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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

CONTINUING CONNECTED TRANSACTIONS

MASTER AGREEMENT FOR ACQUISITION OF CONNECTED DEBT SECURITIES

The Board announces that, after trading hours on 17 March 2015, the Company entered into the Master Agreement with CKI pursuant to which the Company or its subsidiaries may, during the Term, acquire the Connected Debt Securities that are issued from time to time by the Connected Issuers.

The Connected Issuers are connected persons of the Company by virtue of being either a substantial shareholder of the Company or an associate thereof. The transactions contemplated under the Master Agreement constitute continuing connected transactions for the Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, if these transactions, on an aggregated basis, are in excess of the applicable percentage ratios of the Company under the Listing Rules.

By virtue of its interests in the Master Agreement, CKI and its associates will abstain from voting on the resolutions approving the transactions contemplated under the Master Agreement at the AGM. CKI and its associates are together interested in 829,599,612 Shares (representing approximately 38.87% of the voting rights of the Company) as at the date of this announcement. The vote of the Independent Shareholders at the AGM on such resolutions will be taken by poll.

A circular containing, among other things, details of the Master Agreement in connection with the acquisition of Connected Debt Securities, the recommendation of the Independent Board Committee, and the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the AGM to approve, among other things, the transactions contemplated under the Master Agreement, will be despatched to Shareholders within 15 business days after the publication of this announcement in compliance with the Listing Rules.

INTRODUCTION

The Board announces that, after trading hours on 17 March 2015, the Company entered into the Master Agreement with CKI pursuant to which the Company or its subsidiaries may, during the Term, acquire the Connected Debt Securities that are issued from time to time by the Connected Issuers.

The Connected Issuers are connected persons of the Company by virtue of being either a substantial shareholder of the Company or an associate thereof. The transactions contemplated under the Master Agreement constitute continuing connected transactions for the Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, if these transactions, on an aggregated basis, are in excess of the applicable percentage ratios of the Company under the Listing Rules.

MASTER AGREEMENT

Set out below is a summary of the Master Agreement:

Date : 17 March 2015

Parties : Company
CKI

The parties agree that the Company or its subsidiaries may acquire the Connected Debt Securities that are issued from time to time by the Connected Issuers in the secondary markets subject to (i) the Company obtaining all applicable approvals (including the CCT Approval, if applicable), and (ii) the entering into of separate contracts in a form and on terms to be agreed between members of the Group and the relevant parties, which would be independent third parties from whom members of the Group would acquire the Connected Debt Securities in the secondary markets from time to time during the Term.

The consideration for the Connected Debt Securities will be on normal commercial terms to be determined with reference to market prices quoted on financial data providers (such as Bloomberg), which will be updated from time to time to reflect the ask/bid prices quoted by independent third parties (such as banks, debt securities dealers and institutional investors) having regard to the prevailing credit spread, market liquidity and counterparty risk, and, where applicable, accrued coupons, of the Connected Debt Securities and will be settled in accordance with the terms of the Connected Issuers as may be applicable from time to time. For the other terms of the Connected Debt Securities, they would have been determined by the relevant Connected Issuers at the time such securities were first issued.

The cap applicable to the transactions contemplated under the Master Agreement and effected during the Term, shall be subject to the limitations as more particularly set out in (i) and (ii) below.

The limitations upon which the transactions contemplated under the Master Agreement are subject to and pursuant to which the CCT Approval is granted include the following:

- (i) the aggregate gross purchase price of the Connected Debt Securities of a particular issue held and proposed to be acquired by the Group during the Term shall not exceed 20% of the aggregate value of the subject issue and all outstanding Connected Debt Securities of the same issuer with the same maturity or shorter maturities;
- (ii) the Net Connected Debt Securities Position of the Group at any time during the Term shall not exceed: (a) HK\$12.258 billion, and (b) 20% of the Net Liquid Assets of the Group which are accounted for and consolidated in the accounts of the Company as at 31 December 2014, or if different, 20% of the Group's "unaudited consolidated net liquid assets" as at the last day of the immediately preceding calendar quarter, being the reference date, whichever is lower. The amount of HK\$12.258 billion represents 20% of the bank deposits and cash position of the Group as at 31 December 2014. The limitations set out in (i) above and this

paragraph were determined as the cap for the acquisition of the Connected Debt Securities to avoid undue concentration in a single issue of Connected Debt Securities and to achieve a reasonable degree of diversification.

- (iii) the Connected Debt Securities shall be (a) listed for trading on a recognised exchange, (b) offered to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended, (c) offered to persons outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, or (d) offered pursuant to an issue where the aggregate value of such issue and all other outstanding Connected Debt Securities of the same issuer is no less than US\$500 million (approximately HK\$3,883 million) or its equivalent in other currencies permitted under (vi) below, and in all cases the Connected Debt Securities shall be acquired by the Group only from the secondary markets and on normal commercial terms arrived at after arm's length negotiations;
- (iv) the Connected Debt Securities shall be of at least investment grade or its equivalent;
- (v) the Connected Debt Securities shall not include zero coupon instruments or instruments with any imbedded option, right to convert into or exchange for any form of equity interest or derivative;
- (vi) the Connected Debt Securities shall be issued in any of the following currencies, Hong Kong dollars, Australian dollars, British pounds sterling, Euros, United States dollars, Canadian dollars or such other currency as the Directors who have no material interest in the proposed acquisition of Connected Debt Securities consider in their reasonable opinion as posing a risk acceptable to the Group having regard to the Group's assets and businesses from time to time; and
- (vii) the Connected Debt Securities shall have maturity not in excess of 15 years.

The duration of the Master Agreement is for the Term, unless terminated earlier in accordance with the terms of the Master Agreement.

REASONS FOR, AND BENEFITS OF, THE CONTINUING CONNECTED TRANSACTIONS

The Group has received proceeds from the spin-off disposal of its electricity business in Hong Kong in January 2014, and expects to deploy such proceeds to seek acquisitions in the global power industry. Pending the materialisation of such acquisitions, it continues to receive return from its global power investments and has accumulated surplus liquidity.

The Group has consistently adopted a conservative treasury policy in its cash and financial management. To achieve effective risk control and minimise the cost of funding, the Group's treasury activities are centralised. The Group's treasury function oversees the Group's investment activities. Cash resources were normally placed as bank deposits and had a balance of approximately HK\$61.291 billion as at 31 December 2014.

Since the returns available on surplus liquidity have been low, the possibility of investing into longer dated instruments, particularly corporate bonds of good quality is considered to enhance the quality of the Group's investment and treasury strategy. The Directors consider it to be in the interests of the Company and the Shareholders as a whole to have the flexibility of being able to invest in debt securities issued by corporations which may be classified as connected persons of the Company since, amongst other things, the Directors are more familiar with the business, management and credit standing of such companies than they would normally be for other companies. As it would be imprudent to put all or even a majority of Group's liquidity into such

debt securities, protections and limitations are proposed in the Master Agreement and in the resolution for granting the CCT Approval to be sought from the Independent Shareholders with a view to setting a sound framework for a liquidity investment policy applicable to Connected Debt Securities which may be acquired in the Term, which should improve the Group's returns while keeping increased risks within prudent limits.

Having regard to the terms of the Master Agreement, the Board (excluding the Independent Non-executive Directors who will opine on the transactions contemplated under the Master Agreement after taking into account the advice to be received from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders) considers the terms of the Master Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Connected Issuers are connected persons of the Company by virtue of being either a substantial shareholder of the Company or an associate thereof. The transactions contemplated under the Master Agreement constitute continuing connected transactions for the Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, if these transactions, on an aggregated basis, are in excess of the applicable percentage ratios of the Company under the Listing Rules.

By virtue of its interests in the Master Agreement described above, CKI and its associates will abstain from voting on the resolutions approving the transactions contemplated under the Master Agreement at the AGM. CKI and its associates are together interested in 829,599,612 Shares (representing approximately 38.87% of the voting rights of the Company) as at the date of this announcement. The vote of the Independent Shareholders at the AGM on such resolutions will be taken by poll.

Any acquisition of Connected Debt Securities will also constitute a "transaction" within the meaning ascribed to that term in Listing Rule 14.04(1)(a) and the transactions contemplated under the Master Agreement may, on an aggregate basis, constitute a "major transaction" as defined under the Listing Rules if the Directors exercise in full the power granted to them pursuant to the CCT Approval in the Term. The Company will comply with any applicable and necessary requirements prescribed by the Listing Rules prevailing at the time on any acquisition of Connected Debt Securities made as contemplated in the Master Agreement.

INFORMATION RELATING TO THE GROUP

The principal activities of the Company and its subsidiaries are investment in power businesses in Hong Kong and overseas.

INFORMATION RELATING TO CKI

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

AGM

The CCT Approval will be sought from the Independent Shareholders at the AGM.

The Independent Board Committee has been established to provide a recommendation to the Independent Shareholders in respect of the terms of the Master Agreement based on the advice of an independent financial adviser of the Company to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Agreement and of the CCT Approval.

A circular containing, among other things, details of the Master Agreement in connection with the acquisition of Connected Debt Securities, the recommendation of the Independent Board Committee and the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the AGM to approve, among other things, the transactions contemplated under the Master Agreement, will be despatched to Shareholders within 15 business days after the publication of this announcement in compliance with the Listing Rules.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at 12:15 p.m. on Thursday, 14 May 2015, at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, and any adjournment thereof
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CCT Approval”	the approval to be sought from the Independent Shareholders at the AGM for the possible acquisition of Connected Debt Securities pursuant to the Master Agreement and subject to the limitations set out in the Master Agreement
“CKI”	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038)
“Company”	Power Assets Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6)
“Connected Debt Securities”	such bonds, notes, commercial papers or other similar debt instruments as are or to be issued by any of the Connected Issuers as contemplated in the Master Agreement
“Connected Issuers”	the issuers of the Connected Debt Securities, being CKI or any of its subsidiaries
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established to give a recommendation to the Independent Shareholders based on the advice from the Independent Financial Adviser in relation to the terms of the Master Agreement and of the CCT Approval
“Independent Financial Adviser”	an independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Agreement and of the CCT Approval
“Independent Shareholders”	Shareholders who do not have any material interests in the Master Agreement other than by virtue of their respective shareholdings in the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement dated 17 March 2015 and made between the Company and CKI setting out the terms upon which the Group may acquire the Connected Debt Securities that are issued from time to time by the Connected Issuers
“Net Connected Debt Securities Position”	on any day during the Term means (i) the aggregate gross purchase price paid in respect of the Connected Debt Securities held by the Group at the commencement of the Term, if any; (ii) the aggregate gross purchase price paid in respect of the Connected Debt Securities acquired by the Group prior to such date during the Term, if any; and (iii) the aggregate gross purchase price in respect of the Connected Debt Securities of a particular issue proposed to be acquired by the Group on such date; less (iv) the aggregate net sale proceeds in respect of Connected Debt Securities sold by the Group prior to such date during the Term; and (v) the aggregate principal amount repaid to the Group for any such Connected Debt Securities redeemed prior to such date during the Term. Any amount(s) in foreign currency for the above calculations shall be converted into Hong Kong dollars at exchange rate(s) quoted by Bloomberg as at 5:00 p.m. in Hong Kong on the day immediately preceding such date
“Net Liquid Assets”	the aggregate value of the cash, deposits and marketable securities (including for the avoidance of doubt any Connected Debt Securities held at the time all valued at their respective fair market values as at such date) held by the Group which is accounted for and consolidated in the accounts of the Company less the aggregate value of any such assets which are subject to pledges or other encumbrances

“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the period commencing from the date on which the CCT Approval is obtained until the earlier of: (i) the conclusion of the next annual general meeting of the Company; and (ii) the date on which the authority set out in the CCT Approval is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company
“US\$”	United States dollars, the lawful currency of the United States of America

Note: The figures in “US\$” are converted into HK\$ at the rate of US\$1.00 : HK\$7.765 throughout this announcement for indicative purpose only.

By Order of the Board
Alex Ng
Company Secretary

Hong Kong, 17 March 2015

As at the date of this announcement, the directors of the Company are:

Executive directors : Mr. FOK Kin Ning, Canning (Chairman), Mr. TSAI Chao Chung, Charles (Chief Executive Officer), Mr. CHAN Loi Shun, Mr. Andrew John HUNTER, Mr. Neil Douglas MCGEE and Mr. WAN Chi Tin

Non-executive directors : Mr. LI Tzar Kuoi, Victor and Mr. Frank John SIXT

Independent non-executive directors : Mr. IP Yuk-keung, Albert, Mr. Ralph Raymond SHEA, Mr. WONG Chung Hin and Mr. WU Ting Yuk, Anthony