

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

### ***TAXATION IN THE PRC***

The following is a discussion of certain PRC tax provisions relating to the ownership and disposal of H Shares purchased in connection with the Global Offering and held by the investors. 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 the PRC tax laws in effect as of the Latest Practicable Date, the Arrangement between Mainland of 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安排) executed on August 21, 2006, the Second Protocol to Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and 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第二議定書) executed on January 30, 2008 and effective from June 11, 2008, and the Third Protocol to Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and 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稅避免雙重徵稅和防止偷漏稅的安排第三議定書) (collectively, the “Arrangements”) executed on May 27, 2010 and effective from December 20, 2010, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

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

#### ***1. Taxes Applicable to the Shareholding Company with Limited Liability***

##### ***EIT***

The new Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “EIT Law”) was approved and promulgated by the fifth meeting of the 10th National People’s Congress on March 16, 2007 and implemented on January 1, 2008. Pursuant to the EIT Law, the enterprise income tax rate applicable to domestic enterprises is 25%. Pursuant to the Notice on the Transitional Preferential Policies in Respect of the Implementation of the EIT Law (關於實施企業所得稅過渡優惠政策的通知) (Guo Fa [2007] No. 39) promulgated by the State Council on December 26, 2007, the enterprises which were established before the promulgation of the EIT Law and entitled to a preferential tax rate under the prevailing tax laws and administrative regulations may gradually shift to the tax rate under the EIT Law within five years since the EIT Law has come into effect. Those enterprises which were established before the promulgation of the EIT Law and entitled to the fixed-term tax reductions under the prevailing tax laws and administrative regulations may continue to enjoy the tax benefit after the implementation of the EIT Law until the expiration of the preferential term. For those who had not enjoyed tax benefits due to the failure to realize profits, their preferential term commenced from 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) implemented on January 1, 1994 and recently amended on January 1, 2009 and the Implementation Rules for 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) implemented on January 1, 1994 and recently amended on October 28, 2011, enterprises and individuals that provide labor services, transfer intangible assets or sell real estate within the territory of the PRC as specified by such regulations are subject to business tax. The latest revision of the aforementioned regulations and rules are as follows:

- extension of tax filing period from 10 days to 15 days;
- the withholding agents of the business tax shall be: (i) the domestic agents of foreign entities or individuals, who provide taxable services, transferring intangible assets or selling real property within the territory of the PRC but have no business institutions in the PRC; or (ii) the assignee of the assets or the purchaser of the services in the event that there is no domestic agent;
- the column specifying the taxable range is deleted from the list of taxation items and tax rates attached to the regulations, which enable the MOF and the SAT to define the scope of taxable business and services.

### *Value-added Tax (VAT)*

According to the Provisional Regulations of the PRC on VAT (中華人民共和國增值稅暫行條例) and the Implementation Rules for the Provisional Regulations of the PRC on VAT (中華人民共和國增值稅暫行條例實施細則) implemented on January 1, 1994 and recently amended on January 1, 2009, all institutions and individuals who sell goods or provide processing, repairing and replacement services and import goods within the PRC shall be subject to VAT. The tax rate of 13% shall be levied on general taxpayers who sell or import 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, animal feed, 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 who sell or import goods other than the aforementioned items, and those who provide processing, repair or replacement services. Small-scale taxpayers who sell goods or provide taxable services shall be subject to a tax rate of 3% (or 6% previously). A small-scale taxpayer is defined as a taxpayer who engages in the manufacturing of goods or the provision of taxable services, or primarily engages in the manufacturing of goods or supply of taxable services while concurrently engaging in the wholesale or retail of goods as secondary operations, and has annual VAT taxable sales (the "Taxable Sales") of no more than RMB0.5 million; or a taxpayer who is excluded in the aforementioned regulations but has annual Taxable Sales of no more than RMB0.8 million. Individuals whose annual Taxable Sales exceeds the standards for small-scaled taxpayers shall be subject to the tax rate of small-scaled taxpayers. Non-enterprise organizations or enterprises without frequent occurrence of taxable activities may opt for the tax rate of small-scaled taxpayers.

In addition, the new regulations and rules also set out the following provisions:

- the tax paid for purchasing fixed assets shall be deducted from the payable tax;
- extension of tax filing period from 10 days to 15 days;
- the withholding agents of the VAT shall be: (i) the domestic agents of foreign entities or individuals, who provide taxable services in the PRC but have no business institutions in the PRC; or (ii) the assignee of the assets or the purchaser of the services in the event that there is no domestic agent.

### *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) implemented on October 1, 1988 and recently amended on January 8, 2011 and the Implementation Rules of the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例施行細則) implemented on October 1, 1988, institutions and individuals executing or receiving taxable documents within the PRC shall be subject to stamp duty. The list of taxable documents includes purchase and sale contracts, processing contracts, construction contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents that resemble contracts in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by the MOF.

## **2. Taxes Applicable to Shareholders of Companies**

### **(1) Taxes on Dividends**

#### *Individual investor*

According to the Provisional Regulations of the PRC Concerning Taxation Issues on Enterprise Experimenting with the Share System (中華人民共和國股份制試點企業有關稅收問題的暫行規定) and the Individual Tax Law of the PRC (中華人民共和國個人所得稅法) (the “New Individual Income Tax Law”) revised on June 30, 2011 and effective on September 1, 2011, 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 subject to a withholding tax of 20% unless otherwise reduced by any applicable tax treaty or specifically exempted by the tax authority of the State Council.

The SAT, the tax authority of the PRC central government which succeeded the State Tax Bureau, promulgated, on July 21, 1993, a Notice of the State Administration of Taxation of the PRC Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (the “Original Tax Notice”) (國家稅務總局關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知) (Guo Shui Fa [1993] No. 45) which states that dividends paid by a PRC company to foreign individuals with respect to shares listed on an overseas stock exchange (the “Overseas Shares”), such as H Shares, are temporarily not subject to the PRC withholding tax.

In a letter dated July 26, 1994 to the former State Commission for Restructuring the Economic System, the former State Council Securities Commission and the CSRC, the SAT reiterated the temporary tax exemption stated in the Tax Notice for dividends received from a PRC company listed overseas. Under such exemption, a 20% tax may be withheld on dividends in accordance with the provisional regulations and the Individual Income Tax Law.

On January 4, 2011, the SAT promulgated the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (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) (the “New Tax Notice”) to abolish the Original Tax Notice. Pursuant to the New Tax Notice, after the abolishment of the Original Tax Notice, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders shall be withheld according to the New Individual Income Tax Law and the implementation regulations and such withholding

amount may enjoy tax reduction or exemption according to the agreement on avoidance of double taxation. In order to simplify the taxation procedures, the overseas resident individual in general will be subject to a withholding tax rate of 10% for the dividend received from the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong without submitting any application. Where the dividend tax rate is not 10%, the withholding agents shall: (1) rebate according to the procedure set in the regulations if the applicable tax rate is below 10%; (2) withhold the individual income tax at the applicable tax rate if the actual tax rate is higher than 10% but less than 20%; (3) withhold the individual income tax at the tax rate of 20% if the agreement for avoidance of double taxation is not applicable.

### *Enterprise*

Pursuant 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 with Respect to Tax 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) executed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong individual and legal person from a PRC company, but such tax shall not exceed 10% of the total sum of the dividends payable. If a Hong Kong resident holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total sum of dividends payable by that PRC company.

Pursuant to the EIT Law effective from January 1, 2008 and the Implementation Rules for the EIT Law of the PRC (中華人民共和國企業所得稅法實施條例), a non-resident enterprise, which has not established representative office or premises in the PRC, or if established, the dividends and bonus derived are not actually associated with such representative office or premises, shall be subject to tax at a rate of 10% on its operating income from the PRC. Such withholding tax may be reduced or exempted pursuant to any applicable double taxation agreement.

Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the EIT on the Dividends Paid by the PRC Resident Enterprises to H-share Holders who are Overseas Non-resident Enterprises (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) (Guo Shui Han [2008] No. 897) which was promulgated by the State Administration of Taxation and became effective on November 6, 2008, a PRC resident enterprise, when distributing dividends to H-share Holders who are Overseas Non-resident Enterprises since 2008, shall be subject to the enterprise income tax withheld at a uniform rate of 10%. Such withholding tax may be reduced or exempted pursuant to any applicable double taxation agreement.

### *Tax treaties*

Investors who are not PRC residents but either reside in countries which have entered into treaties for avoidance of double taxation with the PRC or reside in the Hong Kong Special Administrative Region or the Macau Special Administrative Region, may be entitled to a reduction of the withholding tax on the dividends paid by a PRC company. The PRC has executed the arrangements for the avoidance of double taxation with the Hong Kong Special Administrative Region and the Macau Special Administrative Region, and has entered into treaties for avoidance of double taxation with a number of countries, which include but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States. Under each of the treaties or arrangements for the avoidance of double taxation, the rate of withholding tax imposed by the PRC taxation authorities may be reduced, provided that the application for approval and filing has been completed according to the requirements stipulated in the Notice of the State Administration

of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (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) (Guo Shui Fa [2009] No. 124).

**(2) Taxes Relating to Transfer of Shares**

***Individual investors***

According to the New Individual Tax Law and the Implementation Rules for 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) as amended on July 19, 2011, gains realized on the sale of equity interests shall be subject to an individual income tax rate of 20%.

Pursuant to the Notice on Continuing the Temporary Income Tax Exemption Policy on the Share Transfer of Individual Holders (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) jointly issued by the MOF and the SAT on March 30, 1998, gains on sales of shares by individuals are temporarily exempted from the individual income tax. In addition, the notice requires that revenue realized from the disposal of overseas shares (in case of H Shares) by foreign individuals shall be temporarily exempted from the income tax of China. If the temporary exemption is no longer valid, individual holders of H Shares shall be subject to an income tax rate of 20% on capital gains, subject to the reduction or exemption by any applicable double taxation treaty.

***Enterprise***

Pursuant to the EIT Law and the Implementation Rules for the EIT Law of the PRC (中華人民共和國企業所得稅法實施條例), a non-resident enterprise, which have not established representative office or premises in the PRC, or if established, the income derived is not actually associated with such representative office or premises, are subject to tax at a rate of 10% on its operating income from the PRC. Such withholding tax may be reduced or exempted pursuant to any applicable double taxation agreement.

**(3) Estate Duty or Inheritance Tax**

No estate duty or inheritance tax is imposed in the PRC.

**(4) Stamp Duty**

Pursuant to the Provisional Regulations of China Concerning Stamp Duty (中華人民共和國印花稅暫行條例), the PRC stamp duty imposed on the transfer of shares of the listed companies of the PRC shall not apply to the acquisition and disposal by non-PRC investors of H Shares outside of the PRC. As stipulated in the regulations, PRC stamp duty shall only be imposed on documents which are executed or received within the PRC and legally binding in the PRC and protected under the PRC law.

**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 the Company.

**2. Taxation on Capital Gains and Profits**

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 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 chargeable to Hong Kong profits tax. Currently, a profits tax is imposed on corporation at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for examples, 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 the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liabilities 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.

### **3. Stamp Duty**

Hong Kong stamp duty will be payable by the purchaser on every purchase, and the seller on every sale, of H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the market 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 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 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, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

## ***PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL***

Several reforms have been carried out for the foreign exchange control system of China. The existing system has mainly featured two major regulatory laws and regulations since 1993. The State Council promulgated the Regulations of the People's Republic of China for the Control of Foreign Exchange (中華人民共和國外匯管理條例) (the "Foreign Exchange Control Regulations") which was implemented on April 1, 1996, and amended for the first time on January 14, 1997 and for the second time on August 1, 2008 with effect from August 5, 2008. The Foreign Exchange Control Regulations apply to the receipts, payments or business activities in China transacted in foreign currencies of domestic institutions, individuals, foreign establishments in China and foreign individuals visiting China. On June 20, 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) (PBOC Order [1996] No. 1) which became effective on July 1, 1996, governing the foreign exchange settlements, purchases, foreign exchange account openings and payments to foreign countries that are incurred in China by domestic institutions, individual residents, foreign establishments in China and foreign individuals visiting China. The PBOC announces the exchange rates between RMB and other major foreign currencies on each business day. The exchange rates are determined with reference to the trading prices of RMB on the preceding day against major foreign currencies in the inter-bank foreign exchange market.

Prior to the second amendment to the Foreign Exchange Control Regulations in August 2008, subject to special exemptions, all institutions and individuals in China shall sell their foreign exchange income to designated banks, while foreign-invested enterprises are allowed to retain and deposit a certain percentage of their foreign exchange income in the foreign exchange accounts opened in designated banks. However, the newly amended Foreign Exchange Control Regulations substantially changed the regulatory system by abolishing the principle of compulsory sale of foreign exchange income under current items, which means enterprises and individuals have the option either to sell to banks or retain the exchange income.

The PRC government has been loosening its control of foreign exchange purchase. Any PRC enterprises in need of foreign currencies for ordinary course of business, trading or non-trading business, import business and foreign debt payment may purchase foreign currencies from designated banks upon the submission of necessary applicable supporting documents. In addition, if foreign-invested enterprises need foreign currencies for distributing dividends, bonuses or profits to foreign investors, they may draw the amount needed from the foreign exchange account of designated banks upon the payment of applicable dividend tax. If the foreign currencies in relevant accounts are insufficient, foreign-invested enterprises may apply to the competent authorities for the purchase of foreign currencies in the required amount from designated banks to make up the insufficient amount. Despite the loosened foreign exchange control of current account transaction, the acceptance of foreign exchange loans, provision of foreign currency guarantee, foreign investment or other capital account transactions involving the purchase of foreign currencies by enterprises shall be subject to the approval of the State Administration of Foreign Exchange.

In foreign exchange transactions, designated banks may determine applicable exchange rates based on the exchange rates announced by the PBOC under certain government restrictions.

The CSRC and the SAFE jointly promulgated the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (關於境外上市外匯管理有關問題的通知) ((Zheng Jian Fa Zi [1994] No. 8), effective from January 13, 1994, pursuant to which:

- Funds raised by domestic enterprises through issuing shares overseas shall be categorized as income from capital projects, and may be deposited in cash in foreign exchange accounts opened in China as approved by the SAFE.
- A domestic enterprise issuing shares overseas shall, within ten days after the foreign funds raised through the issuance of the shares have become available, transfer the full amount of the funds into China and deposit the amount in a foreign exchange account as approved.

Since then, the CSRC and SAFE promulgated a series of relevant rules to gradually loosen the applicable requirements on the repatriation of proceeds of overseas listed companies to China. In August 2008, the Foreign Exchange Control Regulations were amended for the second time and further loosened the rules on the repatriation of foreign exchange income to China, stating that foreign exchange income can be repatriated to China, or deposited in an overseas account in accordance with specific conditions and/or within a specific period of time.

On January 28, 2013, the SAFE issued the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (關於境外上市外匯管理有關問題的通知) (Hui Fa [2013] No. 5), pursuant to which the proceeds from overseas listing of domestic issuers may be repatriated to a

designated domestic account or deposited in a designated overseas account, while the use of the proceeds shall be consistent with the disclosure documents including the prospectuses, circulars and resolutions of general meetings; domestic shareholders of a overseas listed company are allowed to open a special domestic account for the increase or reduction of their shareholdings. Specific guidelines are provided for the settlement and transfer of capital obtained from the increase or reduction of shareholdings. The capital account income of domestic shareholders generated from the reduction and transfer of the overseas shares of the issuers shall be repatriated to their domestic accounts designated for such reduction within two years from the day when the income is received.