CK Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Envestra Directors have had regard to:

- the nature of the Envestra Shares;
- the nature of the CK Offer;
- the matters that Envestra Shareholders may reasonably be expected to know in relation to Envestra, the CK Consortium and the CK Offer;
- the fact that certain matters may reasonably be expected to be known to Envestra Shareholders' professional advisers; and
- the time available to Envestra to prepare this Target's Statement.

SECTION 10

DEFINITIONS AND INTERPRETATION

10.1 Definitions

In this Target's Statement, unless the context otherwise requires:

\$, A\$ or AUD	means Australian dollars.
Access Arrangement	means an arrangement for access to a price regulated pipeline or distribution network covered by the National Gas Law and National Gas Rules setting out the terms and conditions, including price, at which third parties can acquire services on the pipeline or network.
Access Charge	means the charge payable for the delivery of gas through a delivery point.
AER	means the Australian Energy Regulator.
APA Affiliated Directors	means Michael McCormack and Ross Gersbach.
APA Group	means APT, APTIT, APL and each of the entities controlled by the APA Group Responsible Entity.
APA Group Responsible Entity	means APL in its capacity as responsible entity of APT and APTIT.
APA Scheme	means the scheme of arrangement proposed between Envestra and certain Envestra Shareholders, pursuant to which those Envestra Shareholders' Envestra Shares would be transferred to APL in its capacity as responsible entity of APT, such scheme of arrangement being appended to and described more fully in the scheme booklet issued by Envestra dated 7 April 2014 (the proposal for which was terminated on 30 May 2014).
APA Scheme Independent Expert	means Grant Samuel & Associates Pty Limited (ACN 050 036 372), which issued a report in relation to the APA Scheme dated 7 April 2014.
APA Scheme Meeting	means the meeting of Envestra Shareholders convened by the Federal Court of Australia for the purposes of considering and, if thought fit, approving the APA Scheme (which was cancelled as a result of an order of the Federal Court on 30 May 2014).
APL	means Australian Pipeline Limited (ABN 99 091 344 704, AFSL 239 927).
APT	means Australian Pipeline Trust (ARSN 091 678 778), a registered managed investment scheme regulated by the Corporations Act.
APTIT	means APT Investment Trust (ARSN 115 585 441), a registered managed investment scheme regulated by the Corporations Act.
ASIC	means the Australian Securities and Investments Commission.

ENVESTRA TARGET'S STATEMENT

Associate	has the meaning given to it for the purposes of Chapters 6 to 6C of the Corporations Act, where Envestra is the designated body.
ASX	means, as the context requires, ASX Limited (ABN 98 008 624 691) or the securities market conducted by ASX Limited.
ASX Listing Rules	means the official listing rules of the ASX.
ASX Settlement	means ASX Settlement Pty Limited (ABN 49 008 504 532), the body which administers the CHESS system in Australia.
ASX Settlement Operating Rules	means the operating rules of ASX Settlement.
Bid Implementation Agreement	means the Bid Implementation Agreement between Envestra, CK ENV Investments and each of the CK Consortium Members dated 30 May 2014 and released to the ASX on that date.
CGT	means capital gains tax.
Change of Control	means the time that each of the following has happened: <ul style="list-style-type: none"> the CK Offer has been declared or has become unconditional; and CK ENV Investments and its Associates have a Relevant Interest in more than 50% of the Envestra Shares (inclusive of any Relevant Interest in Envestra Shares held by CKIHM).
CHESS	means the Clearing House Electronic Subregister System which provides for electronic security transfers in Australia.
CHESS Holding	means a holding of Envestra Shares on the CHESS subregister of Envestra. Usually, a CHESS holding will be through a Controlling Participant.
CK Bidder's Statement	means the Bidder's Statement of CK ENV Investments dated 20 June 2014.
CK Consortium	means the CK Consortium comprising Cheung Kong (Holdings) Limited, Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited.
CK Consortium Affiliated Directors	means Dominic Chan and Ivan Chan.
CK Consortium Group	means each CK Consortium Member, CK ENV Investments and their Related Entities.
CK Consortium Member	means any one of CKH, CKI and PAH.
CK ENV Investments	means CK ENV Investments Pty Ltd (ACN 169 818 035).

ENVESTRA TARGET'S STATEMENT

CK Offer	means the offer by CK ENV Investments to each Envestra Shareholder to acquire all of their Envestra Shares on the terms and conditions set out in the CK Bidder's Statement.
CK Offer Period	means the period during which the CK Offer will remain open for acceptance.
CK Offer Price	means \$1.32 cash per Envestra Share.
CKH	means Cheung Kong (Holdings) Limited.
CKI	means Cheung Kong Infrastructure Holdings Limited.
CKIHM	means Cheung Kong Infrastructure Holdings (Malaysian) Ltd.
Controlling Participant	means, in relation to Envestra Shares in a CHESS Holding, the Participant with whom the holder has a sponsorship agreement, as defined in the ASX Settlement Operating Rules (usually, your broker).
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
EBITDA	means earnings before interest, income tax, depreciation and amortisation.
Envestra	means Envestra Limited (ABN 19 078 551 685).
Envestra Board	means the Board of Envestra.
Envestra Consolidated Group	means Envestra and the entities in the "Consolidated Group" (in Australian income tax legislation) of which Envestra is the Head Company.
Envestra Director	means a director of Envestra.
Envestra Group	means Envestra and its Related Bodies Corporate.
Envestra Prescribed Event	means the conditions listed in section 7.1(c) of Part 2 of the CK Bidder's Statement.
Envestra Register	means the register of members of Envestra.
Envestra Share	means a fully paid ordinary share in the capital of Envestra.
Envestra Shareholder	means a person who is recorded in the Envestra Register as a holder of one or more Envestra Shares.
Envestra Shareholding	means a holding of one or more Envestra Shares.
Event of Default	means an Event of Default as defined in and for the purposes of the Intercreditor Deed Poll.
Final Dividend	means a final dividend declared or determined to be payable by the Envestra Directors in respect of the financial year to 30 June 2014.

ENVESTRA TARGET'S STATEMENT

Final Dividend Record Date	means the date for determining which Envestra Shareholders are entitled to receive the Final Dividend (being 18 July 2014).
FIRB	means the Foreign Investment Review Board.
GST	has the meaning given in the GST Act.
GST Act	means the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Head Company	has, in relation to the Envestra Consolidated Group, the meaning given in Australian income tax legislation.
HY2014	means the financial half year to 31 December 2013.
Independent Board Committee	means the committee of Envestra Directors appointed by the Envestra Board to consider and respond to the CK Offer, comprised of the Non Affiliated Directors (namely, John Allpass, Ian Little, Fraser Ainsworth AM and Olaf O'Duill).
Intercreditor Deed Poll	means the deed poll so entitled originally made on 26 June 1997 between Envestra and the persons described in it as the "Facility Agent", the "Bond Agent", the "Hedge Counterparty" and the "Security Agent" as amended and restated by a deed dated 29 January 2009, as amended, restated or supplemented from time to time.
Issuer Sponsored Holding	has the meaning given in the ASX Settlement Operating Rules.
National Gas Law	means the gas law implemented under the <i>National Gas (South Australia) Act 2008</i> (SA) in South Australia and which: (a) is made applicable in each other Australian jurisdiction (except Western Australia) under the relevant mirror application legislation; and (b) in Western Australia, is amended by and applied under the <i>National Gas Access (WA) Act 2009</i> (WA).
National Gas Rules	has the meaning given in the National Gas Law.
Non Affiliated Directors	means John Allpass, Ian Little, Fraser Ainsworth AM and Olaf O'Duill.
Operating and Management Agreements	means the long-term operating and management agreements under which certain APA Group members operate, manage and promote Envestra's distribution networks and transmission pipelines.
PAH	means Power Assets Holdings Limited.
Participant	has the meaning given in the ASX Settlement Operating Rules.
Related Body Corporate	has the meaning given in the Corporations Act.

Related Entity	<p>of a party (first entity) means another entity which is:</p> <p>(a) related to the first entity within the meaning of section 50 of the Corporations Act;</p> <p>(b) in any consolidated entity (as defined in section 9 of the Corporations Act) which contains the first entity; or</p> <p>(c) any trust of which the first entity or an entity described in paragraph (a) or (b) above is a trustee,</p> <p>and, in addition, in relation to each of the CK Consortium Members means any entity in respect of which the CK Consortium jointly:</p> <p>(d) controls the composition of the entity's board;</p> <p>(e) is in a position to cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of the entity; or</p> <p>(f) holds more than one-half of the issued share capital of the entity.</p>
Relevant Interest	has the meaning given in the Corporations Act.
Representatives	<p>in relation to a party, means:</p> <p>(a) a Related Body Corporate of the party; or</p> <p>(b) a director, company secretary or employee of the party or any of the party's Related Bodies Corporate; or</p> <p>(c) an adviser, consultant, agent or representative of the party or any of the party's Related Bodies Corporate.</p>
Target's Statement	means this document, being the statement of Envestra under Part 6.5 Division 3 of the Corporations Act.
VWAP	means volume weighted average price, calculated by dividing the value of trades by the volume of trades over a given period.

10.2 Interpretation

Unless the context otherwise requires:

- (a) headings used in this Target's Statement are inserted for convenience and do not affect the interpretation of this Target's Statement;
- (b) words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;
- (c) a reference to a Section is a reference to a section of this Target's Statement;
- (d) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (e) the singular includes the plural and vice versa;
- (f) the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency; and
- (g) a reference to time is a reference to time in Sydney, Australia.

SECTION 11

AUTHORISATION

This Target's Statement has been approved by a resolution passed by the directors of Envestra Limited.

Signed for and on behalf of Envestra Limited:

A handwritten signature in black ink, appearing to read "John Allpass". The signature is written in a cursive, flowing style.

John Allpass
Chairman
Envestra Limited

ENVESTRA TARGET'S STATEMENT

This page has been left blank intentionally.

ENVESTRA TARGET'S STATEMENT

This page has been left blank intentionally.

CORPORATE DIRECTORY

Company

Envestra Limited
ACN 078 551 685

Registered Office

Level 10, 81 Flinders Street
ADELAIDE SA 5000

Joint Company Secretaries

Des Petherick
Paul May
Geoffrey Barton

Legal Adviser

Johnson Winter & Slattery
Level 9, 211 Victoria Square
ADELAIDE SA 5000

Financial Adviser

Goldman Sachs Australia Pty Ltd
Level 17, 101 Collins Street
MELBOURNE VIC 3000

Share Registry

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000

