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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

CONNECTED TRANSACTIONS
FINANCIAL ASSISTANCE AND ACQUISITION SUPPORT
IN RELATION TO AN ACQUISITION BY A MATERIAL JOINT VENTURE

On 4 February 2021 (after trading hours in Hong Kong):

- (a) CPHI and the SPV entered into the Share and Debt Purchase Agreement with the Vendor, which is an independent third party, for the Acquisition; and
- (b) CPHI, CKI, the Company and the SPV entered into the Funding and Acquisition Support Agreement, whereby CKI, the Company and the SPV agreed to provide, or cause the provision of, funding and/or acquisition support to CPHI in relation to the Acquisition, and CPHI and the SPV agreed to undertake, or cause the undertaking of, certain steps following Closing to result in the CPHI Group owning 100% of the equity interest in PSS LP.

CKI currently holds approximately 35.96% of the issued shares of the Company and is a substantial shareholder of the Company. As each of CPHI and the SPV is owned as to 50% by CKI, CPHI and the SPV are connected persons of the Company. CPHI is also a material joint venture of the Company, and is therefore subject to the requirements under Chapter 14A of the Listing Rules after certain modifications to the effect that, among other things, the Percentage Ratios will be adjusted to take into account only the proportional interest of the Company in CPHI. Accordingly, the transactions contemplated under the Funding and Acquisition Support Agreement constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable Percentage Ratios represented by the transactions contemplated under the Funding and Acquisition Support Agreement (where appropriate, after adjusting to take into account the 50% equity interest of the Company in CPHI) exceed 0.1% but all of them are less than 5%, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the independent shareholders' approval requirements.

BACKGROUND

On 4 February 2021 (after trading hours in Hong Kong):

- (a) CPHI and the SPV entered into the Share and Debt Purchase Agreement with the Vendor, which is an independent third party, for the Acquisition; and
- (b) CPHI, CKI, the Company and the SPV entered into the Funding and Acquisition Support Agreement, whereby CKI, the Company and the SPV agreed to provide, or cause the provision of, funding and/or acquisition support to CPHI in relation to the Acquisition, and CPHI and the SPV agreed to undertake, or cause the undertaking of, certain steps following Closing to result in the CPHI Group owning 100% of the equity interest in PSS LP.

THE SHARE AND DEBT PURCHASE AGREEMENT

The principal terms of the Share and Debt Purchase Agreement are set out below:

Date: 4 February 2021

Parties:

- (a) the SPV, as purchaser of the Sale Shares
- (b) CPHI, as purchaser of the Debt
- (c) the Vendor (by its general partner, InstarAGF Essential Infrastructure GP Inc.), as vendor of the Sale Shares and the Debt

Target Assets

Pursuant to the Share and Debt Purchase Agreement, the Vendor has agreed to sell and assign:

- (i) the Sale Shares to the SPV, and the SPV has agreed to purchase the Sale Shares from the Vendor; and
- (ii) the Debt to CPHI, and CPHI has agreed to purchase and accept the assignment of the Debt from the Vendor.

PSS Holdings owns 100% of the partnership interest in PSS LP which through its subsidiaries wholly owns and operates the Okanagan Wind projects, comprising the Pennask Wind Farm and the Shinish Creek Wind Farm, in British Columbia with a combined installed capacity of 30 megawatts.

Consideration

The Consideration comprises the consideration of the Debt in the amount equivalent to the principal amount of the Debt plus accrued interests thereon as at the Closing Date (the “**Debt Purchase Price**”) payable by CPHI to the Vendor and the consideration of the Sale Shares (the “**Share Purchase Price**”) payable by the SPV to the Vendor.

The aggregate amount of the Consideration payable to the Vendor on Closing shall be CAD53,277,000 (equivalent to approximately HK\$322,858,620) as adjusted mainly by an upward adjustment based on the estimated working capital position of the Target Group as at the Closing Date. After Closing, the actual working capital position of the Target Group as at the Closing Date will be computed and determined in accordance with the Share and Debt Purchase Agreement and further adjustment based on the actual working capital position, if any, will be made to the Consideration accordingly. Any such post-Closing adjustment shall be payable by the SPV to the Vendor or by the Vendor to the SPV (as the case may be) no later than the fifth Business Day following the agreement or determination of the amount of such adjustment.

The Consideration was arrived at after arm's length negotiation between the Vendor and CPHI taking into consideration CPHI's assessment of the prospects of PSS LP and its subsidiaries as part of an enlarged CPHI Group.

Closing

Closing of the Acquisition shall be conditional upon the satisfaction, or where applicable, waiver of the following conditions:

- (i) all requisite consent and approvals of and notices to the relevant governmental authorities and third parties for the transactions under and in accordance with the terms and conditions of the Share and Debt Purchase Agreement having been duly obtained, made or given;
- (ii) all requisite consent, notice or waiver under relevant agreements that the Target Group had entered into with third parties with respect to the transactions under and in accordance with the terms and conditions of the Share and Debt Purchase Agreement having been duly obtained, made or given;
- (iii) all consents, approvals, notices or waivers as mentioned in items (i) and (ii) above being in full force and effect and all termination or expirations of waiting periods in connection therewith having occurred or been waived;
- (iv) the relevant members of the Target Group having entered into certain service, maintenance, warranty and technical availability guarantee agreements with respect to the Okanagan Wind projects with the relevant service providers and such agreements being in full force and effect;
- (v) the Vendor having caused the conversion of certain intercompany balances within the Target Group into partnership units of the relevant subsidiaries of PSS LP;
- (vi) the representations and warranties of the parties made in the Share and Debt Purchase Agreement being true and correct as of the Closing Date;
- (vii) the parties having performed and complied with in material respects their covenants and agreements contained in the Share and Debt Purchase Agreement as of the Closing Date;

- (viii) there being no order or applicable laws or any claim pending in effect on the Closing Date which would give rise to an order restraining, enjoining or otherwise prohibiting or making illegal the consummation of transactions contemplated under the Share and Debt Purchase Agreement; and
- (ix) there having not occurred any changes, effects, events, circumstances or condition from the date of the Share and Debt Purchase Agreement until the Closing Date which have had or would reasonably be expected to have a material adverse effect on the business, assets, results of operations or financial condition of the Target Group taken as a whole.

Closing shall take place on the date that is 12 Business Days after the day on which conditions (i) and (ii) above have been satisfied or waived or on such other date as the Purchaser and the Vendor may agree (the “**Closing Date**”).

In the event that Closing does not take place before the close of business on the Long Stop Date, either party may terminate the Share and Debt Purchase Agreement, provided such party’s breach of the Share and Debt Purchase Agreement did not result in the failure of the Closing to occur by such date.

Equity Commitment

In connection with the Share and Debt Purchase Agreement, each of CKI and the Company has irrevocably committed and undertaken in favour of the Vendor, the SPV and CPHI that it shall provide or cause the provision of funding to the SPV and CPHI for their payment of 50% of the estimated Consideration at Closing.

THE FUNDING AND ACQUISITION SUPPORT AGREEMENT

The principal terms of the Funding and Acquisition Support Agreement are set out below:

Date: 4 February 2021

- Parties:**
- (a) CPHI
 - (b) CKI
 - (c) the Company
 - (d) the SPV

Pursuant to the Funding and Acquisition Support Agreement:

- (i) CKI and the Company agreed to provide, or cause their respective wholly-owned subsidiaries to provide, CPHI with the Acquisition Funds up to CAD70,000,000 (equivalent to approximately HK\$424,200,000) (the “**Shareholder Funding**”), by way of loan to CPHI (the “**Shareholder Loan**”) and/or subscription of new shares of CPHI (the “**CPHI Share Subscription**”) in such proportion as requested by CPHI, on a 50:50 basis to fund the Acquisition and the payment of the related transaction costs;

- (ii) CPHI agreed to lend a loan in an amount equal to the Share Purchase Price (the “**CPHI Loan**”) to the SPV to enable it to fund the Equity Acquisition;
- (iii) CPHI agreed to proceed with the Debt Acquisition, and the SPV agreed to proceed with the Equity Acquisition, pursuant to the Share and Debt Purchase Agreement; and
- (iv) CPHI and the SPV agreed to undertake, or cause the undertaking of, certain steps following Closing to result in the CPHI Group owning 100% partnership interest in PSS LP, including without limitation, (a) issuance of new partnership units in PSS LP to CPHI, and transfer of partnership units in PSS LP and shares of PSS GP from PSS Holdings to CPHI at cost, immediately following Closing, and (b) a subsequent amalgamation of the SPV, PSS Holdings and CPHI.

None of the above steps, whether individually or together, will result in any change to each of CKI’s and the Company’s 50% interest in CPHI. Any of the CPHI Share Subscription will be made by CKI and the Company on a 50:50 basis. To the extent the above steps may necessitate any guarantee to be given to contractual third parties of PSS LP (which even if required, the amount is not expected to be material), such guarantee shall be met by CPHI.

The Shareholder Loan and the CPHI Loan will be unsecured and repayable on 30 November 2023 or such other date as the relevant parties may agree. Interests accrued on each of the Shareholder Loan and the CPHI Loan payable by the relevant borrower will be at the prevailing market rate to be determined shortly prior to the lending of the relevant loans after arm’s length negotiation between the relevant parties.

It is expected that the Group will finance its 50% contribution toward the Shareholder Funding by internal resources.

FINANCIAL INFORMATION ON THE TARGET GROUP

For the financial years ended 31 December 2018 and 31 December 2019 and the nine months ended 30 September 2020, the unaudited net income before taxation of PSS Holdings were CAD0, approximately CAD800,000 (equivalent to approximately HK\$4,848,000) and CAD0 respectively, and the unaudited net income after taxation of PSS Holdings were CAD0, approximately CAD800,000 (equivalent to approximately HK\$4,848,000) and CAD0 respectively. The unaudited net asset value of PSS Holdings as at 31 December 2019 and 30 September 2020 were CAD23,000,368 (equivalent to approximately HK\$139,382,230.08) and CAD23,000,368 (equivalent to approximately HK\$139,382,230.08) respectively.

The audited consolidated net income before tax of PSS LP, which is wholly-owned by PSS Holdings, for the financial year ended 31 December 2018 was CAD106,023 (equivalent to approximately HK\$642,499.38), and its audited consolidated net loss before tax for the financial year ended 31 December 2019 was CAD328,535 (equivalent to approximately HK\$1,990,922.10), and its unaudited consolidated net income before tax for the nine months ended 30 September 2020 was CAD334,012 (equivalent to approximately HK\$2,024,112.72). The audited consolidated net income after tax of PSS LP for the financial year ended 31 December 2018 was CAD106,023 (equivalent to approximately HK\$642,499.38), and its audited consolidated net loss after tax for the financial year ended 31 December 2019 was approximately CAD328,535 (equivalent to approximately HK\$1,990,922.10), and its

unaudited consolidated net income after tax for the nine months ended 30 September 2020 was approximately CAD334,012 (equivalent to approximately HK\$2,024,112.72). The audited consolidated net asset value of PSS LP as at 31 December 2019 was CAD21,361,882 (equivalent to approximately HK\$129,453,004.92), and its unaudited consolidated net asset value as at 30 September 2020 was CAD21,695,894 (equivalent to approximately HK\$131,477,117.64). The audited financial information of PSS LP referred to above was based on the audited consolidated financial statements of PSS LP prepared in accordance with Canadian Accounting Standards for Private Enterprises.

INFORMATION ON THE VENDOR

The Company is given to understand that the Vendor is principally engaged in investment of infrastructure projects.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Vendor is a third party independent of the Company and its connected persons.

INFORMATION ON THE CKI GROUP

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

INFORMATION ON THE GROUP

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, Canada and the United States.

INFORMATION ON THE CPHI GROUP

CPHI is a corporation incorporated under the laws of British Columbia, and is a joint venture owned by CKI and the Company as to 50:50. The CPHI Group is a power investor and operator based in Canada.

REASONS AND BENEFITS OF THE TRANSACTIONS

CPHI has been exploring opportunities to expand and diversify on its power portfolios. The Acquisition, realised through a successful competitive bid process, represents an attractive renewable energy investment with the potential for growth opportunity and will enable the CPHI Group to diversify its energy platform.

CPHI has hence requested the support of CKI and the Company to provide funding for the Acquisition and the payment of transaction costs. Moreover, in order to enhance the competitiveness of its bid through certain steps to be undertaken following Closing, CPHI has requested CKI and the Company to procure the SPV, which is a newly incorporated special purpose vehicle owned by CKI and the Company as to 50:50, to acquire the Sale Shares while CPHI will acquire the Debt from the Vendor, and to undertake those steps to result in the CPHI Group owing 100% of the equity interest in PSS LP.

The above transactions to be undertaken by CPHI are in line with the Group's strategy to invest in power infrastructure opportunities globally, and to expand on its renewable energy platform.

The Directors (including the independent non-executive Directors) of the Company consider that the terms of the Acquisition and the Funding and Acquisition Support Agreement (including the CPHI Share Subscription, the provision of financial assistance and the steps outlined in paragraph (iv) in the section headed "The Funding and Acquisition Support Agreement" above) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

CKI currently holds approximately 35.96% of the issued shares of the Company and is a substantial shareholder of the Company. As each of CPHI and the SPV is owned as to 50% by CKI, CPHI and the SPV connected persons of the Company. CPHI is also a material joint venture of the Company, and is therefore subject to the requirements under Chapter 14A of the Listing Rules after certain modifications to the effect that, among other things, the Percentage Ratios will be adjusted to take into account only the proportional interest of the Company in CPHI. Accordingly, the transactions contemplated under the Funding and Acquisition Support Agreement constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable Percentage Ratios represented by the transactions contemplated under the Funding and Acquisition Support Agreement (where appropriate, after adjusting to take into account the 50% equity interest of the Company in CPHI) exceed 0.1% but all of them are less than 5%, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the independent shareholders' approval requirements.

DEFINITIONS

In this announcement, the following expressions having the following meanings unless the context requires otherwise:

"Acquisition"	the Equity Acquisition and the Debt Acquisition
"Acquisition Funds"	an amount equal to the aggregate of (a) the estimated Consideration payable by the Purchaser as at the Closing Date as calculated in accordance with the Share and Debt Purchase Agreement, (b) the estimated maximum positive adjustment to the Consideration to be paid post-Closing, and (c) the estimated transaction costs for the Acquisition, subject to an aggregate maximum of CAD70,000,000 (equivalent to approximately HK\$424,200,000)
"British Columbia"	the Province of British Columbia, Canada
"Business Days"	means any day other than a Saturday, Sunday or statutory holiday in Toronto, Ontario, Vancouver, British Columbia or Hong Kong

“CAD”	Canadian dollars, the lawful currency of Canada
“CKI”	CK 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)
“CKI Group”	CKI and its subsidiaries
“Closing”	closing of the Acquisition in accordance with the terms of the Share and Debt Purchase Agreement
“Closing Date”	has the meaning given to it in the section headed “The Share and Debt Purchase Agreement – Closing” of this announcement above
“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”	has the meaning ascribed to such term in the Listing Rules
“Consideration”	the aggregate consideration payable for the Acquisition under the Share and Debt Purchase Agreement
“CPHI”	Canadian Power Holdings Inc., a corporation incorporated in and existing under the laws of British Columbia
“CPHI Group”	CPHI and its subsidiaries from time to time
“CPHI Loan”	has the meaning given to it in the section headed “The Funding and Acquisition Support Agreement” of this announcement above
“CPHI Share Subscription”	has the meaning given to it in the section headed “The Funding and Acquisition Support Agreement” of this announcement above
“Debt”	the indebtedness of PSS LP under a subordinate credit agreement between, among others, PSS LP, as borrower and the Vendor, as lender, representing all the indebtedness owed by the Target Group to the Vendor
“Debt Acquisition”	the acquisition of the Debt by CPHI from the Vendor pursuant to the terms and conditions of the Share and Debt Purchase Agreement
“Debt Purchase Price”	has the meaning given to it in the section headed “The Share and Debt Purchase Agreement – Consideration” of this announcement above

“Directors”	the directors of the Company
“Equity Acquisition”	the acquisition of the Sale Shares by the SPV from the Vendor pursuant to the terms and conditions of the Share and Debt Purchase Agreement
“Funding and Acquisition Support Agreement”	the Funding and Acquisition Support Agreement dated 4 February 2021 entered into between CPHI, CKI, the Company and the SPV
“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 People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2021
“Ontario”	the Province of Ontario, Canada
“Percentage Ratios”	the percentage ratios set out in Rule 14.07 of the Listing Rules
“PSS Holdings”	PSS Renewables Holdings Inc., a corporation incorporated under the laws of Ontario
“PSS LP”	PSS Renewables LP, a limited partnership formed under the laws of Ontario, or its successor
“PSS GP”	PSS GP Inc., a corporation incorporated under the laws of Ontario and the general partner of PSS LP
“Purchaser”	CPHI and the SPV
“Sale Shares”	100 common shares of PSS Holdings, representing all the issued and outstanding securities of PSS Holdings
“Share and Debt Purchase Agreement”	the share and debt purchase agreement dated 4 February 2021 entered into between CPHI, the SPV and the Vendor in relation to the Acquisition
“Share Purchase Price”	has the meaning given to it in the section headed “The Share and Debt Purchase Agreement – Consideration” of this announcement above

“Shareholder Funding”	has the meaning given to it in the section headed “The Funding and Acquisition Support Agreement” of this announcement above
“Shareholder Loan”	has the meaning given to it in the section headed “The Funding and Acquisition Support Agreement” of this announcement above
“SPV”	1280164 B.C. Ltd., a corporation, recently incorporated under the laws of British Columbia for the purpose of the transactions contemplated under the Acquisition and the Funding and Acquisition Support Agreement and owned by CKI and the Company as to 50:50
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	PSS Holdings and its subsidiaries immediately prior to the Acquisition
“Vendor”	InstarAGF Essential Infrastructure (AIE) LP, a limited partnership formed under the laws of Ontario
“%”	per cent

Note: The translation of CAD to HK\$ throughout this announcement is based on the exchange rate of CAD1.00 to HK\$6.06 and is provided for information purposes only.

By Order of the Board
Alex Ng
Company Secretary

Hong Kong, 5 February 2021

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. LUI Wai Yu, Albert, Mr. Ralph Raymond SHEA and Mr. WU Ting Yuk, Anthony*