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

TAXATION

A. Taxation in the PRC

Taxes Applicable to Joint Stock Limited Liability Companies

Enterprise Income Tax

Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) (hereinafter referred to as "**EIT Law**") was promulgated on March 16, 2007 and came into effect on January 1, 2008. The EIT Law regulates the enterprise income tax rate at 25%. According to the requirements of the State Council, enterprises, which were established before the promulgation of the EIT Law and entitled to benefit from a preferential tax rate in light of the tax laws and administrative regulations prevailed then, may gradually shift to the tax rate stipulated by the EIT Law within five years after the effective date of the EIT Law. Those entitled to the preference of fixed tax holiday or fixed-term tax reductions may continue to benefit in the same manner according to the requirements of the State Council until the expiration of the tax holiday or the term of the preference. For those who have not benefited from such preference due to the failure to realize profit, the preference has been applied since the effective date of the EIT Law, being January 1, 2008.

Business Tax

According to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) which came into effect on January 1, 1994 and was amended on November 5, 2008, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例實施細則) which came into effect on January 1, 2009 and was amended on October 28, 2011, institutions and individuals providing taxable services, transferring intangible assets or selling real estates within the territory of the PRC shall pay business tax. The latest amendments of the abovementioned regulations and rules supplemented the regulatory system in the following aspects:

- The withholding agent of business tax should be: (1) the domestic agents of foreign entities or individuals, who provide taxable services, transfer intangible assets or sell real estates within the territory of the PRC but have no business institutions in the PRC; or (2) the assignee of the assets or the purchaser of the services in case there is no domestic agent.
- The column specifying the taxable services and business is deleted from the appendix of the regulations, which enable MOF and SAT to define the scope of taxable business and services.
- The preferential policies approved by the State Council before the effective date of the abovementioned amendments on January 1, 2009 could still be applied.

Value-added Tax (VAT)

According to the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例) which came into effective on January 1, 1994 and was amended on December 5, 2008, and the Detailed Rules for Implementation of the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) which came into effective on December 25, 1993 and was amended on October 28, 2011, institutions and individuals selling goods or providing processing, repairing or replacement services or importing goods within the territory of the PRC shall pay value-added tax ("VAT"). The tax rate of 13% shall be levied on general taxpayers selling or importing grain, edible vegetable oil, tap water, heating supply, air-conditioning, hot water, gas, liquefied petroleum gas, natural gas, marsh gas, coal products for civil use, books, newspapers, magazines, feedstuff, chemical fertilizer, pesticide, farming machines, films for agricultural use and other goods specified by the State Council. The tax rate applicable to goods exported by taxpayers shall be zero unless otherwise prescribed by the State Council. The tax rate of 17% shall be levied on taxpayers selling or importing goods other than the abovementioned items, and on taxpayers providing processing, repairing or replacement services. The tax rate applicable to goods sold or taxable services provided by small-scale taxpayers is 3%. A small-scale taxpayer is defined as a taxpayer engaged in the manufacturing of goods or the supply of taxable services, or primarily dealing in the manufacturing of goods or supply of taxable services while concurrently engaged in the wholesale or retail of goods as secondary operations, and having annual taxable sales (hereinafter referred to as "**taxable sales**") of less than RMB0.5 million; or a taxpayer engaged in the wholesale or retail of goods and having annual taxable sales of less than RMB0.8 million. Individuals whose annual taxable sales volumes exceed the standards for small-scale taxpayers shall be taxed as small-scale taxpayers; non-enterprise organizations or enterprises without frequent occurrence of taxable actions may choose to be taxed as small-scale taxpayers.

In addition, the new regulations and rules also provide the followings:

- the input tax for reselling fixed assets could be deducted from the output tax;
- the withholding agent of VAT should be: (1) the domestic agents of foreign entities or individuals, who provide taxable services within the territory of the PRC but have no business institutions in the PRC; or (2) the assignee of the assets or the purchaser of the services in case there is no domestic agent; and
- the preferential policies approved by the State Council before the effective date of the abovementioned amendments on December 5, 2008 could still be applied where there is no conflict with the amendments.

Stamp Duty

According to the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例) which came into effective on October 1, 1988 and amended on January 8, 2011, and the Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例實行細則) which came into effect on October 1, 1988, institutions and individuals executing or receiving taxable documents within the territory of the PRC shall pay stamp duty. The list of taxable documents includes reselling contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technology contracts, other documents that resemble contracts in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by MOF.

Taxes Applicable to Shareholders of Companies

Dividend-related Tax

Individual investors. According to the Law of the PRC on Individual Income Tax (中華人民共和國個人所得稅法) which came into effect on January 1, 1994 and amended on October 31, 1993, August 30, 1999, October 27, 2005, June 29, 2007, December 29, 2007 and June 30, 2011, and its implementation rules, for the receipt of dividends paid by the PRC companies, an individual is ordinarily subject to individual income tax at the 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 Guo Shui Fa [1993] No. 045 Circular (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) (Guo Shui Han [2011] No. 348) issued by SAT on June 28, 2011, the receipt of dividends on our 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 into a tax treaty with the PRC, the tax rate on dividends is 20%.

Enterprises. According to 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 enterprise income tax at the rate of 10% on their income derived from the PRC. Under the Circular on Questions Concerning Withholding and Remitting Enterprise Income Tax for Dividends Received by Overseas Non-resident Enterprise Shareholders of H Shares from Chinese Resident Enterprises (Guo Shui Han [2008] No. 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 SAT on November 6, 2008, enterprise income tax rate of 10% is levied on dividends on H Shares received by any overseas enterprise shareholders that are non-PRC residents. The Response to Questions on Enterprise Income Tax over Dividend of B-Shares and Other Shares Received by Non-resident Enterprises (Guo Shui Han [2009] No. 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復(國稅函[2009]394號)) issued by SAT on July 24, 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 our H Shares, must withhold enterprise income tax at the rate of 10% from dividends distributed by them to non-resident enterprises.

Tax treaties. 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

For individual investors. According to the Law of the PRC on Individual Income Tax and its implementation rules, individuals are subject to individual income tax at the rate of 20% on profits realized by the sale of equity of PRC resident enterprises. The implementation rules also provide that the MOF shall draft measures for collection of individual income tax on income from the transfer of shares, and such measures are subject to the approval of the State Council. However, as of the Latest Practicable Date, no such measures have been drafted and enacted. According to 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 MOF and SAT on March 30, 1998, from January 1, 1997, 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 Law of the People's Republic of China on Individual Income Tax on September 1, 2011 and the latest amendment to its implementation rules on September 1, 2011, SAT has not stated whether it will continue to exempt from individual income tax over income derived by individuals from the transfer of listed shares. However, on December 31, 2009, MOF, SAT and 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)), which states that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except under certain situations for the shares of certain specified companies which are subject to sales limitations (as defined in such Circular and its supplementary notice issued on November 10, 2010). As of 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.

For enterprises. According to the EIT Law and its implementation rules, non-resident enterprises are generally subject to enterprise income tax at the rate of 10% with respect to their income derived from the sale of shares of PRC companies. However, as of the Latest Practicable Date, no legislation has expressly provided that enterprise income tax shall be collected from non-Chinese resident enterprises on their income derived from the sale of the shares in PRC companies listed on overseas stock exchanges, such as our H Shares, while the possibility that taxation administrations will collect enterprise income tax on such income in practice cannot be entirely ruled out.

Tax treaties. 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 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 treaty with the United States does not contain an exemption from any PRC tax imposed on gains derived from the sale of shares in a PRC resident enterprise). The PRC also has an arrangement for the avoidance of double taxation with Hong Kong.

Additional PRC Tax Considerations

PRC stamp duty. According to the Provisional Regulations of the PRC on Stamp Duty and its implementation rules, both came into effect on October 1, 1988, PRC stamp duty should not apply to acquisitions or dispositions of H Shares outside of the PRC, as PRC stamp duty is only imposed on documents, which are executed or received within the PRC and are legally binding in the PRC and protected by PRC laws.

Estate duty. No liability for estate duty under PRC laws will arise for non-PRC nationals holding H Shares.

B. Taxation in Hong Kong

Tax on Dividends

According to the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Taxation on Gains from Sale

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as H Shares. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of H Shares on the Hong Kong Stock Exchange will be considered to be derived from or arising in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from the sales of H Shares on the Hong Kong Stock Exchange, realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty is currently payable upon sale and purchase of H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of H Shares. Where one of the parties to a transfer is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

C. Taxation in Australia

This contains a summary of the law and regulations in relation to taxation in Australia.

Corporate Tax

Companies and corporations pay company tax on profits. Unlike personal income taxes which adopt a progressive scale, corporate taxes in Australia are calculated at a flat rate of 30%. Tax is paid on corporate income at the corporate level before it is distributed to individual shareholders as dividends. A tax credit (also known as a franking credit) is provided to individuals who receive dividends to reflect the tax already paid at the corporate level (a process known as dividend imputation).

A company will be resident in Australia for tax purposes if:

- it is incorporated in Australia; or
- it is not incorporated in Australia but its central management or control is in Australia, or its voting power is controlled by Australian resident shareholders.

Non-resident taxpayers (including an Australian branch of a non-resident entity) are only subject to tax on income from Australian sources.

The Australian income tax system operates on a self-assessment basis. Most companies pay four quarterly installments of tax in advance (based on assessable income derived in the last quarter), and submit an annual assessment at year end. The financial year for income tax purposes is generally from July 1 to June 30. However, taxpayers may apply for a different financial year for income tax purpose.

Dividends and Imputation

Australian resident shareholders are usually assessed on dividends paid out of a company's profits. However, Australia operates an imputation system that is designed to avoid the double taxation of corporate profits.

Non-residents are generally subject to dividend withholding tax instead of income tax.

For example, when a company pays tax on its profits and then pays part of the remaining profits to its shareholder as a dividend, the shareholder gets a credit for the tax that the company has already paid (this is known as dividend imputation and the tax credit is commonly referred to as a franking credit).

When filling in the tax return, the shareholder declares the grossed up dividend (dividend received plus tax credit) as dividend income and claim the tax credit against his/her tax payable.

Note that if the company pays tax at the full company tax rate of 30% then the shareholder's dividend is "fully franked"; otherwise his/her dividend payment is only partly franked.

Some companies offer dividend reinvestment plans where dividends are automatically used to purchase shares in the company. Although the shareholder does not actually receive the dividend in cash, he/she must still include the amount in his/her tax return.

If he/she does not normally lodge a tax return, he/she can claim his/her tax (franking) credits and get a refund from the Tax Office.

Non-resident investors pay no withholding taxes on franked dividends but a withholding tax on unfranked dividends of 15% (where a relevant double tax agreement exists) or 30% (where no such double tax agreement exists).

Personal Income Taxes

Income taxes on individuals are imposed at the federal level in Australia. Under *Income Tax Assessment Act* 1936, *Income Tax Assessment Act* 1997 and other relevant provisions, personal income taxes in Australia are imposed on the personal income of each person on a progressive basis, with higher rates applying to higher income levels. Unlike some other countries, personal income tax in Australia is imposed on an individual and not on a family unit.

Individuals are also taxed on their share of any partnership or trust profits to which they are entitled for the financial year. Each financial year starts on July 1 and finishes on June 30.

Capital Gains Tax

Capital Gains Tax ("CGT") applies to the capital gain made on disposal of any asset, except for specific exemptions. The most significant exemption is a taxpayer's main residence. Rollover provisions apply to some disposals, one of the most significant examples is transfer to beneficiaries on death.

CGT operates by treating net gains as taxable income in the tax year when an asset is sold or otherwise disposed of. If an asset is held for at least one year, then any gain is first discounted by 50% for individual taxpayers, or by $33\frac{1}{3}$% for superannuation funds. Net capital losses in a tax year may be carried forward and offset against future capital gains. However, capital losses cannot be offset against income.

Personal use assets and collectibles are treated as separate categories and losses on those are quarantined so they can only be applied against gains in the same category.

Goods and Services Taxes

The Federal Government of Australia levies a value added tax of 10% on the supply of most goods and services by entities registered for Goods and Services Tax ("GST"). This tax system was introduced in Australia on July 1, 2000. A number of supplies are GST-free (e.g. basic foodstuffs and export of medical and educational services), input-taxed (e.g. residential accommodation and financial services), exempted (government charges) or are outside the scope of GST.

The revenue from this tax is distributed to the states.

State governments do not levy sales taxes though they impose stamp duties on a range of transactions.

In summary, the GST rate of 10% is charged on most goods and services consumed in Australia. If a resident company is registered for GST, it should include GST in the selling price of goods and services. However, the resident company will be able to claim a credit for the GST it has paid on business expenses and other inputs (known as a GST credit). The resident company has to pay the difference between GST charged on sales and GST credits to the Tax Office periodically.

There are two types of sales which are treated differently:

1. Suppliers of GST-free goods and services do not have to pay GST when they make a sale but they will be entitled to claim GST credits.

2. Suppliers of input taxed goods and services do not have to charge GST on sales but they will not be entitled to claim GST credits from their purchases of inputs.

Furthermore, revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("**ATO**"). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of a group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost shall be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from a group's presentation currency, are translated as follows:

– assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;

– income and expenses are translated at the average exchange rates for the period; and

– retained earnings are translated at the exchange rates prevailing at the date of the transaction. Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

Property Taxes

Local governments are typically funded largely by taxes on land value (council rates) on residential, industrial and commercial properties. In addition, some state governments levy tax on land values for investors and primary residences of high value. The state governments also levy stamp duties on transfers of land and other similar transactions.

Fire and Emergency Services Levy

Fire and Emergency Services Levies are also commonly applied to domestic house insurance and business insurance contracts. These levies are required under state government law to assist in funding the fire services in each state.

PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. SAFE, under the authority of the PBOC, administers all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On December 28, 1993, PBOC issued the Notice to Further Reform the Foreign Exchange Control System (進一步改革外匯管理體制的通知) which came into effect on January 1, 1994. The Notice abolished the system of foreign exchange quotas and announced the unification of the official Renminbi exchange rate and the market exchange rate for foreign exchange swap center.

On January 29, 1996, the State Council promulgated the Regulations on Foreign Exchange Administration of the PRC (中華人民共和國外匯管理條例) (hereinafter referred to as "**Foreign Exchange Regulations**") which came into effect on April 1, 1996. The Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the approval from SAFE while capital account items still are. The Foreign Exchange Regulations were subsequently amended on January 14, 1997 and on August 5, 2008. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers.

On June 20, 1996, 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) which came into effect on July 1, 1996. The 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 October 25, 1998, PBOC and SAFE jointly promulgated the Notice Concerning Closure of the Foreign Exchange Swap Business Activities (關於停辦外匯調劑業務的通知), pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall come under the banking system for the settlement and sale of foreign exchange.

On July 21, 2005, 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 Renminbi is no longer pegged to the US dollar. The PBOC will announce the closing prices of foreign currencies (such as the US dollar) to Renminbi in the interbank foreign exchange markets after the closing of the markets on each working day, so as to determine the central parity for Renminbi trading on the next working day.

Since January 4, 2006, PBOC improved the method of generating the middle price for quoting the Renminbi exchange rate by introducing an enquiry system while keeping the match-making system in the inter-bank spot foreign exchange market. In addition, PBOC provided liquidity in the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market. After the introduction of the enquiry system, the generation of the middle price for quoting the Renminbi exchange rate was transformed to a mechanism under which PBOC authorized the China Foreign Exchange Trading System to determine and announce the middle price for quoting the Renminbi against the U.S. dollar, based on the enquiry system, at 9:15 am on each business day.

On August 5, 2008, the State Council promulgated 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. Income 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 Renminbi 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 authorization to 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.

In addition, 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 SAFE must be obtained.