

NOVATION DEED

entered into by
**the Government of the Hong Kong
Special Administrative Region**
and the following companies:

**The Hongkong Electric Company, Limited
Power Assets Holdings Limited**
and
HK Electric Investments Limited

in relation to

The Scheme of Control Agreement

amongst
the Government of the Hong Kong Special Administration Region
The Hongkong Electric Company, Limited
and
Power Assets Holdings Limited

NOVATION DEED

THIS AGREEMENT is executed as a Deed the 2nd day of July Two Thousand and Fourteen.

BETWEEN:-

- (1) THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA (the "**Government**");
- (2) THE HONGKONG ELECTRIC COMPANY, LIMITED 香港電燈有限公司, a company incorporated and existing under the laws of Hong Kong ("**HEC**");
- (3) POWER ASSETS HOLDINGS LIMITED 電能實業有限公司, formerly known as Hongkong Electric Holdings Limited, a company incorporated and existing under the laws of Hong Kong ("**PAH**"); and
- (4) HK ELECTRIC INVESTMENTS LIMITED 港燈電力投資有限公司, a company incorporated and existing under the laws of the Cayman Islands and registered as a non-Hong Kong company under the former Companies Ordinance (Chapter 32 of the laws of Hong Kong), the predecessor ordinance to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) ("**HKEIL**").

WHEREAS:

- (A) HEC, PAH and the Government are parties to a scheme of control agreement dated 7 January 2008 (the "**Agreement**") which, amongst other things, sets out the procedures to govern the financial affairs of HEC and PAH so far as they are Electricity-Related.
- (B) On 16 December 2013, PAH issued a circular to its shareholders on its proposal to undertake a spin-off and separate listing (the "**Spin-off**") of its Electricity-Related business in Hong Kong operated by HEC. The Spin-off involved, among others, a reorganization (the "**Reorganization**") whereby HKEIL and a number of intermediate holding companies were incorporated for the purpose of taking from PAH a transfer of its interest in HEC. In addition, HK Electric Investments (the "**Trust**"), together with HKEIL, issued share stapled units (the "**Share Stapled Units**") which have been listed on the The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 29 January 2014. Immediately upon Listing, PAH has become interested in

approximately 49.9% of the Share Stapled Units via its wholly owned subsidiary, Quickview Limited (“**Quickview**”). HK Electric Investments Manager Limited (the “**Trustee-Manager**”), a wholly-owned subsidiary of Sure Grade Limited (“**Sure Grade**”) which in turn is a wholly-owned subsidiary of PAH, is the trustee-manager of the Trust.

(C) The Reorganization involved a sale and purchase agreement (the “**Sale and Purchase Agreement**”) entered into among PAH, Treasure Business Limited (“**Treasure Business**”), HKEIL and the Trustee-Manager (in its capacity as trustee-manager of the Trust) relating to the acquisition by Treasure Business of the entire shareholding of HEC from PAH. The Sale and Purchase Agreement has proceeded to completion on the Effective Date (as defined below). Accordingly, with effect from the Effective Date, HEC has ceased to be a subsidiary of PAH, while HKEIL has become the holding company of HEC via Century Rank Limited (“**Century Rank**”) (a direct wholly-owned subsidiary of HKEIL) and Treasure Business (a directly wholly-owned subsidiary of Century Rank) of which HEC is a direct wholly-owned subsidiary.

(D) In recognition of the above, the parties agree to enter to this Deed in order for HKEIL to take up the rights of, and assume the obligations of, the holding company of HEC under the Agreement with effect from 29 January 2014 (the “**Effective Date**”).

NOW IT IS HEREBY AGREED as follows:-

1. DEFINITIONS AND INTERPRETATION

In this Deed except where the context otherwise requires or where otherwise defined herein (including the recitals), words and expressions shall have the same meanings assigned to them in the Agreement.

2. NOVATION

(1) The parties entered into this Deed in consideration of (a) the consent given by HEC and the Government to release and discharge PAH from all its obligations under the Agreement, (b) PAH’s agreement to assign all its rights under the Agreement to HKEIL, and (c) HKEIL’s agreement to take up the rights of, and assume all the obligations of, PAH under the Agreement (as if HKEIL were the original party to the Agreement in the capacity of PAH in place of PAH *ab initio*), in each case whether arising prior to, on or after the Effective Date and with effect

from the Effective Date.

(2) With effect from the Effective Date:

(a) HKEIL shall become a party to the Agreement as if it were named in the Agreement as a party thereto *ab initio* in place of PAH; and

(b) PAH shall cease to be a party to the Agreement.

(3) PAH hereby assigns to HKEIL all its rights under the Agreement, howsoever arising and whether arising prior to, on or after the Effective Date.

(4) HKEIL hereby undertakes to and covenants with the other parties to this Deed to assume, with effect from the Effective Date, to take up all the rights of, and to assume all the obligations of, PAH under the Agreement (as if HKEIL were the original party to the Agreement in the capacity of PAH in place of PAH) whether arising prior to, on or after the Effective Date.

(5) Each of HEC and the Government hereby:

(a) releases and discharges PAH from all obligations under the Agreement with effect from the Effective Date, whether arising prior to, on or after the Effective Date;

(b) accepts HKEIL as a party to the Agreement in place of PAH and that all references to PAH in the Agreement shall, unless the context otherwise requires, be deemed as references to HKEIL with effect from the Effective Date as if HKEIL were named thereto as a party *ab initio* in place of PAH;

(c) agrees to the assignment to HKEIL of all the rights of PAH under the Agreement with effect from the Effective Date, whether arising prior to, on or after the Effective Date, and the substitution of HKEIL in place of PAH; and acknowledges that HKEIL will take up the rights of, and assume the obligations of, PAH under the Agreement howsoever arising and whether prior to, on or after the Effective Date; and

(d) agrees to be bound by the Agreement in every way as if HKEIL were named therein as a party thereto *ab initio* in place of PAH with effect from the

Effective Date.

- (6) With effect from the Effective Date, the Agreement shall be read together with this Deed as a single document.

3. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

- (1) Each of PAH, HEC and HKEIL hereby represents and warrants to the Government that:

(a) all necessary corporate and other actions have been taken by it to authorize the execution, delivery and performance of it of this Deed; and

(b) this Deed constitutes valid and legally binding obligations on it in accordance with its terms.

- (2) PAH hereby represents and warrants to the Government that each of Quickview, Sure Grade and the Trustee-Manager does not, and HKEIL hereby represents and warrants to the Government that each of Century Rank and Treasure Business does not carry on any Electricity-Related activities.

- (3) In the event any of Quickview, Sure Grade, the Trustee-Manager, Century Rank or Treasure Business proposes to carry on any of the Electricity-Related activities of HEC, HKEIL and HEC shall procure the relevant company(ies) to become a party/parties to the Agreement in accordance with clause 11 of the Agreement.

4. GENERAL

- (1) The parties hereto agree that, save as provided in this Deed, all the provisions of the Agreement shall remain in full force and effect.

- (2) Each of the parties hereto shall at its own cost and expense do and execute any further things and documents (or procure that the same be done or executed) as may be reasonably necessary to give full effect to this Deed.

5. GOVERNING LAW AND ARBITRATION

This Deed shall be governed by and interpreted in accordance with the laws of Hong Kong,

and clause 9 of the Agreement shall be deemed to be incorporated into this Deed *mutatis mutandis*.

IN WITNESS whereof the parties have hereunto set their hands and affixed their seals on the date first above written.

SIGNED, SEALED AND DELIVERED by)
Wong Kam Sing)
Secretary for the Environment)
for and on behalf of the Government)
of the Hong Kong Special Administrative)
Region in the presence of:-)

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.....)

Ms Yau Siu Man, Vyora
Principal Assistant Secretary for
the Environment (Financial Monitoring)

The Common Seal of The Hongkong)
Electric Company, Limited)
香港電燈有限公司 was hereunto)
affixed by authority of the directors)
in the presence of:-)

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.....)

Ng Wai Cheong, Alex
Company Secretary

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Fok Kin Ning, Canning
Chairman

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Wan Chi Tin
Managing Director

