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Power Assets Holdings Ltd.
電能實業有限公司

於香港註冊成立的有限公司
Incorporated in Hong Kong with limited liability
股份代號 Stock Code: 6

ANNOUNCEMENT

PROPOSED SPIN-OFF AND SEPARATE LISTING OF THE GROUP’S HONG KONG ELECTRICITY BUSINESS ON THE STOCK EXCHANGE OF HONG KONG LIMITED

POSSIBLE VERY SUBSTANTIAL DISPOSAL

This announcement is made pursuant to Part XIVA of the SFO and Rule 13.09(2) and Practice Note 15 of the Listing Rules.

The Board announces that the Company proposes to spin-off and separately list the Group’s Hong Kong electricity business which is operated by HEC, by way of a listing of the Share Stapled Units to be jointly issued by HK Electric Investments and Spinco on the Main Board of the Stock Exchange. HEC is engaged in the generation, transmission, distribution and supply of electricity in Hong Kong and is regulated by a Scheme of Control entered into with the Hong Kong Government.

The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

On 27 September 2013, the Trustee-Manager, as proposed trustee-manager of HK Electric Investments, and Spinco submitted a listing application (Form A1) to the Stock Exchange for the listing of, and permission to deal in, the Share Stapled Units on the Main Board of the Stock Exchange.

It is intended that immediately following the completion of the Proposed Spin-off, the Company will have an interest in not more than 49.9% and not less than 30% of the Share Stapled Units in issue, thereby providing the Company with exposure to a steady dividend stream. Accordingly, HEC will cease to be a subsidiary of the Company, and the Spinco Group will be classified by the Company as an associate and accounted for in the Group's financial statements using the equity method of accounting.

In giving due regard to the interests of the Shareholders as required under Practice Note 15, it is intended that, if the Proposed Spin-off proceeds, an assured entitlement to the Share Stapled Units will be provided to qualifying Shareholders by way of a preferential application in the Global Offering. The terms of such assured entitlement have not been finalised and will be announced in due course.

Following the Proposed Spin-off, the Company intends to maintain at least the same amount of dividend distribution as in 2012 for the years 2013 and 2014.

As one or more of the applicable percentage ratios represented by the Proposed Spin-off is or are expected to be 75% or more, the Proposed Spin-off, if it proceeds, will constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off is therefore subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of Practice Note 15 and Chapter 14 of the Listing Rules. The Company will comply with the requirements under paragraph 3(e)(1) of Practice Note 15 and the applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) as and when necessary.

Should the Proposed Spin-off proceed, a circular containing, among other things, further details of the Proposed Spin-off and its effect on the Company as well as a notice of an extraordinary general meeting to be convened by the Company to approve the Proposed Spin-off will be despatched to the Shareholders. As the listing application made by the Trustee-Manager and Spinco is subject to the approval of the Stock Exchange and in view of such approval process, the expected date of despatch of the circular to the Shareholders will be more than 15 business days after the publication of this announcement. The Company will despatch the circular to the Shareholders as soon as practicable after approval in-principle from the Listing Committee of the Stock Exchange has been obtained for the Listing and it is currently expected that the extraordinary general meeting to approve the Proposed Spin-off will be convened by the Company before the end of 2013.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting at the general meeting of Shareholders to be convened to consider and approve the Proposed Spin-off.

Goldman Sachs (Asia) L.L.C. and HSBC Corporate Finance (Hong Kong) Limited (named herein in alphabetical order) have been appointed by the Trustee-Manager and Spinco as the joint sponsors for the Listing.

The implementation of the Proposed Spin-off is subject to, among other things, the approval of the Shareholders at a general meeting, the approval of the Stock Exchange, the final decision of the Board and of the respective boards of directors of the Trustee-Manager and Spinco, market conditions and other considerations. There is no certainty as to whether, and if so when, the Proposed Spin-off will take place. Accordingly, Shareholders, holders of other securities of the Company and potential investors in the securities of the Company should exercise caution when dealing in or investing in the shares or other securities of the Company. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

1. INTRODUCTION

This announcement is made pursuant to Part XIVA of the SFO and Rule 13.09(2) and Practice Note 15 of the Listing Rules.

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Goldman Sachs (Asia) L.L.C. and HSBC Corporate Finance (Hong Kong) Limited (named herein in alphabetical order) have been appointed by the Trustee-Manager and Spinco as the joint sponsors for the Listing.

2. PROPOSED SPIN-OFF

(a) Overview of the Proposed Spin-off

The Proposed Spin-off involves the spin-off and separate listing of the Group's Hong Kong electricity business which is operated by HEC, by way of the listing of the Share Stapled Units to be jointly issued by HK Electric Investments and Spinco on the Main Board of the Stock Exchange.

The Proposed Spin-off will be conditional upon, among other things, (i) the approval of the Shareholders at a general meeting, (ii) the Listing Committee granting approval for the listing of, and permission to deal in, the Share Stapled Units on the Main Board of the Stock Exchange and (iii) the obligations of the underwriters under the underwriting agreements to be entered into by the Trustee-Manager and Spinco in respect of the Global Offering becoming unconditional and not having been terminated in accordance with their respective terms.

It is intended that immediately following the completion of the Proposed Spin-off, the Company will have an interest in not more than 49.9% and not less than 30% of the Share Stapled Units in issue, thereby providing the Company with exposure to a steady dividend stream. Accordingly, HEC will cease to be a subsidiary of the Company, and the Spinco Group will be classified by the Company as an associate and accounted for in the Group's financial statements using the equity method of accounting.

If the Proposed Spin-off is effected, the net proceeds from the issue of the Share Stapled Units pursuant to the Global Offering (which cannot be determined at this time) will be used by the Trust Group to fund part of the consideration for the acquisition of HEC from the Company as described below. The proceeds received by the Company for the disposal of its interests in HEC will provide the Company with the financial strength to seek acquisitions in the global power sector and the Company expects to deploy such proceeds with the same prudent approach as in the past.

(b) Spinco

Spinco is currently a wholly-owned subsidiary of the Company. Pursuant to the Proposed Spin-off, Spinco will become the holding company of the Spinco Group, which has been established to own HEC. Please see "Further Information on HEC" below for further details on HEC.

(c) HK Electric Investments

HK Electric Investments will be a fixed single investment trust constituted by the Trust Deed to be entered into between the Trustee-Manager and Spinco. As a fixed single investment trust, HK Electric Investments will only invest in securities and other interests in Spinco and will confer on registered holders of units in HK Electric Investments a beneficial interest in specifically identified property (being the ordinary shares in Spinco) held by HK Electric Investments.

(d) Trustee-Manager

The Trustee-Manager is an indirect wholly-owned subsidiary of the Company. Under the terms of the Trust Deed, the Trustee-Manager will be appointed as the trustee and manager of HK Electric Investments, will have legal ownership of the assets of the HK Electric Investments and will declare in the Trust Deed that it will hold those assets on trust for the registered holders of units of HK Electric Investments.

The Trustee-Manager will have a specific and limited role, which is to administer HK Electric Investments, and it will not be actively engaged in the operation of the electricity business of HEC, which will be owned and operated by the Spinco Group.

Under the terms of the Trust Deed, the Trustee-Manager can be removed and replaced as the trustee-manager by an ordinary resolution passed by the registered holders of units in HK Electric Investments.

(e) Share Stapled Units

The Share Stapled Units to be jointly issued by HK Electric Investments and Spinco pursuant to the Global Offering will comprise a combination of the following securities or interests in securities which, subject to the terms of the Trust Deed, can only be dealt with together:

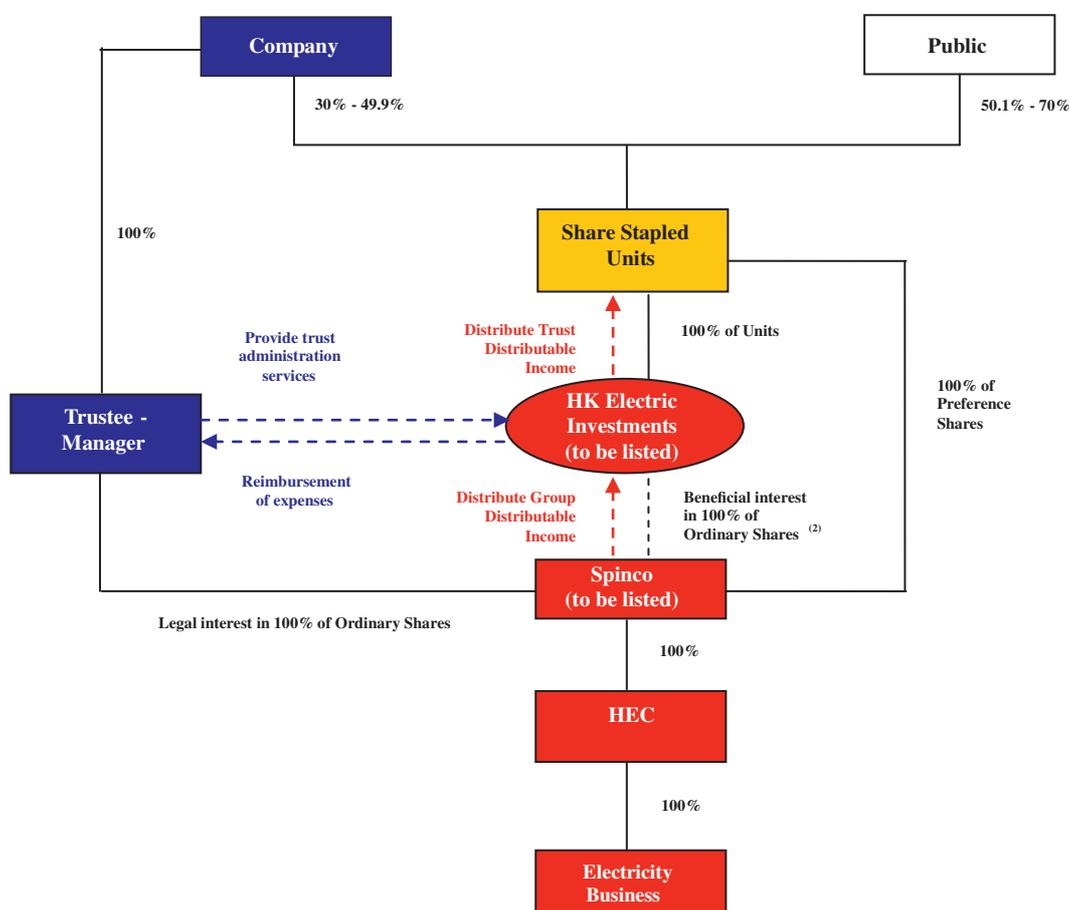
- (i) a unit, being an undivided interest in HK Electric Investments;
- (ii) a beneficial interest in a specifically identified ordinary share in Spinco which is linked to the unit in HK Electric Investments and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of HK Electric Investments); and
- (iii) a specifically identified preference share in Spinco which is stapled to the unit in HK Electric Investments.

The rationale for the share stapling arrangement described above is to ensure that the Share Stapled Units are subject to all of the provisions of the SFO and the Takeovers Code, including, but not limited to, the provisions relating to the protection of investors.

There will be a single price quotation on the Stock Exchange for a Share Stapled Unit. No price quotation will be given for the individual components (unit, beneficial interest in an ordinary share or preference share) of a Share Stapled Unit.

(f) Proposed structure of the Trust Group

The chart below illustrates a simplified version of the structure of the Trust Group immediately following the completion of the Reorganisation and the Global Offering ⁽¹⁾:



Notes:

- (1) With the exception of the beneficial interest in 100% of the ordinary shares of Spinco held by the Holders of Share Stapled Units, all dotted lines indicate a proposed contractual relationship between the entities or distribution or funds flow and continuous lines indicate a proposed interest in shares (or, in the case of HK Electric Investments, an interest in the Units) or ownership in the electricity business.

- (2) As HK Electric Investments is not a separate legal entity, all of the trust property, being the assets of HK Electric Investments, will be held by the Trustee-Manager for the benefit of the registered holders of units. Subject to the exercise of an exchange right, all of the issued ordinary shares of Spinco must be registered in the principal register of members of Spinco in the name of the Trustee-Manager (in its capacity as trustee-manager of HK Electric Investments).

(g) Proposed Reorganisation

It is proposed that in connection with the Proposed Spin-off, a reorganisation (the “**Reorganisation**”) will be implemented pursuant to which the Spinco Group will acquire the entire shareholding interest in HEC from the Company (the “**Acquisition**”).

Consideration for the Acquisition

The consideration payable for the Acquisition will comprise Share Stapled Units and cash, and will reflect the value of HEC implied by the final offer price of the Share Stapled Units in the Global Offering.

The consideration for the Acquisition will be settled by (i) the issue of Share Stapled Units to the Company, (ii) the net proceeds from the Global Offering, and (iii) the proceeds from a loan facility to be entered into by Spinco.

(h) Proposed Global Offering

The Proposed Spin-off will involve a global offering of Share Stapled Units to be jointly issued by HK Electric Investments and Spinco on the Main Board of the Stock Exchange. The Global Offering is expected to comprise (i) a public offering of Share Stapled Units in Hong Kong, (ii) an international offering of Share Stapled Units to professional, institutional and other investors and (iii) a preferential offering of Share Stapled Units to qualifying Shareholders.

(i) Assured Entitlement

In giving due regard to the interests of the Shareholders as required under Practice Note 15, it is intended that, if the Proposed Spin-off proceeds, an assured entitlement to the Share Stapled Units will be provided to qualifying Shareholders by way of a preferential application in the Global Offering. The terms of such assured entitlement have not been finalised and will be announced in due course.

(j) Intended Dividend Distribution by the Company

Following the Proposed Spin-off, the Company intends to maintain at least the same amount of dividend distribution as in 2012 for the years 2013 and 2014.

3. OBJECTIVES OF THE TRUST GROUP AND DISTRIBUTIONS

(a) Objectives of the Trust Group

HK Electric Investments provides a structure within which a distribution policy based on the Group Distributable Income (as defined below) could be more clearly articulated and pursued, and within which the Trust Group could more clearly signal its intentions to focus principally on distributions and to differentiate itself from other listed issuers on that basis.

The objectives of HK Electric Investments and Spinco are (i) to focus principally on the payment of distributions to the holders of Share Stapled Units with a clearly expressed intention as to their respective distribution policies stated in the Trust Deed and the articles of association of Spinco and (ii) to provide the holders of Share Stapled Units with stable distributions with the potential for sustainable long-term growth of such distributions.

(b) Distributions

It is proposed that the Trustee-Manager (on behalf of HK Electric Investments) will distribute 100% of the dividends, distributions and other amounts received by the Trustee-Manager from Spinco in respect of the ordinary shares in Spinco, after deduction of all amounts permitted to be deducted or paid under the Trust Deed (such as operating expenses of HK Electric Investments) (the “**Trust Distributable Income**”).

The distributions received by the Trustee-Manager from Spinco will be derived from the Group Distributable Income (to be defined in the Trust Deed) for each financial year commencing with the financial year ending 31 December 2014.

It is proposed that “**Group Distributable Income**” will refer to the audited consolidated profit attributable to the holders of Share Stapled Units for the relevant financial year or the relevant distribution period, after making adjustments in respect of items to be described in the Trust Deed.

It is currently intended that Spinco will declare and distribute 100% of the Group Distributable Income for each financial year commencing with the financial year ending 31 December 2014.

4. FURTHER INFORMATION ON HEC

HEC, which commenced operations in 1890, is one of the world's longest established utility companies. It is a vertically integrated power utility whose operations comprise the generation, transmission, distribution and supply of electricity to Hong Kong Island and Lamma Island with an electricity supply reliability rating of above 99.999% in each year since 1997. HEC's sole power generating facility is the Lamma Power Station which, as at 30 June 2013, had an aggregate installed capacity of approximately 3,737 MW. As at 30 June 2013, HEC provided electricity to approximately 568,000 registered customers on Hong Kong Island and Lamma Island.

HEC's operations are subject to a Scheme of Control entered into with the Hong Kong Government. Under the terms of the Scheme of Control, HEC is entitled to full recovery of its total operating costs and a permitted level of earnings based principally on a return on HEC's capital investment in electricity generation, transmission and distribution assets. The current Scheme of Control was entered into on 7 January 2008 for a term of ten years from 1 January 2009 to 31 December 2018, with an option for the Hong Kong Government to extend it for a further term of five years ending on 31 December 2023.

Set out below is certain selected financial information of HEC based on its audited consolidated financial statements for the years ended 31 December 2011 and 31 December 2012:

	For the year ended 31 December 2012	For the year ended 31 December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	10,399,601	10,184,790
Profit before tax	5,362,037	5,323,359
Profit after tax	4,471,119	4,434,504
Profit attributable to equity shareholders	4,541,678	4,479,535

Based on the audited consolidated financial statements of HEC for the year ended 31 December 2012, the audited consolidated fixed assets value of HEC was HK\$49,345,595,000 and the audited consolidated net asset value of HEC was HK\$5,643,551,000 as at 31 December 2012.

5. FURTHER INFORMATION ON THE BUSINESS OF THE GROUP

At present, the Group is principally engaged in the following businesses:

- (i) *Hong Kong*: the generation, transmission, distribution and supply of electricity in Hong Kong through HEC; and
- (ii) *outside Hong Kong*: power businesses in the United Kingdom, Australia, Mainland China, New Zealand, Thailand, Canada and the Netherlands. Such businesses include (i) electrical distribution networks in the United Kingdom, Australia and New Zealand, (ii) gas distribution networks in the United Kingdom, (iii) interests in thermal generation plants in Mainland China, Canada, Thailand and the United Kingdom, (iv) wind farms in Mainland China and (v) energy from waste in the Netherlands.

Since the 1990s, the Group has been actively investing in power businesses globally. Macro-economic weakness in recent years has provided the Group with the opportunity to expand its power asset portfolio and diversify its earnings base outside Hong Kong, thereby creating further value for the Shareholders. In particular, earnings from the Group's power businesses outside Hong Kong have grown from approximately HK\$700 million in 2007 before the global financial crisis to approximately HK\$5.1 billion in 2012, contributing to over 50% of the Company's attributable profit in the financial year ended 31 December 2012. The Company is now well-established as a leading strategic investor in power utilities globally, with cumulative cash invested by the Group of approximately HK\$31.9 billion as at 31 December 2012 outside Hong Kong in a portfolio consisting mainly of regulated and contracted power projects spanning four continents.

After the completion of the Proposed Spin-off, the remaining businesses of the Group will principally be held and operated through joint ventures and associates. Set out below is a summary of the Group’s interest in its major joint ventures (the “**Major JVs**”):

<u>Location</u>	<u>Name of joint venture (and the Group’s % ownership)</u>	<u>Principal activities of the joint venture</u>
United Kingdom	UK Power Networks Holdings Limited (40%)	Owning, operating and managing three regulated distribution networks in the United Kingdom that cover London, South East England and East England; operating certain non-regulated electricity distribution businesses in the United Kingdom, which consists predominantly of commercial contracts to distribute electricity to a number of privately owned sites, including certain major airports and railway systems
	Northern Gas Networks Holdings Limited (41.29%)	Owning Northern Gas Networks Limited, which operates the Northern Gas Networks in the north of England
	West Gas Networks Limited <i>and</i> Western Gas Networks Limited (30%)	Engaging in the management of gas transportation assets and gas distribution in Wales and the southwest of England
Mainland China	Guangdong Zhuhai Power Station Company Limited (45%)	Owning and operating power plants in Guangdong Province
	Guangdong Zhuhai Jinwan Power Company Limited (45%)	Owning and operating power plants in Guangdong Province
New Zealand	Wellington Electricity Distribution Network Holdings Limited (50%)	Owning the Wellington Electricity Distribution Network Limited, which supplies electricity to the city of Wellington, the capital of New Zealand, and extends to the Porirua and Hutt Valley regions of New Zealand

As a shareholder or joint venture partner, the Group nominates directors on the respective boards of the Major JVs, and the nominated directors are able to exercise the control rights of the Group (together with other joint venture party or parties sharing control with the Group) and oversee the management and operation of the businesses by the management teams of the Major JVs. The Major JVs should be classified by the Company as joint ventures and accounted for in the Group's financial statements using the equity method of accounting.

After the Proposed Spin-off, there will be a clear delineation between the businesses of the Spinco Group and the other businesses of the Group. The Spinco Group will be engaged in the businesses of generation, transmission, distribution and supply of electricity in Hong Kong. On the other hand, the Group will continue to focus on its principal businesses in power-related facilities and projects outside Hong Kong.

6. OTHER PROPOSED ARRANGEMENTS IN RELATION TO THE PROPOSED SPIN-OFF

(a) Non-Competition Undertaking from the Company

In order to further strengthen the clear delineation between the businesses of the Spinco Group and the businesses of the Group, it is proposed that if the Proposed Spin-off proceeds, it is intended that with effect from the Listing Date:

- (i) the Company will undertake not to compete with the Spinco Group in the business of generation, transmission, distribution and supply of electricity in Hong Kong until the earlier of (1) the date on which the Company ceases to be interested in at least 30% of the Share Stapled Units in issue and (2) the date on which the Share Stapled Units cease to be listed on the Stock Exchange; and
- (ii) any connected transactions between the Spinco Group and the Group will be transacted in compliance with the applicable requirements of the Listing Rules (subject to any waiver(s) and modifications which may be granted and made by the Stock Exchange).

(b) Arrangements with Cheung Kong Infrastructure Holdings Limited

CKI currently holds a 38.87% shareholding interest in the Company. CKI is an infrastructure company with diversified investments globally in energy infrastructure, transportation infrastructure (highway, bridges and toll roads), water infrastructure, waste management, and infrastructure related businesses (such as cement, concrete and aggregates).

Following the completion of the Proposed Spin-off, it is intended that the Company and CKI will continue to leverage their respective areas of expertise, with the Company focusing on investments in power projects and CKI focusing on non-power projects.

To facilitate the Proposed Spin-off and enhance this delineation between the future business focuses of the Company and CKI, it is proposed that if the Proposed Spin-off proceeds, with effect from the Listing Date:

- (i) CKI will undertake that if it is offered an opportunity to invest in any power projects (for this purpose, including gas projects), it will inform the Company and refer such investment opportunity to the Company for evaluation. Subject to paragraph (ii) below, CKI may only invest in any power project if the Company (with the endorsement of the independent non-executive directors of the Company (the “INEDs”) or a committee of the INEDs):
 - (1) declines to invest in the power project; or
 - (2) elects to invite CKI to participate as a co-investor in the power project.
- (ii) For any investment opportunity in respect of a power project where the interest available for investment or acquisition is of an enterprise value (as determined by the Company) not exceeding HK\$4 billion (or equivalent) (the “**Relevant Enterprise Value Threshold**”), the Company will not invite CKI to participate as a co-investor in the power project. The Company may (through the procedure involving the INEDs as mentioned in the immediately preceding paragraph (i) above) elect to invite CKI to participate as a co-investor in a power project only if the interest available for investment or acquisition is of an enterprise value exceeding the Relevant Enterprise Value Threshold.
- (iii) The undertaking from CKI will terminate on the earlier of (1) the date on which CKI ceases to own at least a 30% shareholding interest in the Company and (2) the date on which the Company’s shares cease to be listed on the Stock Exchange.
- (iv) Any future co-investment by the Company and CKI in power projects will also be subject to compliance with the applicable requirements of the Listing Rules, including independent shareholders’ approval (if required).

Under the above proposed arrangement, investment opportunities in respect of any power project where the interest available for investment or acquisition is of an enterprise value not exceeding the Relevant Enterprise Value Threshold will be evaluated and decided on by the Company alone and (if successfully acquired or invested in) the Company will participate in the operation and management of the investment alone. It is only when an investment opportunity is pursued as a co-investment by the Company and CKI (in accordance with the threshold and procedures described above) that such investment opportunity will be evaluated and decided on by the Company and CKI together; and in such case, if the acquisition or investment is successfully made, representatives from each of the Company and CKI will participate in the operation and management of the investment.

7. REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board believes that the Proposed Spin-off will bring clear commercial benefits to the Company for the following reasons:

- (a) **Enhancement of the Company's existing value:** The Board believes that the Proposed Spin-off will unlock value for the Shareholders by better identifying and establishing the fair value of the Spinco Group's business. In addition, the Board believes that the Proposed Spin-off will crystallise value for the Company's international businesses through more visibility and additional disclosure of their financial information, including revenues, profits, total assets and total liabilities of the Major JVs. The Board anticipates that such value will represent a substantial enhancement to the Company's existing value within the confines of the Company's listing, which will, in turn, increase the value of the Company to the benefit of all of the Shareholders.
- (b) **Significant proceeds to the Company from the Proposed Spin-off:** The Company will receive substantial proceeds from the disposal of the Company's shareholding interest in HEC, which will enable the Company to continue to pursue new acquisitions in the global power industry, while maintaining a strong financial profile.

The Group has been actively investing in power businesses globally since the 1990s and creating further value for Shareholders. In particular, earnings from the Group's power businesses outside Hong Kong have grown from approximately HK\$700 million in 2007 before the global financial crisis to

approximately HK\$5.1 billion in 2012, contributing to over 50% of the Company's attributable profit in the financial year ended 31 December 2012. In 2012, the Group generated HK\$5.1 billion profits out of HK\$31.9 billion cumulative cash invested as at 31 December 2012.

- (c) **More defined focus and efficient resource allocation:** The Board believes that the Proposed Spin-off will allow the Company's management to focus its time and resources more effectively on identifying new acquisition and investment opportunities to further develop its power portfolio outside of Hong Kong.
- (d) **Alignment with the appropriate investor base:** Over the last five financial years, the Company's power businesses outside Hong Kong have grown significantly from contributing to less than 10% of the Company's attributable profit in the financial year ended 31 December 2008 to contributing to over 50% of the Company's attributable profit in the financial year ended 31 December 2012. The Proposed Spin-off will enable the Company's remaining business to be valued on a stand-alone basis, with more visibility on its growth profile and asset quality. This will help the Company attract investors who are specifically seeking to invest in a reputable and established global player to gain direct exposure to a balanced portfolio of carefully-selected, world class power businesses with predictable income streams and future acquisition growth.

The Board also believes that the Proposed Spin-off will bring clear commercial benefits to Spinco for the following reasons:

- (a) **Align with appropriate investor base thereby achieving fair valuation of the Spinco Group's business:** The Proposed Spin-off will allow HK Electric Investments and Spinco to align the stable cash flow generating characteristics of the Spinco Group's business with investors that favour a clearly expressed distribution policy, stable dividend yields, and pure-play investments, thereby more appropriately valuing the Spinco Group's business.
- (b) **More defined focus and efficient resource allocation:** The Proposed Spin-off will allow the Spinco Group's management to focus on developing the Spinco Group's business, thereby eliminating the need to oversee investments in assets outside of Hong Kong.

(c) **Separate fundraising platform enhancing financing flexibility:** In addition to the existing debt capital market fundraising platform, the Proposed Spin-off would allow HK Electric Investments and Spinco to have a separate fundraising platform, which will increase financing flexibility to support the Spinco Group's strategies. In conjunction with the Proposed Spin-off, the Spinco Group intends to recapitalise its balance sheet to become more in line with its industry peers in order to optimise its cost of capital. In particular, the Spinco Group expects to have debt in the range of approximately HK\$40 billion to HK\$50 billion immediately following the completion of the Proposed Spin-off.

8. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios represented by the Proposed Spin-off is or are expected to be 75% or more, the Proposed Spin-off, if it proceeds, will constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off is therefore subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of Practice Note 15 and Chapter 14 of the Listing Rules. The Company will comply with the requirements under paragraph 3(e)(1) of Practice Note 15 and the applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) as and when necessary.

Should the Proposed Spin-off proceed, a circular containing, among other things, further details of the Proposed Spin-off and its effect on the Company as well as a notice of an extraordinary general meeting to be convened by the Company to approve the Proposed Spin-off will be despatched to the Shareholders. As the listing application made by the Trustee-Manager and Spinco is subject to the approval of the Stock Exchange and in view of such approval process, the expected date of despatch of the circular to the Shareholders will be more than 15 business days after the publication of this announcement. The Company will despatch the circular to the Shareholders as soon as practicable after approval in-principle from the Listing Committee of the Stock Exchange has been obtained for the Listing and it is currently expected that the extraordinary general meeting to approve the Proposed Spin-off will be convened by the Company before the end of 2013.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting at the general meeting of Shareholders to be convened to consider and approve the Proposed Spin-off.

9. GENERAL

In connection with the Global Offering, the price of the Share Stapled Units may be stabilised in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Details of any intended stabilisation and how it will be regulated under the SFO will be contained in the prospectus to be issued in connection with the public offering of the Share Stapled Units in Hong Kong, if the Proposed Spin-off proceeds.

The implementation of the Proposed Spin-off is subject to, among other things, the approval of the Shareholders at a general meeting, the approval of the Stock Exchange, the final decision of the Board and of the respective boards of directors of the Trustee-Manager and Spinco, market conditions and other considerations. There is no certainty as to whether, and if so when, the Proposed Spin-off will take place. Accordingly, Shareholders, holders of other securities of the Company and potential investors in the securities of the Company should exercise caution when dealing in or investing in the shares or other securities of the Company. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

Further announcements will be made by the Company in respect of the Proposed Spin-off if and when appropriate.

10. DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of directors of the Company
“CKI”	Cheung Kong Infrastructure Holdings Limited (stock code: 1038), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Company”	Power Assets Holdings Limited (stock code: 0006), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange

“Directors”	the directors of the Company
“Global Offering”	the proposed global offering of the Share Stapled Units to be jointly issued by HK Electric Investments and Spinco for subscription or purchase (which includes the preferential offering of the Share Stapled Units to the qualifying Shareholders)
“Group”	the Company and its subsidiaries, joint ventures and associates (excluding the Spinco Group), except where the context otherwise requires
“HEC”	The Hongkong Electric Company, Limited, a limited liability company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Electric Investments”	HK Electric Investments, a fixed single investment trust which will be constituted pursuant to the Trust Deed, the trustee of which will be the Trustee-Manager
“Listing”	the proposed listing of the Share Stapled Units on the Main Board of the Stock Exchange
“Listing Date”	the date on which the Share Stapled Units are first listed and from which dealings in the Share Stapled Units are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Practice Note 15”	Practice Note 15 of the Listing Rules
“Proposed Spin-off”	the proposed spin-off of the Group’s Hong Kong electricity business operated by HEC and separate listing of the Share Stapled Units on the Main Board of the Stock Exchange

“Scheme of Control”	the scheme of control agreement entered into on 7 January 2008 among HEC, the Company and the Hong Kong Government which regulates the generation, transmission, distribution and supply of electricity by HEC in Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Stapled Units”	a combination of the following securities or interests in securities which, subject to the terms of the Trust Deed, can only be dealt with together: <ul style="list-style-type: none"> (i) a unit, being an undivided interest in HK Electric Investments; (ii) a beneficial interest in a specifically identified ordinary share in Spinco which is linked to the unit in HK Electric Investments and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of HK Electric Investments); and (iii) a specifically identified preference share in Spinco which is stapled to the unit in HK Electric Investments
“Shareholders”	the shareholders of the Company
“Spinco”	HK Electric Investments Limited, a company incorporated in the Cayman Islands with limited liability, which is currently a wholly-owned subsidiary of the Company
“Spinco Group”	Spinco and its subsidiaries, as if the Reorganisation had been completed
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers in Hong Kong
“Trust Deed”	the trust deed to be entered into by the Trustee-Manager and Spinco to constitute HK Electric Investments

“Trustee-Manager” HK Electric Investments Manager Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company

“United States” the United States of America

By Order of the Board
Alex Ng
Company Secretary

Hong Kong, 27 September 2013

As at the date of this announcement, the Directors are:

Executive Directors : Mr. FOK Kin Ning, Canning (Chairman), Mr. WAN Chi Tin (Group Managing Director), Mr. CHAN Loi Shun (also Alternate Director to Mr. KAM Hing Lam), Mrs. CHOW WOO Mo Fong, Susan (also Alternate Director to Mr. FOK Kin Ning, Canning and Mr. Frank John SIXT), Mr. Andrew John HUNTER, Mr. KAM Hing Lam, Mr. LI Tzar Kuoi, Victor, Mr. Frank John SIXT and Mr. YUEN Sui See

Non-executive Directors : Mr. TSO Kai Sum (Deputy Chairman), Mr. Ronald Joseph ARCULLI and Mr. Neil Douglas MCGEE

Independent non-executive Directors : Mr. FONG Chi Wai, Alex, Mr. Holger KLUGE, Mr. LEE Lan Yee, Francis, Mr. George Colin MAGNUS, Mr. Ralph Raymond SHEA and Mr. WONG Chung Hin