

B. Foreign Laws and Regulations

Yum China Holdings, Inc. is a corporation incorporated under the laws of the State of Delaware, the United States, and our affairs are governed by our Constitutional Documents and the DGCL, as well as other applicable laws, regulations, policies and procedures. The following is a summary of certain material terms of our Certificate of Incorporation and our Bylaws, as well as certain provisions of the DGCL and the U.S. Exchange Act. The summary is qualified in its entirety by reference to such documents, which you must read along with the applicable provisions of the DGCL and U.S. Exchange Act for complete information about the rights of our Shareholders and powers of our Directors.

General

Our authorized capital stock consists of 1,100,000,000 shares, of which 1,000,000,000 are shares of common stock, par value \$0.01 per share, and 100,000,000 are shares of preferred stock, par value \$0.01 per share.

Our authorized but unissued shares of common stock and preferred stock will generally be available for future issuance without the approval of the Company's stockholders. The number of authorized shares may be increased or decreased (but not below the number of shares thereof then outstanding) by amendment to the Certificate of Incorporation. The Company may use authorized but unissued shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation.

Common Stock

Voting. Each holder of our common stock is entitled to one vote for each share on all matters to be voted upon by the common stockholders, and there are no cumulative voting rights. Except as otherwise provided by law, the Certificate of Incorporation or the Bylaws, in all matters other than the election of directors, the affirmative vote of a majority of the shares present in person or represented by proxy at a meeting in which a quorum is present and entitled to vote on the matter is the act of the stockholders.

Dividends. Subject to any preferential rights of any outstanding preferred stock and the effect of applicable abandoned property, escheat or similar laws, holders of our common stock are entitled to receive ratably the dividends, if any, as may be declared from time to time by our Board out of funds legally available for that purpose.

Liquidation, Dissolution or Winding Up. If there is a liquidation, dissolution or winding up of the Company, holders of our common stock would be entitled to a ratable distribution of our assets remaining after the payment in full of liabilities and any preferential rights of any then-outstanding preferred stock.

Other Rights. Holders of our common stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred Stock

Under the terms of our Certificate of Incorporation, our Board is authorized, subject to limitations prescribed by the DGCL, to issue up to 100,000,000 shares of preferred stock in one or more series without further action by the holders of our common stock. Our Board has the discretion, subject to limitations prescribed by the DGCL and by our Certificate of Incorporation, to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

Board of Directors

Powers. The business and affairs of the Company are managed by or under the direction of our Board, and the Board may exercise all such powers of the Company (including powers related to the incurrence of debt) and do all such lawful acts and things as are not by the DGCL, the Certificate of Incorporation or the Bylaws required to be exclusively exercised or done by the stockholders.

Term. Each director is elected to serve a term of one year, with each director's term to expire at the annual meeting next following the director's election. Notwithstanding the expiration of the term of a director, the director will continue to hold office until a successor is elected and qualified or until his or her earlier death, resignation or removal.

Size; Vacancies. Our Certificate of Incorporation provides that the number of directors on our Board will be not less than three nor more than 15 and that the exact number of directors will be fixed by resolution of a majority of our entire Board (assuming no vacancies). Any vacancies created on our Board resulting from any increase in the authorized number of directors or death, resignation, retirement, disqualification, removal from office or other cause will be filled by a majority of our Board then in office, even if less than a quorum is present, or by a sole remaining director. Any director appointed to fill a vacancy on our Board will be appointed for a term expiring at the next election of directors and until his or her successor has been elected and qualified.

Election. Subject to the rights of the holders of any series of preferred shares to elect directors under specified circumstances, a majority of the votes cast at any meeting for the election of directors shall elect directors. A majority of votes cast means that the number of shares voted "for" a director's election exceeds 50% of the number of votes cast with respect to that director's election. Notwithstanding the foregoing, in the event of a contested election of directors, directors are elected by the vote of a plurality of the votes cast. If an incumbent director nominee is not elected and no successor has been elected at such meeting, the director is required to promptly tender his or her resignation to the Board for consideration. If such incumbent director's resignation is not accepted by the Board, such director will continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier death, resignation or removal.

Removal. Directors may be removed with or without cause by the affirmative vote of a majority of the voting power of the outstanding common stock.

Actions of the Board. A majority of all directors in office shall constitute a quorum for the transaction of business at any meeting of the Board. A majority of directors who are present at a meeting at which a quorum is present will constitute the required vote to effect any action taken by the Board. There is no specific provision requiring a quorum of independent directors to effect actions taken by the Board, including actions with respect to the compensation of directors. Any action required or permitted to be taken at a meeting of the Board may also be taken without a meeting if the action is taken in writing by all members of the Board.

Committees of the Board

The Board may create and make appointments to one or more committees of the Board comprised exclusively of directors who serve at the pleasure of the Board and who may have and exercise such powers of the Board in directing the management of the business and affairs of the Company as the Board may delegate, in its sole discretion, consistent with the provisions of the DGCL and the Certificate of Incorporation.

Meetings of Stockholders

Annual Meetings. The annual meeting of the stockholders will be held on such date and at such place, if any, and time as the Board determines, for the purpose of electing directors and the transaction of such business as may be a proper subject for action at the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board (or any duly authorized committee thereof), or (c) otherwise properly brought before the annual meeting by any stockholder (i) who is a stockholder of record both on the date of the giving of the notice such business and at the time of the annual meeting, (ii) who is entitled to vote at the meeting, and (iii) who complies with the advance notice procedures set forth in our Bylaws.

Under the DGCL, the Company is generally required to hold an annual meeting of stockholders at least once every 13 months. The rules of the NYSE also require the Company to hold an annual meeting of stockholders during each fiscal year.

Special Meetings. Our Certificate of Incorporation provides that special meetings of the stockholders may be called exclusively: (i) by the Board; (ii) by the chairman of our Board, our Chief Executive Officer or our Secretary, in each case with the concurrence of a majority of the Board; or (iii) by our Secretary upon written request by the stockholders owning at least twenty five (25) percent of all outstanding shares of common stock of the Company as determined pursuant to the Bylaws and who otherwise comply with such other requirements and procedures set forth in the Bylaws.

Notice of Meetings. The Company has adopted the default notice period for stockholder meetings under the DGCL. Under the Bylaws, at least 10 and no more than 60 days prior to any annual or special meeting of the stockholders, the Company must notify the stockholders entitled to vote at such meeting of the date, time and place, if any, and means of remote communication, if any, of the meeting and, in the case of a special meeting or where otherwise required by the Certificate of Incorporation or by statute, shall briefly describe the purpose or purposes of the meeting.

The Company is subject to the e-proxy rules of the U.S. Securities and Exchange Commission (the “SEC”). Since the Company has historically opted not to mail proxy materials to each stockholder and instead relies on electronic delivery, the Company is subject to the e-proxy rules and is required to notify stockholders of the electronic availability of the proxy materials (which include, among other things, the notice of the stockholder meeting) at least 40 days before the stockholder meeting to which the proxy materials relate. Accordingly, for stockholder meetings to which the e-proxy rules apply, the minimum number of days in advance that the Company must notify stockholders of an annual or special meeting is 40 days. If the e-proxy rules are not applicable — i.e., if the Company opts to mail its proxy materials to stockholders — then the Company would not be bound by the 40-day notice requirement. If the Company opts to mail its proxy materials, then it would, in consonance with the NYSE recommendation on the setting of the record date, give notice to stockholders at least 30 days in advance of the meeting.

The Company undertakes that it will provide at least 14 days’ notice for a general meeting after the Listing.

Record Date. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of the stockholders, or entitled to receive payment of any dividend, the Board may fix in advance a date as the record date for the determination of stockholders. The record date must not be more than 60 days before the meeting or action requiring a determination of stockholders. If no record date is fixed for the determination of stockholders, the record date is the day the notice of the meeting is mailed or the day the action requiring a determination of stockholders is taken.

Quorum. Except as otherwise prescribed by statute or the Bylaws, at any meeting of the stockholders, the presence in person or by proxy of the holders of record of a majority of the issued and outstanding shares of capital stock of the Company entitled to vote thereat constitutes a quorum for the transaction of business.

Requirements for Advance Notification of Stockholder Nominations and Proposals. Our Bylaws establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors (other than nominations made by or at the direction of our Board or a committee of our Board) to be presented at a meeting but not included in our proxy statement. To be timely, a stockholder’s notice to the Secretary of the Company must generally be delivered to or mailed and received at the principal executive offices of the Company: (a) in the case of an annual meeting, not more than 120 days and not less than 90 days prior to the anniversary date of

the immediately preceding annual meeting; provided, however, in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the 10th day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs and (b) in the case of a special meeting called for the purpose of electing directors, not later than the close of business on the 10th day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs. In addition, to be considered timely, a stockholder's notice must be updated and supplemented as required by our Bylaws, and must set forth the information specified in our Bylaws.

Proxy Access. Our Bylaws also include provisions permitting, subject to certain terms and conditions, stockholders owning at least 3% of our outstanding common stock for at least three consecutive years to use our annual meeting proxy statement to nominate a number of director candidates not to exceed 20% of the number of directors in office, subject to reduction in certain circumstances.

Stockholder Proposals pursuant to the U.S. Exchange Act Rule 14a-8. Stockholders who have continuously held at least US\$2,000 in market value of the Company's voting securities for at least one year, and who continue to hold those securities through the date of the applicable meeting, may also submit a shareholder proposal for inclusion in our proxy statement for that meeting, in accordance with the U.S. Exchange Act Rule 14a-8. To be timely, a stockholder's notice to the Secretary of the Company must be received (a) in the case of a regularly scheduled annual meeting, not less than 120 calendar days before the date of the Company's proxy statement released to stockholders in connection with the previous year's annual meeting; provided, however, in the event that the annual meeting is called for a date that is not within 30 days before or after the previous year's annual meeting, then the deadline is a reasonable time before the Company begins to print and send its proxy materials and (b) in the case of a meeting of stockholders other than a regularly scheduled annual meeting, the deadline is a reasonable time before the Company begins to print and send its proxy materials. Any proposals submitted pursuant to the U.S. Exchange Act Rule 14a-8 must also comply with the other requirements of that Rule.

Stockholder Action by Written Consent

Our Certificate of Incorporation expressly eliminates the right of our stockholders to act by written consent. Accordingly, stockholder action must take place at the annual or a special meeting of our stockholders.

Transfers of Shares

The shares of the Company's capital stock may be transferred on the books of the Company, in the case of certificated shares of stock, by the holder thereof in person or by such person's attorney duly authorized in writing, upon surrender for cancellation of certificates for at least the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Company or its agents may reasonably require; and, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney duly authorized in

writing, and upon compliance with appropriate procedures for transferring shares in uncertificated form. No transfer of shares shall be valid as against the Company for any purpose until it shall have been entered in the share records of the Company by an entry showing from and to whom transferred. Notwithstanding anything to the contrary in the Bylaws, at all times that the Company's shares are listed on a stock exchange, the shares must comply with all direct registration system eligibility requirements established by such exchange, including any requirement that shares of the Company's capital stock be eligible for issue in book-entry form.

There are no provisions in our Certificate of Incorporation or Bylaws relating to restriction on ownership of our shares.

Exclusive Forum

Our Certificate of Incorporation provides that, unless our Board otherwise determines, a state court of the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of the Company, any action asserting a claim of breach of a fiduciary duty owed by any director or officer of the Company to the Company or the Company's stockholders, creditors or other constituents, any action asserting a claim against the Company or any director or officer of the Company arising pursuant to any provision of the DGCL or the Company's Certificate of Incorporation or Bylaws, or any action asserting a claim against the Company or any director or officer of the Company governed by the internal affairs doctrine. However, if such court dismisses any such action for lack of subject matter jurisdiction, the action may be brought in the U.S. federal court for the District of Delaware. Although the Company's Certificate of Incorporation includes this exclusive forum provision, it is possible that a court could rule that this provision is inapplicable or unenforceable.

Indemnification and Limitation of Liability

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties as directors, except for liability for any breach of the director's duty of loyalty to the corporation or its stockholders, for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, for unlawful payments of dividends or unlawful stock repurchases or redemptions described by Section 174 of the DGCL or for any transaction from which the director derived an improper personal benefit. Our Certificate of Incorporation includes such an exculpation provision.

Our Certificate of Incorporation includes provisions that require the Company to indemnify, to the fullest extent allowable under the DGCL, directors or officers for monetary damages for actions taken as a director or officer of the Company or while serving at the Company's request as a director or officer or another position at another corporation or enterprise, as the case may be. The Certificate of Incorporation also provides that the Company must, subject to certain conditions, advance reasonable expenses to its directors and officers. The Certificate of Incorporation expressly authorizes the Company to carry directors' and officers' insurance to protect the Company and its directors, officers, employees and agents from certain liabilities.

Amendments to Certificate of Incorporation and Bylaws

Pursuant to the DGCL and subject to the exceptions provided therein, amendments to the Certificate of Incorporation require approval of both the Board and a majority of the outstanding stock entitled to vote thereon.

The Board is authorized to adopt, amend or repeal the Bylaws, in whole or in part, without any action on the part of the stockholders. The Bylaws may also be amended or repealed by the stockholders even though the Bylaws may also be amended or repealed by the Board.

Delaware Anti-Takeover Statute

The Company is subject to Section 203 of the DGCL, an anti-takeover statute. In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the time the person became an interested stockholder, unless: (a) prior to such time, the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (b) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) the voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan); or (c) on or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested stockholder. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an “interested stockholder” is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status did own) 15% or more of a corporation’s voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our Board, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by our stockholders.

Comparison of Certain Provisions of Hong Kong Law to Certain Provisions of Laws Applicable to the Company

Rights of Shareholders and Investor Protection. Please see the section headed “Waivers from Compliance with the Hong Kong Listing Rules and Exemptions from Strict Compliance with the Companies (WUMP) Ordinance — Shareholder Protection” in the Prospectus for further details of differences between Hong Kong law and U.S. securities laws, NYSE rules and Delaware law in relation to shareholder protection standards.

Appointment of Directors. Pursuant to Hong Kong law, the appointment of each director is required to be voted on individually. At a general meeting of a company, a motion for the appointment of two or more persons as directors of the company by a single resolution must not be made, unless a resolution that it may be so made has first been passed at the meeting without any vote against it. Pursuant to U.S. securities laws, the election of each director of the Company at an annual or special meeting is required to be voted on individually. Accordingly, the standard of shareholders' protection under U.S. securities laws is similar to that under Hong Kong law.

Declaration of Interest of Directors. Pursuant to Hong Kong law, if a director is in any way, directly or indirectly, interested in a transaction, arrangement or contract, or a proposed transaction, arrangement or contract, with the company that is significant in relation to the company's business, and the director's interest is material, the director must declare the nature and extent of the director's interest to the other directors. Pursuant to Delaware law, director fiduciary duties require that directors act in the best interest of the Company and not in their personal self-interest. Delaware law also provides that a transaction between the Company and a director, or the Company and another organization in which the director has a financial interest, shall not be void or voidable solely as a result of the self-interest, so long as the material facts as to the director's relationship or interest are disclosed or known to the Board or committee (or stockholders voting thereon, as applicable) and the transaction is approved by a majority of disinterested directors (or the stockholders, as applicable), or else the transaction is fair to the Company. Accordingly, the standard of shareholders' protection under Delaware law is similar to that under Hong Kong law.

Payment of Loss of Office or Retirement. Pursuant to Hong Kong law, without shareholders' approval, a company must not make a payment for loss of office to a director or former director of the company. U.S. securities laws and Delaware law contain no similar requirement for shareholder approval, as the approval of director compensation is within the discretion of the Board (or a duly authorized committee). However, the duty of care provided by Delaware law would prohibit the waste of corporate assets, and director compensation must be disclosed in the Company's annual proxy statement.

Loans to Directors. Pursuant to Hong Kong law, without shareholders' approval, a company must not make a loan to a director of the company or a body corporate controlled by such a director. In addition, without shareholders' approval, a public company must not make a quasi-loan to or enter into credit transaction with a director of the company. The Sarbanes-Oxley Act of 2002 generally prohibits the Company from making, or arranging for third parties to make, personal loans to directors. Accordingly, the standard of shareholders' protection under U.S. securities laws is similar to that under Hong Kong law.

Explanation of improving director's emoluments to be set out in notice of general meeting. Pursuant to Hong Kong law, a company must not at a general meeting amend its articles so as to provide emoluments or improved emoluments for a director of the company in respect of the office as director unless (a) there is set out in the notice calling the meeting or in a document attached to the notice an adequate explanation of the provision and (b) the provision is approved by a resolution not relating also to other matters. U.S. securities laws and Delaware law contain no similar requirement for shareholder approval, as the approval of director compensation is within the discretion of the Board (or a duly authorized committee). However, the duty of care provided by Delaware law would prohibit the waste of corporate assets, and director compensation must be disclosed in the Company's annual proxy statement.

Circumstances under which minority shareholders may be bought out or may be required to be bought out after a successful takeover or share repurchase. Pursuant to Hong Kong law, the minority shareholders of a company may be bought out or may require an offeror to buy out their interests if the offeror acquires nine-tenths in value of the shares for which the offer is made (or if the offer relates to shares of different classes, nine-tenths in value of the shares of that class). Pursuant to Delaware law, the shares held by minority stockholders of the Company may be acquired by an offeror owning at least 90% of the outstanding stock without the need for stockholder approval. Also under Delaware law, in certain circumstances following the acquisition of a majority of the shares of a publicly traded company, an offeror may acquire the remainder of the shares at the same price. In this regard, the standard of shareholders' protection under Delaware law is similar to that under Hong Kong law. However, there is no provision for minority stockholders to require an offeror to buy out their interests under similar circumstances.

MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following discussion summarizes the material U.S. federal income and estate tax considerations relating to the acquisition, ownership and disposition of the Shares purchased in this offering by a non-U.S. holder (as defined below). This discussion is based on the provisions of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), final, temporary and proposed U.S. Treasury regulations promulgated thereunder and current administrative rulings and judicial decisions, all as in effect as of the date hereof. All of these authorities may be subject to differing interpretations or repealed, revoked or modified, possibly with retroactive effect, which could materially alter the tax consequences to non-U.S. holders described in the Prospectus.

There can be no assurance that the U.S. Internal Revenue Service (“**IRS**”) will not take a contrary position to the tax consequences described herein or that such position will not be sustained by a court. No ruling from the IRS has been obtained with respect to the U.S. federal income or estate tax consequences to a non-U.S. holder of the purchase, ownership or disposition of the Shares.

This discussion is for general information only and is not tax advice. All prospective non-U.S. holders of the Shares should consult their own tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership and disposition of the Shares.

As used in this discussion, a “non-U.S. holder” is, for U.S. federal income tax purposes, a beneficial owner of the Shares that is not a U.S. holder. A “U.S. holder” means a beneficial owner of the Shares that is, for U.S. federal income tax purposes, (a) an individual who is a citizen or resident of the United States, (b) a corporation or other entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (d) a trust if it (1) is subject to the primary supervision of a court within the United States and one or more “United States persons” (within the meaning of the Code) have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

This discussion assumes that a prospective non-U.S. holder will hold the Shares as a capital asset within the meaning of the Code (generally, property held for investment). This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances. In addition, this discussion does not address tax consequences to U.S. holders, any aspect of the U.S. federal alternative minimum tax, the Medicare contribution tax, U.S. state or local or non-U.S. taxes, or the special tax rules applicable to particular non-U.S. holders, such as insurance companies and financial institutions; tax-exempt organizations; pension plans; controlled foreign corporations; passive foreign investment companies; brokers and dealers in securities; persons that hold the Shares as part of a straddle, conversion transaction, or other integrated investment; and former citizens or residents of the United States subject to tax as expatriates.

If a partnership or other entity treated as a partnership for U.S. federal income tax purposes is an owner of the Shares, the treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. We urge any owner of the Shares that is a partnership and partners in that partnership to consult their tax advisors regarding the U.S. federal income and estate tax consequences of purchasing, owning and disposing of the Shares.

Stockholder Registers

Holders may hold Shares registered on the principal segment of our register of stockholders in the United States (such Shares, "**U.S. registered Shares**," and such register, the "**U.S. register**"), which will be maintained by our principal Share registrar, Computershare US. Alternatively, holders may hold Shares registered on the Hong Kong register (such Shares, "**Hong Kong registered Shares**"), which will be maintained by our Hong Kong Share registrar, Computershare HK. Hong Kong registered Shares include Shares held through the services of CCASS. As discussed under the heading "Information About the Listing — Repositioning for Shares Trading and Settlement in Different Markets, Between Hong Kong and the United States," holders of Hong Kong registered Shares will be able to reposition these Shares to the U.S. register, and vice versa. Any such repositioning will not be a taxable event for U.S. federal income tax purposes.

Distributions on the Shares

The gross amount of any distribution on the Shares (notwithstanding that such distribution may be paid net of any PRC withholding taxes) paid to non-U.S. holders will generally constitute a dividend for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Gross distributions in excess of our current and accumulated earnings and profits will generally constitute a return of capital to the extent of the non-U.S. holder's adjusted tax basis in the Shares, and will be applied against and reduce the non-U.S. holder's adjusted tax basis. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in "— Gain on Sale, Exchange or Other Disposition of the Shares."

In the case of the U.S. registered Shares, provided such dividends are not effectively connected with the non-U.S. holder's conduct of a trade or business within the United States, dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a rate of 30% on the gross amount paid. This 30% withholding tax rate may be subject to reduction or elimination pursuant to an applicable income tax treaty, provided the non-U.S. holder provides proper certification of its eligibility for such reduced rate (usually on an IRS Form W-8BEN or W-8BEN-E). No additional amounts will be paid to non-U.S. holders in respect of U.S. withholding tax. The withholding tax does not apply to dividends paid to a non-U.S. holder of U.S. registered Shares that provides an IRS Form W-8ECI, certifying that the dividends are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. income tax as if the non-U.S. holder were a U.S. resident, subject to an applicable income tax treaty providing otherwise. A non-U.S. corporation receiving effectively connected dividends may also be subject to an additional "branch profits" tax imposed at a rate of 30% (or a lower treaty rate, if applicable).

In the case of Hong Kong registered Shares, the 30% withholding tax will apply to all holders, including U.S. holders, non-U.S. holders for whom the dividends constitute income "effectively connected" with a U.S. trade or business and non-U.S. holders otherwise eligible for a reduced rate of U.S. withholding tax on such dividends under the provisions of an applicable income tax treaty in effect between the United States and another country. This is because there will not be a mechanism available through the trading, settlement and security transferring facilities in Hong Kong for such holders to provide to the applicable withholding agent the certifications required by applicable U.S. Treasury regulations to avoid withholding on effectively connected income or to receive the benefit of the lower applicable income tax treaty withholding tax rate with respect to U.S. source dividends. In addition, for the same reason, it is not certain whether such holders will be able to obtain documentation required to make or substantiate a claim with the IRS for a refund or credit of U.S. federal income tax withheld from such dividends. Holders may request from their brokers or custodians documentation showing the amount of dividends received and the amounts of U.S. withholding tax applied with respect to those dividends in order to substantiate their own tax refund or credit, although there is no guarantee that such documentation will be provided or that such refund or credit claim will be successful. Accordingly, such holders holding Hong Kong registered Shares should consider repositioning these Shares to the U.S. register as described under "Information About the Listing — Repositioning for Shares Trading and Settlement in Different Markets, Between Hong Kong and the United States" prior to the payment of a dividend. Also, non-U.S. holders should be aware that the United States has not entered into an income tax treaty with Hong Kong and certain other countries. No additional amount will be paid to non-U.S. holders in respect of U.S. withholding tax. Prospective investors are urged to consult their own tax advisors regarding the application to them of the rules governing the withholding of U.S. federal income tax, and the rules governing the making of a claim with the IRS for a refund or credit of any excess amounts of U.S. federal income tax withheld, from such dividends paid to them. No additional amounts will be paid to non-U.S. holders in respect of U.S. withholding tax.

In addition to the 30% U.S. withholding tax described above, dividends received by a non-U.S. holder of Hong Kong registered Shares that are treated as effectively connected with a U.S. trade or business generally are subject to U.S. federal income tax at rates applicable to U.S. persons. A non-U.S. holder that is a corporation may, under certain circumstances, be subject to an additional "branch profits tax" imposed at a rate of 30%, or such lower rate as specified by an applicable income tax treaty between the United States and such non-U.S. holder's country of residence.

Gain On Sale, Exchange or Other Disposition of the Shares

A non-U.S. holder will generally not be subject to any U.S. federal income tax or withholding on any gain realized from the non-U.S. holder's sale, exchange or other disposition of the Shares unless:

- the gain is effectively connected with a U.S. trade or business (and, if an applicable income tax treaty so provides, is also attributable to a permanent establishment or a fixed base maintained within the United States by the non-U.S. holder), in which case the gain will be taxed on a net-income basis, generally in the same manner as if the non-U.S. holder were a U.S. person, and, if the non-U.S. holder is a corporation, the additional branch profits tax described above in “—Distributions on the Shares” may also apply;
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met, in which case the non-U.S. holder will be subject to a 30% tax on the net gain derived from the disposition, which may be offset by U.S.-source capital losses of the non-U.S. holder, if any; or
- we are, or have been at any time during the five-year period preceding such disposition (or the non-U.S. holder's holding period, if shorter), a “United States real property holding corporation” (“**USRPHC**”) under Section 897 of the Code.

Generally, we will be a USRPHC if the fair market value of our U.S. real property interests equals or exceeds 50% of the sum of the fair market values of our worldwide real property interests and other assets used or held for use in a trade or business, all as determined under applicable U.S. Treasury regulations. We believe that we have not been and are not currently, and do not anticipate becoming in the future, a USRPHC for U.S. federal income tax purposes. Even if we become a USRPHC, however, as long as the Shares are regularly traded on an established securities market, the Shares will be treated as a United States real property interest only if a non-U.S. holder actually or constructively holds more than five percent of the Shares at any time during the shorter of the five-year period ending on the date of the sale or other taxable disposition and the non-U.S. holder's holding period.

U.S. Federal Estate Tax

An individual non-U.S. holder who is treated as the owner, or who has made certain lifetime transfers, of an interest in the Shares will be required to include the value of the Shares in his or her gross estate for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax, unless an applicable estate or other tax treaty provides otherwise.

FATCA

In addition to the withholding described above, legislation enacted in 2010, known as FATCA, imposes a 30% withholding tax on dividend payments made by a U.S. person to a foreign financial institution or non-financial foreign entity (including, in some cases, when a foreign financial institution or nonfinancial foreign entity is acting as an intermediary), unless (i) in the case of a foreign financial institution, such institution enters into (or is deemed to have entered into) an agreement with the U.S. Treasury Department to withhold on certain payments, and to collect and provide to the U.S. Treasury Department substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners), (ii) in the case of a non-financial foreign entity, such entity provides the withholding agent with a certification identifying the direct and indirect substantial U.S. owners of the entity, or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. No additional amounts will be paid to non-U.S. holders in respect of FATCA withholding tax.

Each prospective purchaser of our Shares is advised to consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of purchasing, owning and disposing of our Shares. In particular, non-U.S. holders should consult their tax advisors regarding the possible implications of FATCA to them in connection with the purchase, ownership and disposition of the Shares.

Information Reporting

U.S. Treasury regulations require the applicable withholding agent to report annually to the IRS and to each non-U.S. holder the amount of distributions paid to such non-U.S. holders and the amount of tax withheld, if any. As described above under “Distributions on the Shares,” however, non-U.S. holders of Hong Kong registered Shares may not be able to obtain this information from their brokers. Copies of the information returns filed with the IRS to report the distributions and withholding may also be made available to the tax authorities in a country in which the non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.