

This appendix contains a summary of the laws and regulations in respect of taxation and foreign exchange in the PRC and Hong Kong.

TAXATION IN THE PRC

Corporate Income Tax

The Corporate Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**EIT Law**”) and the Implementation Rules for the EIT Law (中華人民共和國企業所得稅法實施條例), both of which came into force on 1 January 2008, impose a uniform corporate income tax rate of 25% on enterprises, both domestic and with foreign investment.

On 26 December 2007, the State Council promulgated the Notice of the State Council on Transitional Preferential Policy For Implementing Corporate Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知), whereby enterprises enjoying preferential tax rates under the relevant tax laws and administrative regulations and the enterprises income preferential tax policy as stipulated by competent documents with administrative regulatory force are subject to the following measures during transition:

- (1) As from 1 January 2008, enterprises that have enjoyed preferential tax rates shall be taxed at rates to be increased from the current rate to the full rate under the EIT Law within a period of 5 year. Among them, for enterprises enjoying corporate income tax of 15%, the tax rate of 18%, 20%, 22%, 24% and 25% will take effect in 2008, 2009, 2010, 2011 and 2012, respectively; for enterprises enjoying enterprises income tax of 24%, the tax rate of 25% takes effect from 2008 onwards.
- (2) As from 1 January 2008, enterprises enjoying fixed-term preferential tax treatment under relevant enterprises income tax, such as the “2 years tax exemption and 3 years 50% tax reduction” and the “5 years tax exemption and 5 years 50% tax reduction” will continue to enjoy the preferential tax treatment until expiry of the relevant fixed term according to relevant tax law, administrative regulations and preferential measures stipulated in the relevant document after the promulgation of the EIT Law. For enterprises not yet enjoyed preferential tax treatment, as profits have not yet been realized, the relevant term for enjoying preferential tax treatment shall be calculated commencing from 2008.

The enterprises entitled to benefit from the transitional preferential policies referred to above shall be enterprises established prior to 16 March 2007 that are registered with an administrative authority such as the administration of industry and commerce.

Business Tax

Pursuant to the Provisional Regulation on Business Tax of the PRC (中華人民共和國營業稅暫行條例) promulgated on 13 December 1993 by the State Council and amended on 5 November 2008, and the Implementation Rules for Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例實施細則) promulgated on 18 December 2008 and amended on 28 October 2011, all entities and individuals that engage in provision of taxable service, transfer of intangible asset or sale of immovable property within the territory of the PRC shall pay the business tax in accordance with PRC laws and regulations. The business tax rates vary from 3 to 20 percent based on the taxable items.

Value-added Tax

Pursuant to the Provisional Regulations on Value Added Tax of the PRC (中華人民共和國增值稅暫行條例) promulgated by the State Council on 13 December 1993 and amended on 5 November 2008, and its implementation rules which were revised on 28 October 2011, all entities and individuals in the PRC engaging in the sale of goods, processing and repair and replacement services, and import of goods are required to pay value added tax for the added value derived from the process of manufacture, sale or services. Except for some limited circumstances in which the value added tax rate is 13%, the general rate of value added tax is 17% for those engaging in sale of goods, processing and repair and replacement services, and import of goods.

City Maintenance and Construction Tax and Educational Surtax

Pursuant to the Circular of the State Council on Unifying the System of City Maintenance and Construction Tax and Education Surtax Paid by Domestic and Foreign Invested Enterprise and Individual (國務院關於同意內外資企業和個人城市維護建設稅和教育費附加制度的通知) promulgated on 18 October 2010, the Provisional Regulations on City Maintenance and Construction Tax of the PRC (中華人民共和國城市維護建設稅暫行條例) promulgated in 1985, the Tentative Provisions on Levy of Educational Surtax (徵收教育費附加的暫行規定) promulgated in 1986 by the State Council, and rules, regulations and policies on city maintenance and construction tax and educational surtax promulgated since 1985 by the State Council and the competent financial departments shall also be applicable to foreign invested enterprises, foreign enterprises and foreigners from 1 December 2010.

In accordance with the Provisional Regulations on City Maintenance and Construction Tax of the PRC promulgated on 8 February 1985 and amended on 8 January 2011, any enterprise or individual liable for consumption tax, value added tax and business tax shall also be required to pay city maintenance and construction tax. City maintenance and construction tax shall be based on the amount of consumption tax, value added tax and business tax actually paid by the taxpayer and shall be levied simultaneously. The rate of city maintenance and construction tax shall be 7% for the taxpayer in the city, and shall be 5% for the taxpayer in the county or town, and shall be 1% for the taxpayer not in the city, county or town.

Pursuant to the Tentative Provisions on Levy of Educational Surtax promulgated on 28 April 1986 and last amended on 8 January 2011, unless those entities pay rural educational surtax in accordance with the Circular of the State Council on Raising Education Funds for Rural School (國務院關於籌措農村學校辦學經費的通知), any other entities or individuals liable for consumption tax, value added tax and business tax shall also be required to pay educational surtax. The educational surtax rate is 3%, and the educational surtax shall be based on the amount of consumption tax, value added tax and business tax actually paid by the taxpayer and shall be levied simultaneously.

Land Use Tax

Pursuant to the Provisional Regulations Governing Land Use Tax in Cities and Towns of the PRC (中華人民共和國城鎮土地使用稅暫行條例) promulgated on 27 September 1988 and first amended on 31 December 2006 and then on 8 January 2011, entities and individuals which use land within the boundaries of cities, counties, towns operated under an organisational system and mining industrial districts must pay land use tax. Calculation of land use tax shall be based on the actual area of land used by the taxpayer and shall be levied in accordance with the stipulated tax rate.

Stamp Tax

In accordance with the Provisional Regulations of the PRC on Stamp Tax (中華人民共和國印花稅暫行條例) promulgated on 6 August 1988 and amended on 8 January 2011, and the Detailed Rules of Implementation of the Provisional Regulations of the PRC on Stamp Tax (中華人民共和國印花稅暫行條例實施細則) promulgated on 29 September 1988, all enterprises and individuals creating and obtaining taxable documents within the PRC shall pay stamp tax. The list of taxable documents includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents contractual in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by the Ministry of Finance. The items and rates of stamp tax shall be implemented in accordance with the List of Items and Rates of Stamp Tax (印花稅稅目稅率表) attached in the Provisional Regulations of the PRC on Stamp Tax.

TAXES APPLICABLE TO SHAREHOLDERS OF COMPANIES

Dividend-related Tax

According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation rules, an individual is ordinarily subject to a PRC individual income tax levied at a flat rate of 20%. For a foreign individual shareholder who is not a PRC resident, pursuant to the Circular on the Individual Income Tax Matters after the Repeal of Circular Guo Shui Fa No. [1993]045 (Guo Shui Han No. [2011]348) issued by the State Administration of Taxation (“SAT”) on 28 June 2011 (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)), the receipt of dividends on the H-Shares is subject to a withholding tax ranging from 5% to 20% (usually 10%) depending on the applicable tax treaty between the PRC and the jurisdiction in which the foreign national resides. For foreign residents of jurisdictions that have not entered a tax treaty with the PRC, the tax rate on dividends is 20%.

Under the EIT Law and its implementation rules, non-resident enterprises having no office or premises inside the PRC or whose income has no actual connection to its office or premises inside the PRC are subject to corporate income tax at the rate of 10% on their income derived from the PRC. Under the Circular on Issues Concerning Withholding and Remitting Corporate Income Tax for Dividends Received by Overseas Non-resident Enterprise Shareholders of H-Shares from Chinese Resident Enterprises (Guo Shui Han No. [2008]897 (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知(國稅函[2008]897號)) issued by the SAT on 6 November 2008, corporate income tax at a flat rate of 10% is levied on dividends on H-shares received by any overseas enterprise shareholders that are non-PRC residents. The Response to Issues Concerning Corporate Income Tax over Dividend of B-Shares and Other Shares Received by Non-resident Enterprises (Guo Shui Han No. [2009]394) (關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆(國稅函[2009]394號)) issued by the SAT on 24 July 2009 further provides that any PRC resident enterprise that publicly issues A-shares, B-shares or overseas shares on stock exchanges in or outside the PRC, such as H Shares, shall withhold corporate income tax at the rate of 10% from dividends distributed by them to non-resident enterprises.

Investors who do not reside in the PRC but reside in jurisdictions that have entered into treaties for the avoidance of double taxation with the PRC may be entitled to a reduction or exemption of the withholding tax imposed on dividends received from a PRC-resident enterprise. The PRC currently has treaties for the avoidance of double taxation with a number of jurisdictions, which include Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. The PRC also has an arrangement for the avoidance of double taxation with Hong Kong.

Share Transfer-related Tax

Under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises.

Under the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi [1998]No. 61) (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知(財稅字[1998]61號)) issued by the Ministry of Finance and the SAT on 30 March 1998, from 1 January 1997 onwards, income of individuals from the transfer of shares in listed enterprises continues to be exempted from individual income tax. After the latest amendment to the Individual Income Tax Law of the PRC on 1 September 2011 and the latest amendments to its implementation rules on 1 September 2011, the SAT has not stated whether it will continue to exempt from individual income tax income derived by individuals from the transfer of listed shares. However, the Ministry of Finance, the SAT and the CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知(財稅[2009]167號)) on 31 December 2009, which states that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for the shares of certain specified companies under certain situations which are subject to sales limitations (as defined in such Circular and its supplementary notice issued on 10 November 2010). As at the latest practicable date, no legislation has expressly provided that individual income tax shall be collected from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges, such as our H Shares, and in practice the taxation administrations do not collect individual income tax on such income.

Under the EIT Law and its implementation rules, non-resident enterprises are generally subject to corporate income tax at the rate of 10% with respect to their income derived from the sale of shares of PRC companies. However, as at the latest practicable date, no legislation has expressly provided that corporate income tax shall be collected from non-resident enterprises on their income derived from sale of the shares in PRC companies listed on overseas stock exchanges, while the possibility cannot be entirely excluded that taxation administrations will collect corporate income tax on such income in practice.

Overseas investors that reside in jurisdictions that have entered into treaties for the avoidance of double taxation with the PRC may be entitled to exemption from any income tax imposed by the PRC tax authorities on their income derived from sale of the shares in PRC-resident companies depending on the specific provisions as set forth in the applicable tax treaties. The PRC has an arrangement for the avoidance of double taxation with Hong Kong. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防

止偷漏稅的安排), a PRC resident enterprise which distributes dividends to its Hong Kong shareholders shall pay income tax according to PRC law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be not more than 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be not more than 10% of the distributed dividends.

In addition, pursuant to the Circular of the State Administration of Taxation on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaty (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the SAT on 20 February 2009, all of the following requirements shall be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (a) such a tax resident who obtains dividends shall be a company as provided in the tax treaty; (b) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; (c) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Pursuant to the Administrative Measures for Non-residents to Enjoy Treatment under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法(試行)) which came into effect on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) wishes to enjoy the tax treatment under the tax treaty, it shall apply for approval to or file with the competent tax authority for record because the preferential tax treatment is not automatically applicable. Without approval or record filing, the non-resident enterprise shall not enjoy the tax treatment in the tax treaty.

FOREIGN EXCHANGE CONTROL IN THE PRC

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. The State Administration of Foreign Exchange (“SAFE”), under the authority of the People’s Bank of China (“PBOC”), administers all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 29 January 1996, the State Council promulgated the Regulation of Foreign Exchange of the PRC (中華人民共和國外匯管理條例) (the “**Foreign Exchange Regulations**”) which became effective on 1 April 1996. The Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. The Foreign Exchange Regulations were subsequently amended on 14 January 1997 and on 1 August 2008. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the “**Settlement Regulations**”) which took effect on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯暫行規定) and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On 21 July 2005, the PBOC announced that the PRC would implement the managed floating exchange rate regime with effect from the same day, and exchange rates are determined based on market supply and demand with reference to a basket of currencies. The exchange rate of RMB is no longer pegged to the US dollar. The PBOC will announce the closing prices of foreign currencies (such as the US dollar) to RMB in the interbank foreign exchange markets after the closing of the markets on each working day, so as to determine the central parity for RMB trading on the next working day.

On 5 August 2008, the State Council promulgated the amended the Regulations on Foreign Exchange Administration of the PRC (中華人民共和國外匯管理條例) (the “**Amended Regulations on Foreign Exchange**”) which made significant changes on the supervisory system for foreign exchange in the PRC. Firstly, the Amended Regulations on Foreign Exchange adopted balanced treatment on the inflow and outflow of foreign capital. Incomes in foreign currencies overseas can be remitted to the PRC or remained overseas, and foreign currencies of capital account items and funds for settlement in foreign currencies can only be used according to the purposes approved by relevant competent authorities and foreign exchange administration. Secondly, the Amended Regulations on Foreign Exchange improved the RMB exchange mechanism based on market supply and demand. Thirdly, the Amended Regulations on Foreign Exchange enhanced the monitoring of cross-border capital flow in foreign currencies, whereby the state could implement necessary protection or controlling measures when material imbalance of income and expenses related to cross-border trading arise or might arise, or serious crises in the domestic economy occur or might occur. Fourthly, the Amended Regulations on Foreign Exchange enhanced the regulation and administration on foreign currency trading, and granted extensive authorisation to the SAFE to enhance its supervisory and administrative capacity.

Foreign exchange revenue in respect of current account items may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Before retaining foreign exchange revenue under the capital account or selling it to any financial institution operating a foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative authorities shall be obtained, unless otherwise provided by the State.

Enterprises that require foreign exchange for recurring activities such as trading and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents. Where an enterprise requires foreign exchange for the payment of dividends, such as the distribution of profits by a foreign-invested enterprise to its foreign investor, then, subject to the due payment of taxes on such dividends, the amount required for the payment of dividends may be withdrawn from funds in foreign exchange accounts maintained with designated banks and, where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks.

Convertibility of foreign exchange in respect of capital account items, including direct investments and capital contributions, is still subject to restrictions, and prior approval from the SAFE must be obtained.

When conducting foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

According to the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Exchange Control Administration on Oversea Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) issued by SAFE on January 28, 2013, after shares of domestic companies get listed on foreign stock exchange, domestic shareholders of such companies, who would like to dispose of, or purchase, shares trading on the foreign stock exchange, shall apply to the relevant local foreign exchange administration of the city where they reside for registering of their shares of such companies trading on the foreign stock exchange.

Pursuant to Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on 21 October 2005 and becoming effective on 1 November 2005 (“**Notice 75**”), a PRC domestic resident engaged in financing by way of equity issue or convertible bond outside the PRC with the assets or interests within the PRC through overseas special purpose vehicle shall apply to register with the local branch of foreign exchange administration for foreign exchange registration of overseas investments. PRC domestic resident refers to a resident with PRC passport or PRC identification card or an individual who does not have a legal status in the PRC but “habitually” resides in the PRC for economic reasons.

As advised by Zhong Lun Law Firm, our PRC legal advisers, the Company is a joint stock limited liability company established in the PRC but not an overseas special purpose vehicle as defined under Notice 75. Therefore, Notice 75 is not applicable to our Shareholders and our Shareholders do not have to apply for foreign exchange registration according to Notice 75.