

**TAXATION OF JOINT STOCK LIMITED COMPANIES****Enterprise Income Tax (EIT)**

*Enterprise Income Tax Law of the People's Republic of China* (中華人民共和國企業所得稅法) (“**Enterprise Income Tax Law**”) was promulgated on March 16, 2007 and became effective on January 1, 2008. The Enterprise Income Tax Law regulates the rate of enterprise income tax at 25%. Enterprises established before the promulgation of the Enterprise Income Tax Law are entitled to benefit from a preferential tax rate as per the tax laws and administrative regulations then prevailing may gradually shift to the tax rate defined by the Enterprise Income Tax Law within five years after effectiveness of the Enterprise Income Tax Law according to the requirements of the State Council. 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 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 Income Tax Law, January 1, 2008.

**Business Tax**

According to the *Provisional Regulations of The People's Republic of China on Business Tax* (中華人民共和國營業稅暫行條例) (“**the Provisional Regulations on Business Tax**”), which became effective on January 1, 1994 and first amended on January 1, 2009, and the *Detailed Rules for Implementation of the Provisional Regulations of The People's Republic of China on Business Tax* (中華人民共和國營業稅暫行條例實施細則), which became effective on January 1, 2009 and was further amended on October 28, 2011, institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax. The items and rates of the business tax will be subject to the *Table of Items and Rates of Business Tax* (營業稅稅目稅率表) to the Provisional Regulations on Business Tax. A taxpayer engaged in taxable activities dealing in different taxable items simultaneously, such as providing taxable services, transferring intangible assets and/or selling immovable property, shall compute the business turnover, amount of transfer and/or sales volumes of different taxable items separately. If no business turnover are separately computed, the highest tax rate shall apply.

**Value-added Tax (VAT)**

According to the *Provisional Regulations of The People's Republic of China on Value-added Tax* (中華人民共和國增值稅暫行條例) in effect since January 1, 1994 and first amended on January 1, 2009 and the *Detailed Rules for Implementation of the Provisional Regulations of The People's Republic of China on Value-added Tax* (中華人民共和國增值稅暫行條例實施細則) in effect since December 25, 1993 and second amended on October 28, 2011, institutions and individuals selling goods or providing processing, repairing or replacement services or importing goods within the PRC shall pay 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, movies for agricultural use and other goods specified by the State Council. The rate applicable to goods exported by taxpayers shall be zero unless otherwise prescribed by the State Council. The rate of 17% shall be levied on taxpayers selling or importing goods other than the above-mentioned items, and on taxpayers providing processing, repair or replacement services. Value-added tax payers are classified into general taxpayers and small-scale taxpayers. A taxpayer of value added tax whose annual taxable sales amount exceeds the threshold as prescribed by the MOF and the State Administration of Taxation is regarded as a general taxpayer, and for the one whose annual taxable sales amount does not exceed the threshold is regarded as a small-scale taxpayers. General taxpayers and small-scale taxpayers shall be subject to applicable VAT rates as prescribed by the MOF and State Administration of Taxation. An individual with annual taxable sales amount exceeding the threshold applied to a small-scale taxpayer shall be taxed as a small-scale taxpayer; a non-enterprise organization or enterprise without regular taxable activities may choose to be taxed as a small-scale taxpayer.

According to the Notice of the MOF and the State Administration of Taxation on the Tax Policies for Implementing across the Country the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries promulgated on May 24, 2013 and came into effect on August 1, 2013, the trial of the transition from business tax to VAT will be applied to certain modern service industries, including R & D and technical services, IT services, cultural creative services, logistics auxiliary service, tangible assets leasing services, authentication consulting and radio and TV broadcasting services. The applicable VAT rate for general taxpayers who provide modern services (excluding tangible assets leasing services) shall be 6% for general taxpayers, and 3% for small-scale taxpayers.

### **Stamp Duty**

According to 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) which came into effect on October 1, 1988 and revised on January 8, 2011, and the *Detailed Rules for 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施細則) implemented on October 1, 1988. Institutions and individuals establishing or accepting taxable deeds and instruments within the territory of the People's Republic of China shall be subject to stamp duty. Taxable deeds and instruments include: purchase and sale contracts, processing contracts, construction project contracts, property lease contract, contract of carriage, storage and warehousing contracts, loan contracts, property insurance contracts, technology transfer contracts, other deeds and instruments in the nature of contracts, deeds of transfers of proprietary rights, business account books, certificates of rights, licenses and other documents specified as taxable by the MOF.

### **TAXATION OF SECURITY HOLDERS**

The following is a summary of certain PRC and Hong Kong tax consequences from the ownership and disposal of H Shares by an investor that purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets.

This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investors, some of which may be subject to special rules.

This section of this prospectus does not address any aspects of PRC or Hong Kong taxation other than income taxation, capital taxation, stamp taxation and estate taxation. Prospective investors are urged to consult their tax advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

## PRC

### Taxation of Dividends

*Individual Investors.* According to the *Individual Income Tax Law of China* (中華人民共和國個人所得稅法) (the “Individual Income Tax Law”), as amended on June 30, 2011 and effective on September 1, 2011, dividends paid by PRC companies are ordinarily subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a company in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty. However, the *Notice of the State Administration of Taxation Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals* (國家稅務總局關於外商投資企業、外國企業和外籍人士取得股票(股權)轉讓收益和股息所得稅問題的通知) (“Taxation Notice”) was issued on July 21, 1993. Pursuant to the Taxation Notice, a PRC company is provisionally not subject to any withholding tax in respect of dividends paid to individuals on shares listed on overseas stock exchange (overseas shares, e.g. H Shares). However, the Taxation Notice was repealed under the *Announcement on the List of Fully and Partially Invalid and Repealed Tax Regulatory Documents* (關於公佈全文失效廢止、部分條款失效廢止的稅收規範性文件目錄的公告) issued by the State Administration of Taxation on January 4, 2011.

Pursuant to the *Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348)* (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)) promulgated by the State Administration of Taxation on January 4, 2011, foreign resident individual Shareholders receiving dividends from shares in domestic non-foreign invested enterprises which had public offering in Hong Kong are liable to withholding tax levied in accordance with the Individual Income Tax Law and its implementation regulations. Such withholding tax may be reduced pursuant to an applicable double taxation treaty. For the individual holders of H Shares receiving dividends who are citizens from countries that have entered into income tax treaties with the PRC with the tax rates lower than 10%, non-foreign invested enterprises which have had their public offering in Hong Kong will apply on behalf of the such holders to seek entitlement of the lower preferential tax treatments, and upon approval by the tax authorities, the amounts which are over the withheld tax will be refunded. For the individual holders of H shares receiving dividends who are citizens from countries that entered into income tax treaties with the PRC with the tax rates higher than 10% but lower than

20%, non-foreign invested enterprises which have had their public offering in Hong Kong are required to withhold the tax at the agreed rates under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens from countries without taxation agreements with the PRC or are under other situations, non-foreign invested enterprises which have had their public offering in Hong Kong are required to withhold the tax at the rate of 20%.

*Enterprises.* According to the *Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion* (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) with respect to taxes on income signed on August 21, 2006, the PRC Government may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds at least 25% equity interest in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by the PRC company.

According to the new EIT Law and the *Provision for Implementation of Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) which both became effective on January 1, 2008, the non-resident enterprises shall be subject to 10% enterprise tax for the income originated from the PRC provided that the non-resident enterprises do not establish offices or premises in the PRC, or where there are offices and premises established, there is no connection between the dividends and bonuses received and the offices or premises established by the non-resident enterprises. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

According to the *Notice Regarding Questions on Withholding Enterprise Income tax When PRC Resident Enterprises Distribute Dividends to Non-resident Enterprise Shareholders of H Shares* (Guoshuihan [2008]NQ. 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 State Administration of Taxation, which became effective on November 6, 2008, PRC resident enterprises should withhold enterprise income tax at a rate of 10% when they distribute dividends to non-resident enterprise Shareholders of H Shares from the year of 2008. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

*Tax Treaties.* Investors who do not reside in the PRC and reside in countries that have entered into double taxation treaties with the PRC may be entitled to a reduction of the withholding tax imposed on the payment of dividends to investors of our Company who do not reside in the PRC, provided that related examination and approval or filing procedures have been completed according to the provisions of the *Notice of the State Administration of Taxation on the Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (for Trial Implementation)* (國家稅務總局關於印發《非居民享受稅收協議待遇管理辦法(試行)》之通知) The PRC currently has double-taxation treaties with many nations in the world, which include but not limited to: Australia; Canada; France; Germany; Japan; Malaysia; the Netherlands; Singapore; the United Kingdom; and the United States.

### Taxation of Capital Gains

In accordance with the Individual Income Tax Law and the *Implementation Rules of the Individual Income Tax Law of China* (中華人民共和國個人所得稅法實施條例) (“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. The Implementation Rules also provide that the MOF shall draft measures for collection of individual income tax from income on 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. Under the *Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares* (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) (Cai Shui Zi [1998] No. 61) issued by MOF and State Administration of Taxation 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 Individual Income Tax Law on December 29, 2007 and its Implementation Rules on February 18, 2008, the State Administration of Taxation has not stated whether it will continue to exempt from individual income tax income derived by individuals from the transfer of listed shares. However, on December 31, 2009, MOF, State Administration of Taxation 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* (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) (Cai Shui [2009] No. 167), 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 November 10, 2010). As of the Latest Practicable Date, no legislation has expressly provided 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, and in practice such tax has not been collected by the PRC tax authorities.

According to the new EIT Law and the *Provision for Implementation of Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例), the non-resident enterprises shall be subject to 10% enterprise tax for the income originated from the PRC provided that the non-resident enterprises do not establish offices or premises in the PRC, or where there are offices and premises established, there is no connection between the gains received and the offices or premises established by the non-resident enterprises. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

### Additional PRC Tax Considerations

*PRC Stamp Duty.* PRC stamp duty imposed on the transfer of shares of PRC publicly traded companies under the Provisional Regulations should not apply to the acquisition and disposal by non-PRC investors of H Shares outside of the PRC by virtue of the *Provisional Regulations of China Concerning Stamp Duty* (中華人民共和國印花稅暫行條例), which became effective on October 1, 1988 and which provide that PRC stamp duty is imposed only on documents executed or received within the PRC that are legally binding in the PRC and are protected under PRC law.

*Estate Tax or Inheritance Tax.* No liability for estate tax or inheritance tax under PRC law will arise from a non-PRC national's holding of H Shares.

#### FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible at this time. SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated new *Regulation of Foreign Exchange* (中華人民共和國外匯管理條例) (the "Foreign Exchange Regulations"), which took effect on April 1, 1996. The Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to approval of SAFE while capital account items still are. The Foreign Exchange Regulations was subsequently amended on January 14, 1997 and on August 1, 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) (the "Settlement Regulations"), which took effect on July 1, 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 October 25, 1998, PBOC and SAFE 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 enterprise shall come under the banking system for the settlement and sale of foreign exchange.

On July 21, 2005, PBOC announced that from the same date, the PRC would implement a managed floating exchange rate system based on market supply and demand and with reference to a basket of currencies. Therefore, the Renminbi was no longer only pegged to the U.S. dollar. PBOC would announce the closing price of a foreign currency such as the U.S. dollar against the Renminbi in the inter-bank spot foreign exchange market after the closing of the market on each working day. This closing price will be used as the middle price for quoting the Renminbi exchange rate on the following 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 spot foreign exchange market. After the introduction of the enquiry system, the generation of the middle price for quoting the Renminbi 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 a.m. on each business day.

The foreign exchange income under the current items may be reserved or sold to financial institutions operating foreign exchange sale of settlement business. Before reserving the foreign exchange income under the capital items or selling it to any financial institution operating foreign exchange sale of settlement business, approval of the competent foreign exchange administrative authorities shall be obtained, unless it is otherwise provided by the State.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprises, which need foreign exchange for the distribution of profits to their Shareholders and PRC enterprises, which in accordance with regulations are required to pay dividends to Shareholders in foreign currency, may, on the strength of general meeting resolutions of such PRC enterprises or board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contribution, is still subject to restriction and prior approval from SAFE and the relevant branch must be sought.

Dividends to holders of H Shares are fixed in Renminbi but must be paid in Hong Kong dollars.

An issuer is required to prepare its consolidated financial statements in Renminbi.

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the prior day. PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange markets. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, still requires the approval of SAFE and other relevant authorities.

On January 28, 2013, the SAFE issued the *Circular on Issues concerning Foreign Exchange Administration of Overseas Listings (Huifa [2013] No. 5)* (關於境外上市外匯管理有關問題之通知) (匯發[2013]5號), which provides that funds raised by the Domestic Company in its overseas listing may be repatriated to the corresponding domestic special bank account or retained in the overseas special bank account. The usage of such funds shall be consistent

with the documents disclosed to the public such as prospectuses, Shareholders' circulars, and Shareholders' resolutions. The circular stipulates that a domestic Shareholder of an overseas-listed company is allowed to open a domestic special bank account for purchasing or reducing its foreign shareholding and provides specific instructions for the settlement of funds resulting from purchase or reduction of overseas shareholding and business activities. It further provides that proceeds under the capital account due to the decrease/transfer of the overseas shares of the Domestic Company shall, within two years after the receipt of such proceeds, be repatriated to the domestic special bank account for reduced shareholding.

## **TAXATION IN HONG KONG**

### **1. Taxation on Dividends**

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

### **2. Taxation on Capital Gains and Profits Gained from H Share Trading and Hong Kong Business Operations**

No tax is imposed in Hong Kong in respect of capital gains from the sale of the H shares. Trading gains from the sale of H shares by persons carrying on a trade, profession or business in Hong Kong as well as from the Company's Hong Kong business operations where such gains are derived from or arise in Hong Kong will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at a maximum rate of 15.0%. Gains from sales of the H shares effected on the Stock Exchange and from the Company's Hong Kong business operations will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong and from the Company's Hong Kong business operations.

### **3. Stamp Duty**

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the H shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required). Where a sale or purchase of H shares registered in the Hong Kong branch register is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall also be liable to pay such duty.



**4. Estate Duty**

*The Revenue (Abolition of Estate Duty) Ordinance 2005* came into effect on February 11, 2006 in Hong Kong. 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.