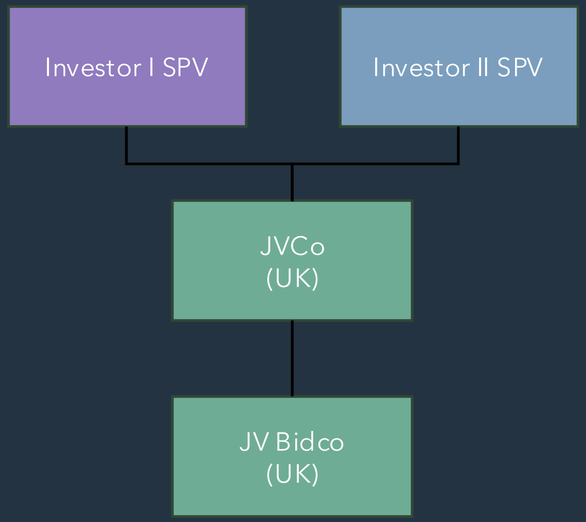
Project Bravo

The joint-venture acquisition of a UK Target Group, using a Jersey incorporated acquisition stack

Structure | Pre-Closing steps

Establishing the acquisition structure



Steps

1. Investor I SPV and Investor II SPV establishes a new Jersey incorporated and UK tax resident entity, JVCo, with 100 ordinary shares, each with a nominal value of £0.01.
2. JVCo establishes a new Jersey incorporated and UK tax resident entity, JV Bidco, with 100 ordinary shares, each with a nominal value of £0.01.

Notes

General

- We understand from you that this step will take place prior to signing of the SPA in respect of the Transaction ("Signing").
- Jersey incorporated entities are commonly used to facilitate investment in UK infrastructure companies due, in part, to the commercial requirement to repatriate cash on an ongoing basis (which is supported by Jersey company law provisions).

UK Tax

- JVCo and JV Bidco need to be centrally managed and controlled in the UK only such that they are treated as solely tax resident in the UK. Please refer to Appendix A2 for further considerations regarding UK tax residency and board composition.
- It should be possible to manage JVCo and JV Bidco such that no adverse tax implications arise in relation to the UK Dual Resident Investment Company ("DRIC") rules (eg loss of UK group and consortium relief).

Structure | Pre-Closing steps

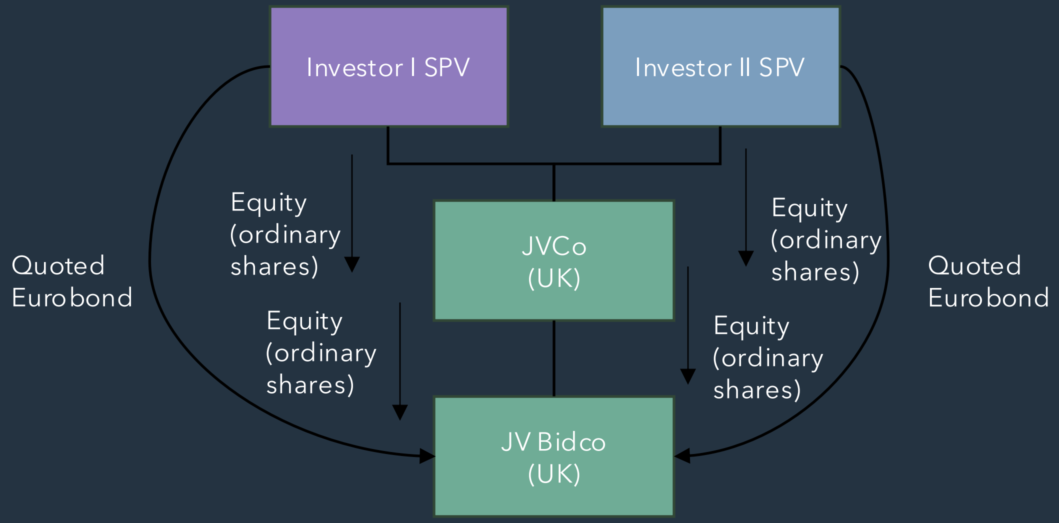
Establishing the acquisition structure

UK Tax (continued)

- No UK stamp duty is payable on the incorporation of a Jersey company or on the issuance of new shares by a Jersey company.
- JVCo will pool the investment of each Co-Investor (investing through Investor I SPV and Investor II SPV).
- JVCo should register for corporation tax with HMRC within three months of coming within the charge to corporation tax.

Structure | Pre-Closing steps

Funding the acquisition structure



Steps

3. Investor II SPV and Investor I SPV subscribe for ordinary shares in JVCo for cash consideration.
4. JCo subscribes for ordinary shares in JV Bidco for cash consideration.
5. Investor II SPV and Investor I SPV subscribe for newly issued loan notes from JV
   Bidco, in the form of a shareholder loan ("SHL") and a Quoted Eurobond ("QEB") respectively, in exchange for cash consideration.

Notes

General

- For clarity, any Luxembourg or Chinese tax considerations are outside the scope of this Report and separate advice will be provided to each Co-Investor in relation to the topside tax implications of the Transaction.
- We understand from you that no external debt will be drawn down as part of the funding steps, and therefore that no new entities are expected to be required to facilitate this.
- [We understand from your lawyers that legal analysis with respect to the structure of the MEP is ongoing, and as such we have not included considerations with respect to the MEP within this Report. For completeness, and subject to further analysis, we note that the instruments subscribed for at step (2) may differ to the extent the MEP participates in JVCo (i.e. the Co-Investors may also wish to subscribe for preference shares).
- We recommend a transfer pricing analysis should be undertaken between signing and completion to assess the arms length nature of the debt and equity.

Structure | Pre-Closing steps

Funding the acquisition structure

UK tax

- No adverse UK tax considerations should arise on these steps. Specifically, no UK stamp duty is payable on the subscription of new shares.
- No adverse UK tax considerations should arise on the subscription of new loan notes at step [4].
- Shareholder debt funding issued in step [4] by each Co-Investor should be structured as QEB to benefit from a UK domestic exemption from WHT.
- For completeness, interest payments related to debt which is 'stapled' to an equity instrument (i.e. one is likely to be acquired or disposed of with the other) may be treated as non-deductible for UK tax purposes to the extent that such a debt instrument is considered to be a special security within the meaning of s.1000 of Corporation Tax Act 2010. These rules (the so called 'stapling provisions) only apply where the debt and equity interests are held by the same legal entity, as such no further consideration has been given in respect of interest arising on the debt issued by JV Bidco.
- Please see comments in the UK tax analysis section in respect of the ongoing taxation of the proposed transaction structure (e.g. tax deductibility of interest).