

## APPENDIX IV

## TAXATION AND FOREIGN EXCHANGE

*This Appendix sets forth summaries of laws and regulations relating to taxation in the PRC.*

### OVERVIEW OF TAX IMPLICATIONS OF PRC

#### *Taxation on Dividends*

##### *Individual Investors*

Pursuant 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**”), which was last amended on August 31, 2018 and the Implementation Rules of 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實施條例》), which was last amended on December 18, 2018, dividends paid by PRC enterprises are subject to individual income tax levied at a tax rate of 20%. However, according to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Individual Income Tax Policies (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》), the income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise is exempt from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cancel foreign individuals’ tax exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the State Administration of Taxation should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the Ministry of Finance and the State Administration of Taxation.

##### *Enterprise Investors*

In accordance with the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which came into effect as of January 1, 2008 and was last amended on December 29, 2018, and the Implementation Rules for the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》), which came into effect as of January 1, 2008 and was last amended on April 23, 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but the PRC-sourced income is not connected to such establishment or premise in the PRC. The aforesaid enterprise income tax may be reduced pursuant to applicable treaties to avoid double taxation. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the enterprise income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular of the State Administration of Taxation on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Share Shareholders of Overseas Non-Resident Enterprise (《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》) which was issued by the State Administration of Taxation on

## APPENDIX IV

## TAXATION AND FOREIGN EXCHANGE

November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to H Share shareholders of overseas non-resident enterprise for 2008 and subsequent years. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Received by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) which was issued by the State Administration of Taxation on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《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 August 21, 2006, Chinese 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 total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《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〉第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to those arrangements or transactions, of which the main purpose includes gaining such tax benefit. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《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》).

### *Tax Treaties*

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the PRC tax authorities for a refund of the withholding tax in excess of the agreed tax rate.

### *Taxation on Share Transfer*

#### *Value-Added Tax and Local Surcharges*

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (the “Circular 36”), promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016 and as amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively, the entities and individuals that sell services, intangible assets or immovable

## APPENDIX IV

## TAXATION AND FOREIGN EXCHANGE

properties within the territory of the PRC are value-added tax payers, and shall pay value-added tax instead of business tax. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to value-added tax at 6% on the taxable income.

Meanwhile, the taxpayers of value-added tax are also subject to urban maintenance and construction tax, education surcharge and local education surcharge.

### *Income Tax*

#### *Individual Investors*

According to the IIT Law and its implementation rules, gains realized on the sale of equity interests in the PRC-resident enterprises are subject to the individual income tax at a rate of 20%. Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Declaring that Individual Income Tax Continues to be Exempted over Income from Transfer of Shares by Individuals (《財政部及國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued on March 30, 1998 and effective from January 1, 1997, income of individuals from the transfer of shares of listed enterprises shall continue to be exempted from individual income tax. On December 31, 2009, the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《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》) which states that individuals' income from transferring at Shanghai Stock Exchange or Shenzhen Stock Exchange the shares of a listed company acquired from the public offerings of the company or from the transfer market shall continuously be exempted from the individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《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補充通知》) jointly issued by the three aforementioned authorities on November 10, 2010. As of the latest practicable date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-resident individuals on the sale of shares of PRC-resident enterprises listed on overseas stock exchanges.

#### *Enterprise Investors*

In accordance with the EIT Law and its implementation rules, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or a premise in the PRC but the PRC-sourced income does not have actual connection with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the enterprise income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or exempted pursuant to relevant treaties or agreements on avoidance of double taxation.

### *Stamp Duty*

Pursuant to the Provisional Regulations Concerning Stamp Duty of the People's Republic of China (《中華人民共和國印花稅暫行條例》) effective as of October 1, 1988 and amended on

## APPENDIX IV

## TAXATION AND FOREIGN EXCHANGE

January 8, 2011, the Implementation Rules of the Provisional Regulations Concerning Stamp Duty of the People’s Republic of China (《中華人民共和國印花稅暫行條例施行細則》) effective as of October 1, 1988, and Notice of Ministry of Finance and State Administration of Taxation 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》) effective as of November 5, 2004, PRC stamp duty only applies on specific proof executed or received within the PRC and with legally binding force in the PRC, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H shares by non-PRC investors outside of the PRC.

### PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

#### *Enterprise Income Tax*

According to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》), as promulgated on March 16, 2007 and last amended on December 29, 2018, and the Implementing Rules of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》), as promulgated on December 6, 2007 and amended on April 23, 2019 (collectively the “**Enterprise Income Tax Law**”), enterprise income taxpayers shall include resident and non-resident enterprises. Resident enterprise refers to an enterprise that is established within China, or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China; or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%.

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Small and Micro Enterprises (《財政部、稅務總局關於實施小微企業普惠性稅收減免政策的通知》) promulgated on January 17, 2019, during January 1, 2019 to December 31, 2021, the annual taxable income of a small low-profit enterprise that is not more than 1 million RMB shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is more than 1 million RMB nor more than 3 million RMB shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%.

Enterprises that are recognized as high-tech enterprises in accordance with the Administrative Measures on Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) are entitled to enjoy the preferential enterprise income tax rate of 15%. The validity period of the high-tech enterprise qualification shall be three years from the date of issuance of the certificate of high-tech enterprise. The enterprise can re-apply for such recognition as a high-tech enterprise.

#### *Value-added Tax*

According to the Interim Value-Added Tax Regulations of the People’s Republic of China (《中華人民共和國增值稅暫行條例》), as announced by the State Council on December 13, 1993 and last amended on November 19, 2017, entities and individuals selling goods, providing labor services of processing, repairing or maintenance, selling services, intangible assets, real property in China, and importing goods to China, shall be identified as taxpayers of value-added tax.



## APPENDIX IV

## TAXATION AND FOREIGN EXCHANGE

Unless otherwise provided by laws, the value-added tax rate is: 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunication, construction, or immovable property leasing services, immovable property, transferring the rights to use land, or selling or importing specific goods; 6% for taxpayers selling services or intangible assets; 0% for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; 0% for exported goods, except as otherwise specified by the State Council.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016 and as amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (《財政部、國家稅務總局關於簡併增值稅稅率有關政策的通知》), announced by the Ministry of Finance and the State Administration of Taxation on April 28, 2017, the structure of value-added tax rates will be simplified from July 1, 2017, and the 13% value-added tax rate shall be canceled. The scope of goods with 11% value-added tax rate and the provisions for deducting input tax are specified.

According to the Circular of 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》) announced by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, from May 1, 2018, where a taxpayer engages in a value-added tax taxable sales activity or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019, with respect to value-added tax taxable sales or imported goods of a value-added tax general taxpayer, the originally applicable value-added tax rate of 16% shall be adjusted to 13%; the originally applicable value-added tax rate of 10% shall be adjusted to 9%.

## OVERVIEW OF TAX IMPLICATIONS OF HONG KONG

### HONG KONG Taxation of the Company

#### *Profits Tax*

The Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5% unless such profits are chargeable under the half-rate of 8.25% that may apply for the first HK\$2 million of assessable profits for years of assessment beginning on or after April 1, 2018. Dividend income derived by the Company from its subsidiaries will be excluded from Hong Kong profits tax.

## APPENDIX IV

## TAXATION AND FOREIGN EXCHANGE

### Hong Kong Taxation of Shareholders

#### *Tax on Dividends*

No tax is payable in Hong Kong in respect of dividends paid by the Company.

#### *Profits Tax*

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the H Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. 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 income tax rates of 16.5% on corporations and 15.0% on individuals, unless such gains are chargeable under the respective half-rates of 8.25% and 7.5% that may apply for the first HK\$2 million of assessable profits for years of assessment beginning on or after April 1, 2018. Gains from sales of H Shares effected on the Stock Exchange will be considered by the Hong Kong Inland Revenue Department to be derived from or arise in Hong Kong. Shareholders should take advice from their own professional advisers as to their particular tax position.

#### *Stamp Duty*

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of Shares.

#### *Estate Duty*

Hong Kong estate duty was abolished effective from February 11, 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

### FOREIGN EXCHANGE CONTROL IN THE PRC

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, under the authority of the People’s Bank of China (the “PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The principal regulations governing foreign currency exchange in the PRC is the Regulations of the People’s Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) (the “Foreign Exchange Control Regulations”) which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) which was promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of SAFE or its local counterparts is obtained.

---

## APPENDIX IV

## TAXATION AND FOREIGN EXCHANGE

---

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries business of foreign exchange settlement and sale by presenting valid documentation. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders’ general meetings on the distribution of profits, effect payment from foreign exchange accounts or with the purchased foreign exchange at designated foreign exchange banks.

On December 26, 2014, the SAFE issued the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within fifteen working days upon the end of its overseas public offering, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials. Funds raised by a domestic company through overseas listing may be transferred back or deposited overseas, and the use of such funds shall be consistent with those contents mentioned in publicly disclosed documents such as the document.

On February 13, 2015, the SAFE issued the Notice of on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which came into effect on June 1, 2015. The notice has canceled the approval of foreign exchange registration under domestic direct investment and the approval of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its local offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE on June 9, 2016, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to balance of payments.