

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

Taxation of Dividends

Individual investors

Pursuant to Arrangements between the Mainland of China and 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的安排》) signed on 21 August 2006, the PRC Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, the amount of such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fourth Protocol of the State Administration of Taxation Concerning Arrangements between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (SAT Announcement No. 12) (《國家稅務總局關於〈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〉第四議定書》(國家稅務總局公告第12號)), which came into effect on 29 December 2015, states that such provisions shall not apply to arrangements made for the primary purpose of gaining such tax benefit.

According to the IIT Law 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 to individuals are subject to IIT with the tax rate of 20%.

According to the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No.348) (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(國稅函[2011]348號)) promulgated by the SAT on 28 June 2011, for a foreign individual shareholder who is not a PRC resident, the receipt of dividends on the 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 a tax treaty with the PRC, the tax rate on dividends is 20%.

Generally, a tax rate of 10% shall apply to the dividends paid by the non-foreign invested PRC enterprise on shares listed in Hong Kong that are sold by foreign individuals (the “Relevant Individual Investors”) without application to applicable tax authorities according to the treaties. When a tax rate of 10% is not applicable, the withholding non-foreign invested PRC enterprise shall: (i) if individuals obtaining dividends or extra bonus are residents from a country whose tax rate for dividends under the tax treaty is lower than 10%, the tax withholding agents may, in accordance with the Circular, apply for the entitlements under the relevant tax treaties on their behalf, and after the examination and approval of the competent tax authorities, return the tax overpaid; (ii) if individuals obtaining dividends or extra bonus are residents from a country whose tax rate for dividends under the tax treaty is higher than 10% and lower than 20%, the tax withholding agents shall withhold the individual income tax in accordance with the actual rate when distributing dividends or extra bonus, and are not obligated to file an application; or (iii) withhold the tax at the rate of 20% if the countries of the Relevant Individual Investors have not entered into any taxation treaties with the PRC or otherwise.

Enterprise investors

In accordance with the EIT Law and the EIT Rules, a non-resident enterprise is generally subject to a 10% withholding 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.

Notice of the State Administration of Taxation on Issues Related to the Withholding and Remittance of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-resident Enterprises Which hold H Shares (Guo Shui Han [2008] No.897) (國家稅務總局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 SAT on 6 November 2008, further clarifies that a PRC-resident enterprise must withhold EIT at the 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 non-resident enterprise shareholders entitled to a reduced tax rate under tax treaties or arrangements may apply to the competent tax authorities for refund of the excess amount withheld.

Pursuant to Arrangements between the Mainland of China and 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的安排), signed on 21 August 2006, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders shall pay income tax according to PRC laws, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be not more than 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be not more than 10% of the distributed dividends.

Furthermore, pursuant to the Circular of the SAT on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreement (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated and with effect from 20 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

In addition, according to the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (非居民納稅人享受協定待遇管理辦法) issued on 14 October 2019 and became effective on 1 January 2020, a non-resident taxpayer satisfying the terms and conditions for enjoying the taxation treatment may be entitled to the taxation treaties treatment itself/himself when filing a tax declaration or making a withholding declaration through a withholding agent, and retain relevant documents and information subject to the subsequent administration by the tax authorities.

Taxation of Capital Gains**Individual investors**

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realised on the sale of equity interests in PRC resident

enterprises. Under 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 the Ministry of Finance and the SAT on 30 March 1998, from 1 January 1997 onwards, income of individuals from the transfer of shares in listed enterprises continues to be exempted from individual income tax. However, the Ministry of Finance, the SAT and the 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)) on 31 December 2009, 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 at the Latest Practicable Date, no legislation has expressly provided that IIT 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 practise the taxation administrations do not collect IIT on such income.

Enterprise investors

In accordance with the EIT Law and the EIT Rules, a non-resident enterprise is generally subject to withholding 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 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. As at the Latest Practicable Date, no legislation has expressly provided that withholding tax shall be collected from non-resident enterprises on their income derived by them from sale of the shares in PRC companies listed on overseas stock exchange. However, the possibility cannot be entirely excluded that taxation authorities will seek to collect withholding tax on such income in the future.

Estate Tax

Currently, no estate tax is imposed by the PRC Government.

EIT

The EIT Law and the EIT Rules, provide that the EIT rate applicable to all enterprises, resident or non-resident, shall be 25% generally.

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) amended on 8 January 2011 and the Implementation Rules 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), effective on 1 October 1988 and amended by Notice on Revision of the Administrative Measures on Payment of Stamp Duties on a Regular and Consolidated Basis (財政部、國家稅務總局關於改變印花稅按期匯總繳納管理辦法的通知) on 5 November 2004, PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside the PRC.

Value Added Tax

Pursuant to the Interim Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) promulgated on 13 December 1993 and further amended on 19 November 2017, and the

Detailed Rules for the 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), entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services and importation of goods within the territory of the PRC are subject to the payment of VAT. The VAT payable is calculated as “output VAT” minus “input VAT”. The VAT rate is 17% for entities that engage in the sales of goods. Domestic entities and individuals who engage in cross-border sales of services or intangible assets that are within the scope prescribed by the State Council shall be subject to zero-rated VAT.

Pursuant to the Notice on Implementing the Pilot Plan for Levying Value-added Tax in lieu of Business Tax Nationwide (關於全面推開營業稅改徵增值稅試點的通知) issued by the MOFCOM and SAT on 23 March 2016 and effective from 1 May 2016, from 1 May 2016 onwards, the pilot reform for the transition from business tax to VAT (“Business Tax to VAT”) is implemented nationwide. Pursuant to the Implementation Measures for Transition from Business Tax to Value-added Tax (營業稅改徵增值稅試點實施辦法), entities and individuals engaging in the sales of services, intangible assets or real property within the territory of the PRC shall pay VAT instead of business tax. Sales of services refers to the provisions of transportation services, postal services, telecommunication services, construction services, financial services, modern services and livelihood services.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知) implemented by the Ministry of Finance and the SAT, the tax rates of 17% and 11% applicable to any taxpayer’s VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively. As for exported goods to which the tax rate of 17% applies and whose export tax refund rate is 17%, the export tax refund rate shall be adjusted to 16%. As for exported goods and cross-border taxable acts to which the tax rate of 11% applies and whose export tax refund rate is 11%, the export tax refund rate shall be adjusted to 10%.

TAXATION IN HONG KONG

Tax 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.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the 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 trading, 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 rate of 15%. Gains from sales of the H Shares effected on the 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 Share is effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

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 to or from 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\$5.00 is charged on each instrument of transfer (if required). 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

Currently, Hong Kong has no estate duty.

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. The SAFE, under the authority of the PBOC, administers all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The principal regulations governing foreign currency exchange in the PRC are the Regulations on the Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理條例) (the “**Foreign Exchange Regulations**”), promulgated by the State Council in 1996 and amended in 1997 and 2008. Under the Foreign Exchange Regulations, Renminbi is freely convertible for current account items, such as trade and service-related foreign exchange transactions and unilateral transfers, on a basis of true and lawful transactions; as for capital account items, such as direct investment, loans, and portfolio investment, the prior approval of, or registration with, SAFE is required.

Pursuant to the Rules on Administration of Settlement, Sale and Payment of Foreign Exchange Provisions (結匯、售匯及付匯管理規定), issued by the PBOC on 20 June 1996 and effective from 1 July 1996, enterprises in the PRC may purchase foreign currency, subject to a cap approved by SAFE, to settle current account transactions, without the approval from SAFE. Foreign exchange transactions under capital account are still subject to limitations and require approvals from or registrations with SAFE.

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 US dollar only. The PBOC will publish the closing price of the Renminbi against foreign currencies such as the US dollar in the inter-bank foreign exchange market after the closing of the market on each business day, which will be used as the middle price for Renminbi transactions on the following business day.

Starting from 4 January 2006, the PBOC has authorised China Foreign Exchange Trading Centre to publish the middle price for the exchange of Renminbi to the US dollar, euro, Japanese yen and Hong Kong dollar at 9:15 am on each business day, which will be used as the middle price of exchange rates for transactions in inter-bank spot foreign exchange market (including over the counter and automatic price-matching transactions) and bank counter transactions.

On 26 December 2014, the SAFE promulgated 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). According to the notice, after a domestic company gets listed overseas, if any of its domestic shareholders intends to increase or decrease its shares in the company in accordance with the relevant provisions, such domestic shareholder shall, within 20 working days before such increase or decrease, handle overseas shareholding registration formalities with the local foreign exchange authority.