

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. This discussion does not deal with all possible tax consequences relating to the investment in the H Shares. Accordingly, you should consult your own tax adviser regarding the tax consequences of the investment in H Shares. This discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, all of which are subject to change.

## The PRC

### *Dividends*

**Individual investors.** According to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) (the "IIT Law") promulgated on 10 September 1980, and amended for six times on 31 October 1993, 30 August 1999, 27 October 2005, 29 June 2007, 29 December 2007 and 30 June 2011, and the Regulation on the Implementation of the Individual Income Tax Law (中華人民共和國個人所得稅法實施條例) (the "Regulation on Implementation of IIT Law") promulgated on 28 January 1994 and amended for three times on 19 December 2005, 28 February 2008 and 19 July 2011, individual shareholders are subject to income tax at a flat rate of 20% in respect of dividends paid by PRC companies. Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa 1993 No. 045 (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) promulgated by the SAT on 28 June 2011, dividends received by overseas resident individual shareholders from domestic non-foreign invested enterprises which have issued shares in Hong Kong are subject to individual income tax, which shall be withheld and paid by such domestic non-foreign invested enterprises acting as a withholding agent according to relevant laws. Overseas resident individual shareholders of domestic non-foreign invested enterprises which have issued shares in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries in which they are residents and China, or the tax arrangements between Mainland China and Hong Kong (Macau). According to the Notice of the SAT in relation to the Administrative Measures on Preferential Treatment entitled by Non-residents under Tax Treaties (Tentative) of Guo Shui Fa 2009 No.124 (國家稅務總局關於印發《非居民享受稅收協定待遇管理辦法(試行)》的通知), overseas resident individuals shall apply for relevant preferential tax treatment and complete relevant formalities in person or through an agent appointed in writing. Since dividends are generally subject to income tax at a tax rate of 10% as required by relevant tax regulations and arrangements, and there is a large number of shareholders and in order to simplify the collection of tax, individual shareholders are generally subject to a withholding tax rate of 10% without any application when domestic non-foreign invested enterprises which have issued shares in Hong Kong distribute dividends. Where the tax rates on dividends are not 10%, the following requirements will apply:

- For individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates lower than 10%, the withholding agent will apply on behalf of them to seek entitlement of preferential tax treatments pursuant to Guo Shui Fa 2009 No.124, and upon approval by the competent tax authorities, the excess amounts withheld will be refunded;
- For individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates higher than 10% but lower than 20%, the

withholding agent will withhold and pay the individual income tax at the agreed effective tax rates under the treaties, without seeking such approval;

- For individuals receiving dividends who are citizens from countries without tax treaties with the PRC or under other circumstances, the withholding agent will withhold and pay the individual income tax at the rate of 20%.

**Enterprise shareholders.** According to the EIT Law, and the Regulation on the Implementation 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) (the “Regulation on the Implementation of EIT Law”), both effective on 1 January 2008, a non-resident enterprise without an establishment or place of business in the PRC, or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, is subject to enterprise income tax at a flat tax rate of 10% on PRC-sourced income (including the dividends received from China resident enterprise which have issued shares in Hong Kong); for such income taxes payable by non-resident enterprises, the obligation to withhold and pay income tax at source in accordance to relevant laws falls upon the payer, who shall withhold and pay the enterprise income tax from the amount to be paid or due payable amount when paying such amount relating to the incomes to any non-resident enterprise each time. According to 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 (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) issued by the SAT on 6 November 2008, PRC resident enterprises shall withhold and pay the enterprise income tax at a flat rate of 10% for distribution of dividends for years starting from 2008 and onwards to their overseas non-resident enterprise shareholders of H Shares; and upon the receipt of such dividends, a non-resident enterprise shareholder may apply to the tax authorities for relevant treatment under the tax treaties (arrangement) in person or through an agent or a withholding obligator and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangement). Upon verification by the competent tax authority, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangement) will be refunded.

### *Capital gains*

**Individual shareholders.** According to the IIT Law, individuals are subject to individual income tax at the tax rate of 20% on income from transfer of property. Pursuant to the Regulation on the Implementation of IIT Law, the MOF shall draft the measures for levying individual income tax on income from transfer of shares, which shall come into effect upon approval of the State Council. As of the Latest Practicable Date, however, no relevant measures have been drafted or enacted by the MOF yet. Under the “Notice on Gains Derived by Individuals from Share Transfers Continue to be Exempt from Individual Income Tax” (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”) jointly issued by the MOF and the SAT on 30 March 1998, gains derived by individuals from transfer of shares in listed companies continues to be exempt from individual income tax since 1 January 1997. It is not certain whether Cai Shui Zi 1998 No.61 applies to such gains of H share Transfers. To our best knowledge, as of the Latest Practicable Date, no legislation expressly provided individual income tax shall be levied on gains realized by non-resident individual holders of shares of PRC enterprises listed on overseas stock exchanges, and in practice, no individual income tax has been levied by the PRC tax authorities on such gains so far.

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#### *Additional PRC tax considerations*

**PRC stamp duty.** Under the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例) and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例施行細則), both effective on 1 October 1988, PRC stamp duty is imposed on documents that are legally binding in the PRC and protected under PRC law. Therefore, PRC stamp duty should not apply to acquisitions or dispositions of our H Shares outside of the PRC.

**Estate duty.** No estate duty has been defined and levied in China so far.

### **Hong Kong**

#### *Tax on dividends*

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

#### *Tax on gains from sale*

No tax is imposed in Hong Kong in respect of capital gains. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong 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 purpose.

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 realized 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 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 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 ten times the duty payable may be imposed.

*Estate duty*

The Revenue (Abolition of Estate Duty) Ordinance 2005 repealed the relevant provisions of estate duty in respect of holders of H shares whose deaths occur on or after 11 February 2006.

*Hong Kong Taxation*

Our Directors are of the opinion that only our revenue derived from or arise in Hong Kong would be subject to Hong Kong taxations.