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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

SERVICES AGREEMENTS

The Board announces that on 31 January 2018, CHED Services entered into the following Services Agreements:

- (A) CK William Services Agreement between CHED Services and CK William in relation to the provision of finance, tax and company secretarial related services by CHED Services to CK William; and
- (B) UEM Services Agreement between CHED Services and UEM in relation to the provision of corporate, information technology support and network operations related services by CHED Services to UEM.

CHED Services is considered as a non wholly-owned subsidiary of the Company under the Listing Rules. CK William is indirectly held as to 40% by CKI, a substantial shareholder of the Company, and is therefore an associate of CKI and a connected person of the Company. UEM is a subsidiary of CK William and is therefore also an associate of CKI and a connected person of the Company. As such, the transactions contemplated under the Services Agreements constitute continuing connected transactions for the Company under the Listing Rules.

As one of the applicable percentage ratios in respect of the maximum annual amounts to be received by CHED Services for provision of services under the CK William Services Agreement and the UEM Services Agreement, on an aggregated basis, exceeds 0.1%, but all of them are less than 5%, the continuing connected transactions contemplated under the Services Agreements are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 31 January 2018, CHED Services entered into the CK William Services Agreement with CK William and the UEM Services Agreement with UEM, respectively.

(A) CK William Services Agreement

The principal terms of the CK William Services Agreement are set out below:

- Date** : 31 January 2018
- Parties** : CHED Services
CK William
- Term** : From 1 January 2018 to 31 December 2019, unless terminated by either party (i) by not less than 60 days' written notice; or (ii) on occurrence of certain events prescribed in the CK William Services Agreement.
- Subject matter** : CHED Services to provide to certain members of CK William Group the following types of services, and to provide to CK William's direct holding company, CK William UK Holdings Limited, only the Finance Services in (1) below:
- (1) finance related services ("**Finance Services**") including but not limited to financial accounting, management accounting and treasury services such as general ledger maintenance, accounts preparation and cash management;
 - (2) tax related services in Australia ("**Tax Services**") including but not limited to tax filing services, procurement of tax advisory and tax planning services, implementation of tax strategies, liaising with tax regulators and ensuring ongoing taxation compliance; and
 - (3) company secretarial related services ("**Company Secretarial Services**").
- Consideration and payment terms** : The service fee payable by CK William to CHED Services for services provided in respect of the year ending 31 December 2018 is A\$1 million (equivalent to approximately HK\$6.33 million), which is payable in equal monthly instalments. For the year ending 31 December 2019, the parties will negotiate a new fixed monthly service fee, and if there is no agreement, the fixed monthly service fee for such year shall be equal to the monthly service fee for the immediately preceding year revised by a change equivalent to that in the consumer price index published by Australian Bureau of Statistics or any successor body for the immediately preceding year.
- The parties may from time to time by further agreement reduce the scope, in which case there will be a corresponding reduction in service fee.
- The service fee is to be paid on a monthly basis upon presentation of invoice issued by CHED Services.

Basis of consideration and pricing policy : The service fee was negotiated on an arm's length basis and normal commercial terms, and was determined with reference to the amount of services expected to be provided under the CK William Services Agreement and the estimated cost to CHED Services of providing those services plus a margin. For the year ending 31 December 2019, the service fee will continue to be negotiated on an arm's length basis and normal commercial terms based on the same criteria, and also having regard to the actual amount of services provided in the previous year.

Annual cap amounts and basis for determination

The maximum aggregate service fees payable for provision of services under the CK William Services Agreement for the years ending 31 December 2018 and 31 December 2019 are A\$1.0 million and A\$1.2 million respectively (equivalent to approximately HK\$6.33 million and HK\$7.60 million respectively), and were arrived at by reference to (i) the fixed service fee agreed under the CK William Services Agreement for the year ending 31 December 2018; (ii) estimated adjustment in rate of service fee and the consumer price index; and (iii) a reasonable allowance for any potential increase in the amount of services to be provided.

(B) UEM Services Agreement

The principal terms of the UEM Services Agreement are set out below:

Date : 31 January 2018

Parties : CHED Services
UEM

Term : From 1 January 2018 to 31 December 2019, unless terminated by either party (i) by not less than 60 days' written notice; or (ii) on occurrence of certain events prescribed in the UEM Services Agreement.

Subject matter : CHED Services to provide the following types of services to UEM:

- (1) corporate services including but not limited to Finance Services, Tax Services and Company Secretarial Services as well as financial planning and analysis related services, corporate risk and insurance management related services, property and procurement related services, management of health, safety and environmental issues, legal advice procurement, corporate affairs, ensuring regulatory compliance, and undertaking company strategy and audit services;
- (2) information technology support services including but not limited to devising and implementation of IT policies for internal processes and client relations and development and maintenance of IT systems; and

- (3) network operations related services including but not limited to management of vegetation inspection process and appointment of service providers, external inspection and cutting service providers and devising vegetation management strategy.

Consideration and payment terms : The monthly service fee payable by UEM to CHED Services is the sum of the following components (i) a fixed monthly charge (which is fixed at A\$500,000 (equivalent to approximately HK\$3.17 million) for the year ending 31 December 2018, subject to review thereafter); (ii) fair allocation of capital and operational costs incurred by CHED Services for sole benefit of UEM; and (iii) fair allocation of shared operational costs. For the year commencing on 1 January 2019, the parties will negotiate a new fixed monthly charge component, and if there is no agreement, the fixed monthly charge component for the previous year shall continue to apply.

In addition, with effect from the year commencing on 1 January 2019, the parties may introduce a labour fee component for some or all of the services, calculated with reference to the number of hours used by CHED Services' personnel and the hourly charge stipulated in the UEM Services Agreement and adjusted with reference to the relevant increase in the workplace agreement that applies to CHED Services' staff, and the fixed monthly charge component will be correspondingly adjusted according to the amount of services to which the labour fee component applied.

The parties may from time to time by further agreement reduce the scope, in which case there will be a corresponding reduction in service fee.

The service fee is to be paid on a monthly basis upon presentation of invoice issued by CHED Services.

Basis of consideration and pricing policy : The monthly service fee was negotiated on an arm's length basis and on normal commercial terms, and based on the aforesaid terms. The initial fixed monthly charge component for the year ending 31 December 2018 was determined with reference to the amount of services expected to be provided under the UEM Services Agreement and the estimated cost to CHED Services of providing the services plus a margin. For the year ending 31 December 2019, the fixed monthly charge will continue to be negotiated on an arm's length basis and normal commercial terms, based on the same criteria, and also having regard to the actual amount of services provided in the previous year and any labour fee component for services which may be introduced. The reference hourly charge for the possible labour fee component stipulated in the UEM Services Agreement was determined based on the estimated costs of CHED Services plus a margin.

Annual cap amounts and basis for determination

The maximum aggregate service fees payable for provision of services under the UEM Services Agreement for each of the years ending 31 December 2018 and 31 December 2019 are A\$10 million (equivalent to approximately HK\$63.32 million), and were arrived at by reference to (i) the initial service fee agreed under the UEM Services Agreement for the year ending 31 December 2018; (ii) estimated adjustment in rate of service fee and the consumer price index; and (iii) an allowance for a fair allocation of capital and operational costs.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

CHED Services has extensive experience and expertise in corporate services of the types contemplated to be provided under the Services Agreements, and has provided these services to energy and utility companies in the past. This makes it a suitable candidate to provide the corporate services to CK William and UEM. The entering into of the Services Agreements is in the ordinary course of business of CHED Services, and the terms are reached between the parties on arm's length basis.

The Directors (including the independent non-executive Directors) consider that the CK William Services Agreement and the UEM Services Agreement were entered into in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and its shareholders as a whole, and that their terms are fair and reasonable.

LISTING RULES IMPLICATIONS

CHED Services is considered as a non wholly-owned subsidiary of the Company under the Listing Rules. CK William is indirectly held as to 40% by CKI, a substantial shareholder of the Company, and is therefore an associate of CKI and a connected person of the Company. UEM is a subsidiary of CK William and is therefore also an associate of CKI and a connected person of the Company. As such, the transactions contemplated under the Services Agreements constitute continuing connected transactions for the Company under the Listing Rules.

As one of the applicable percentage ratios in respect of the maximum annual amounts to be received by CHED Services for provision of services under the CK William Services Agreement and the UEM Services Agreement, on an aggregated basis, exceeds 0.1%, but all of them are less than 5%, the continuing connected transactions contemplated under the Services Agreements are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the directors of the Company has any material interest in the Services Agreements and the transactions contemplated thereunder, and no director was required to abstain from voting on the board resolutions for such transactions.

INFORMATION ON THE GROUP, CK WILLIAM AND UEM

The principal activities of the Group are investment in energy and utility-related businesses in the United Kingdom, Hong Kong, Australia, New Zealand, mainland China, Thailand, the Netherlands, Portugal and Canada.

CK William is a joint venture of the Company indirectly held as to 20%, 40% and 40% by the Company, CKI and CKA respectively. It is the indirect holding company of four separate businesses established in Australia, namely Multinet Gas, United Energy, Energy Developments and Dampier to Bunbury Pipeline, which own and operate energy utility assets in Australia, the United States, the United Kingdom and Europe.

UEM is a subsidiary of CK William and its principal activity is the provision of services to Multinet Gas (a gas distribution business located in Victoria, Australia) and United Energy (an electricity distribution business in Victoria, Australia).

DEFINITIONS

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

“ associate(s) ”	has the meaning ascribed thereto under the Listing Rules
“ Board ”	the board of Directors of the Company
“ CHED Services ”	CHED Services Pty Ltd, a company incorporated in Australia with limited liability, which notwithstanding it being indirectly held as to 51% by a company which is in turn indirectly held as to 54.76% by the Company (hence technically considered as a non wholly-owned subsidiary of the Company within the definition of “subsidiary” under the Listing Rules), since the Company has no effective control over its board composition and decision making on significant matters, is accounted for as an associate in the financial statements of the Company
“ CKA ”	CK Asset Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1113)
“ CKI ”	CK Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on Main Board of the Stock Exchange (Stock Code: 1038)
“ CK William ”	CK William Australia Holdings Pty Ltd, a company incorporated in Australia with limited liability
“ CK William Group ”	CK William and its subsidiaries

“CK William Services Agreement”	the agreement dated 31 January 2018 between CHED Services and CK William in relation to the provision of certain services
“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 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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Services Agreements”	CK William Services Agreement and UEM Services Agreement
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UEM”	UE & Multinet Pty Ltd, a company incorporated in Australia with limited liability, and an indirect subsidiary of CK William
“UEM Services Agreement”	the agreement dated 31 January 2018 between CHED Services and UEM in relation to the provision of certain services
“A\$”	Australian dollars, the lawful currency of Australia
“HK\$”	Hong Kong dollars, the lawful current of Hong Kong

Note: The figures in “A\$” are converted into HK\$ at the rate of A\$1.00 : HK\$6.3318 throughout this announcement for indicative purposes only, and should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.

By Order of the Board
Alex Ng
Company Secretary

Hong Kong, 31 January 2018

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 director : Mr. LI Tzar Kuoi, Victor

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