

## 1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change.

### A. The PRC

Certain PRC tax provisions related to the ownership and disposal of H Shares purchased under the Global Offering and held by the investors as capital assets are summarised below. 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. This summary is based on various PRC tax laws as in effect on the Latest Practicable Date, as well as on the Agreement between the U.S. and the PRC for the Avoidance of Double Taxation (the “Treaty”), all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

#### *Taxation of Dividends*

*Individual Investors.* According to the Provisional Regulations of the PRC Concerning Questions of Taxation on Enterprises Experimenting with the Share System, the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the “IIT Law”), as amended on 31 October 1993, 30 August 1999, 27 October 2005, 29 June 2007, 29 December 2007 and further amended and came into effect on 30 June 2011 and the Regulations on Implementation of the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例), dividends paid by PRC companies are 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.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa 1993 No.45 (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) issued by the SAT on 28 June 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens from countries that have entered into an income tax treaty with tax rates lower than 10%, we will apply on behalf of such holders to seek entitlement of the lower preferential tax treatments, and, upon examination and approval by the tax authorities, the amount which is over the withheld tax will be refunded. For the individual holders of H shares receiving dividends who are citizens from countries that entered into an income tax treaty with tax rates higher than 10% but lower than 20%, we are required to withhold the tax at the agreed rate under the treaty, 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, we are required to withhold the tax at a rate of 20%.

*Enterprise Investors.* In accordance with the Enterprise 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 Regulations for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), both effective as of 1 January 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (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), issued by the SAT on 6 November 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to the dividends distributed out of profit generated after 1 January 2008. The Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding B-shares (國家稅務總局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) issued by the SAT on 24 July 2009 further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends that it distributes to non-resident enterprises. Such tax rate may be reduced pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

### *Taxation of Capital Gains*

*Individual Investors.* According to the IIT Law and the implementation regulations, gains realised on the sale of equity interests are subject to the income tax at a rate of 20%, unless such tax is reduced or exempted under relevant double taxation treaties. The MOF is authorised by the implementation regulations to formulate specific implementing measures for levying the individual income tax on any gains realised on the sale of shares in PRC companies. However, as of the Latest Practicable Date, no such implementing measures have 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.

*Enterprise Investors.* In accordance with the EIT Law and its implementation regulations, a non-resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premise in the PRC. 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 by them from sale of the shares in PRC companies listed on overseas stock exchanges. However, the possibility cannot be entirely excluded that taxation authorities will seek to collect enterprise income tax on such income in the future. In addition, such tax may be exempted in China if the tax treaty or agreement that China concluded with the relevant jurisdictions, where applicable, states that China may not tax capital gains.

### *Stamp Duty*

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例), effective as of 1 October 1988 and amended on 8 January 2011, stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside the PRC. The regulation provides that PRC stamp duty is only applicable to such documents as executed or received within the PRC and having legally binding force in the PRC and protected under the PRC laws.

*Estate Duty*

Non-PRC holders of H Shares are not subject to any estate duty according to the PRC laws.

**B. Hong Kong***Tax on Dividends*

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

*Capital Gains and Profit Tax*

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares 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 maximum rate of 16.5% on corporations and at the 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 could prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange 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 Hong Kong Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

*Stamp Duty*

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including 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\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a 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 no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

*Estate Duty*

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after 11 February 2006.

**2. TAXATION OF OUR BANK BY THE PRC****Enterprise Income Tax**

As stipulated under the EIT Law, enterprises and other organisations which generate income within the PRC are enterprise income taxpayers and shall pay enterprise income tax according to stipulations of the EIT Law. The EIT Law and its implementation regulations came into effect on 1 January 2008, while the former Income Tax Law of the PRC Concerning Foreign Investment Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) and Provisional Regulations of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例) were abrogated on the same date.

Pursuant to the EIT Law, the income tax rate for PRC enterprises is reduced from the original 33% to 25%, same as the rate applied to foreign investment enterprises and foreign enterprises. Non-PRC resident enterprises (i.e. enterprises established under foreign laws with their actual management entities outside the PRC and without offices or premises established in the PRC or, if established, or if established, the income generated in the PRC is not actually associated with such offices and premises, are subject to enterprise income tax at a rate of 20% on their income generated within the PRC.

### ***Business Tax***

Pursuant 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 became effective on 1 January 1994, subsequently amended on 5 November 2008 and implemented on 1 January 2009, enterprises (including foreign investment enterprises) and individuals that provide various labour services and transfer intangible assets or sell real estate within the PRC are subject to business tax at a rate of 3% or 5% of the amount of taxable services or other transactions, except for the entertainment sector, the turnover of which is subject to business tax at a rate of 5% to 20%.

## **3. TAXATION OF OUR BANK IN HONG KONG**

Our Directors do not consider that any of our Bank's income is derived from or arises in Hong Kong for the purpose of Hong Kong taxation. Our Bank will therefore not be subject to Hong Kong taxation.

## **4. FOREIGN EXCHANGE**

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

In 1994, the PBOC announced that the foreign exchange quota system was abolished, the implementation of conditional convertibility of Renminbi under current accounts, the establishment of a system of settlement and payment of foreign exchange by banks, and the unification of the official exchange rate for Renminbi with the market rate for the same fixed by swap centres.

On 29 January 1996, the State Council promulgated new Regulations of the PRC for Foreign Exchange Control (中華人民共和國外匯管理條例) (the "Foreign Exchange Control Regulations") which became effective on 1 April 1996. The Foreign Exchange Control 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 SAFE's approval, while capital account items still are. The Foreign Exchange Control Regulations were subsequently amended on 14 January 1997 and 1 August 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international current account payments and transfers.

On 20 June 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Regulations") which became effective on 1 July 1996. The Settlement Regulations supersede the Provisional Regulations and abolish the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items. On the basis of the Settlement Regulations, the PBOC also published the Announcement on the Implementation of

Foreign Exchange Settlement and Sale at Banks by Foreign Investment Enterprises (關於對外商投資企業實行銀行結售匯的公告). The Announcement permits foreign investment enterprises to open, if necessary, foreign exchange settlement accounts for the receipt and payment of foreign exchange under the current accounts and designated accounts for the receipt and payment under the capital accounts at designated foreign exchange banks.

The PBOC announced that, beginning from 21 July 2005, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. The PBOC will publish the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the inter bank foreign exchange market after the closing of the market on each business day, and will fix the central parity for Renminbi transactions on the following business day.

Starting from 4 January 2006, the PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the way of matching shall be kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. After the introduction of over-the-counter transactions, the formation mechanism of the central parity of Renminbi exchange rates is improved to be a mechanism where the China Foreign Exchange Trade System would determine the central parity of Renminbi exchange rates based on the over-the-counter transactions and announce the central parity of the Renminbi against the U.S. dollar at 9:15 a.m. on each business day under the authorisation of the PBOC.

On 5 August 2008, the State Council promulgated the revised Regulations of the PRC for the Control of Foreign Exchange (the “Revised Foreign Exchange Control Regulations”), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enforce its supervisory and administrative powers.

Save for the foreign investment enterprises or other exempted enterprises under the relevant regulations, all entities in the PRC (except for certain foreign trading companies and manufacturers with rights to import and export, which are allowed to retain part of their foreign exchange income earned from their existing current account transactions and make payments with such retained foreign exchange in their current account transactions or approved capital account transactions) must sell all of their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans granted by overseas entities or from the issuance of bonds and shares (such as foreign exchange income our Bank obtained from the sale of shares overseas) is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with any regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Bank) may, on the strength of board resolutions approving the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

In addition, on 28 January 2013, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas 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). Pursuant to this Notice, a domestic issuer shall, within 15 working days of the end of its initial public offering overseas, register with the SAFE's local branch at the place of its incorporation. The SAFE branch shall issue a certificate of overseas listing upon verification, based on which the domestic issuer can open a special account with a local bank to deposit proceeds from its overseas initial public offering. The proceeds from an overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. The conversion of proceeds remitted to domestic accounts into RMB shall be approved by the local SAFE branch.

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