

The following summary of certain Hong Kong, BVI and Cayman Islands tax consequences of the purchase, ownership and disposition of the Share Stapled Units is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Share Stapled Units and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules. Prospective investors should consult their own tax advisers concerning the application of Hong Kong, BVI and Cayman Islands tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Share Stapled Units arising under the laws of any other taxing jurisdiction.

The taxation of HK Electric Investments, the Company, Trustee-Manager and that of the Holders of Share Stapled Units is described below. Where Hong Kong, BVI and Cayman Islands tax laws are discussed, these are merely an outline of the implications of such laws.

Investors should note that the following statements are based on advice received by the Trustee-Manager regarding taxation laws, regulations and practice in force as at the date of this prospectus, which may be subject to change.

A. OVERVIEW OF TAX IMPLICATIONS OF HONG KONG

1. Hong Kong Taxation of HK Electric Investments

Profits Tax

Profits arising in or derived from Hong Kong by HK Electric Investments will generally be chargeable to Hong Kong profits tax at the current profits tax rate of 16.5%. Dividend income derived by the HK Electric Investments from the Company will be excluded from Hong Kong profits tax.

Stamp Duty

No Hong Kong stamp duty is payable by HK Electric Investments on the issue of new Share Stapled Units.

2. Hong Kong Taxation of the Company

Profits Tax

The Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%. Dividend income derived by the Company from its subsidiaries will be excluded from Hong Kong profits tax.

3. Hong Kong Taxation of the Trustee-Manager

Profits Tax

The Trustee-Manager will be subject to Hong Kong profits tax in respect of the profits derived from the provision of trust administration services to HK Electric Investments at the current profits tax rate of 16.5%.

4. Hong Kong Taxation of Holders of Share Stapled Units

Profits Tax

The Company believes that under the current practice of the IRD, Hong Kong profits tax will not generally be payable by unitholders on distributions by Hong Kong listed unit trusts or fixed single investment trusts (such as HK Electric Investments). Holders of Share Stapled Units should seek advice from their own professional advisers as to their particular tax position.

Hong Kong profits tax will not be payable by any Holders of Share Stapled Units (other than Holders of Share Stapled Units carrying on a trade, profession or business in Hong Kong and holding the Share Stapled Units for trading purposes) on any capital gains made on the sale or other disposal of the Share Stapled Units.

Stamp Duty

No Hong Kong stamp duty is payable by Holders of Share Stapled Units in relation to the issue of Share Stapled Units to them by HK Electric Investments.

Based on the understanding obtained from the IRD, Hong Kong stamp duty will be charged on the sale and purchase of Share Stapled Units (each of which comprises a Unit, the beneficial interest in a specifically identified Ordinary Share and a specifically identified Preference Share) only, at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Share Stapled Units being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Holder of Share Stapled Units selling the Share Stapled Units and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of Share Stapled Units.

Estate Duty

Hong Kong estate duty was abolished with effect from 11 February 2006. No Hong Kong estate duty is payable by Holders of Share Stapled Units in relation to the Share Stapled Units owned by them upon death.

B. OVERVIEW OF TAX IMPLICATIONS OF VARIOUS OTHER JURISDICTIONS

1. Taxation in the BVI

A company incorporated under the BVI Business Companies Act, 2004, as amended is exempt from all provisions of the Income Tax Act (as amended) of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

No stamp duty is payable in the BVI on a transfer of shares in a BVI company except those which hold interests in land in the BVI.

2. Taxation in the Cayman Islands

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (b) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of 20 years from 8 October 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.