TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an [**REDACTED**] in the H Shares, nor does it take into account the specific circumstances of any particular [**REDACTED**], some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an [**REDACTED**] in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change and may have retrospective effect.

This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital tax, stamp duty and estate duty. Prospective [**REDACTED**] are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

A. The PRC Taxation

Taxation on Dividends

Individual Investors

According to the *Individual Income Tax Law of the People's Republic of China* (hereinafter referred to as the "Individual Income Tax Law") that was promulgated on 10 September 1980 and amended on 31 August 2018 by the Standing Committee of the thirteenth National People's Congress, and came into effect on 1 January 2019, and the *Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China* that were amended by the State Council on 18 December 2018 and came into effect on 1 January 2019, dividends paid by Chinese companies to individual investors are generally subject to a withholding tax at a flat rate of 20%. In addition, according to the *Notice on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies* issued by the Ministry of Finance on 7 September 2015, where an individual acquires stocks of a listed company from public offering of the company or from the stock transfer market and holds the stocks for more than one year, the income from dividends is exempted from individual income tax; if the individual holds the stocks for one month or less, the income from dividends is fully taxable; if the individual holds the stocks for one month to one year, 50% of the income from dividends is taxable; The aforesaid income is subject to an individual income tax at a flat rate of 20%. In fact, the withholding tax rate for dividends of non-resident individuals may be lower than 20% under certain circumstances.

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 Taxes on Income* signed on 21 August 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the Hong Kong Special Administrative Region (HKSAR) (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable. If an HKSAR resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The *Fifth Protocol 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 Taxes on Income issued by the State Administration of Taxation* effective on 6 December 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

Corporate Investors

According to the *Law of the People's Republic of China on Enterprise Income Tax* (hereinafter referred to as the "Enterprise Income Tax Law") that was amended and came into effect on 29 December 2018, and the *Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax* that were amended and came into effect on 23 April 2019, where a non-resident enterprise has not set up any institutions or establishments in China, or it has done so, but its income generated in China is irrelevant to the said institutions or establishments, it shall pay tax on the portion of its income generated in China (including dividends received from a Chinese resident enterprise whose shares are issued and listed in HKSAR) and the enterprise income rate is generally 10%. The aforesaid income tax payable by a non-resident enterprise must be withheld at source. The payer of the income is the withholding obligator. The withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation.

The *Notice of the Issues Concerning Withholding Enterprise Income Tax on the Dividends Distributed by Chinese Resident Enterprises to Overseas H-share Non-Chinese Resident Enterprise Shareholders* that was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, further clarifies that with regard to dividends distributed from profits generated after 1 January 2008, Chinese resident enterprises must withhold and pay enterprise income tax at a tax rate of 10% on dividends distributed to H-share non-Chinese resident enterprise shareholders. The *Reply of the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises* that was promulgated by the State Administration of Taxation on 24 July 2009, further provides that any Chinese resident enterprise listed on any overseas stock exchange must withhold enterprise income tax at a rate of 10% on dividends distributed to non-Chinese resident enterprise shareholders. Such tax rates may be further changed 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 for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income* signed on 21 August 2006, the Chinese government may impose tax on dividends paid by a Chinese company to an HKSAR resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of the dividends payable. If an HKSAR resident directly holds 25% or more of the equity interest in a Chinese company, such tax shall not exceed 5% of the total dividends payable by the Chinese company. The *Fifth Protocol 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 Taxes on Income issued by the State Administration of Taxation* effective on 6 December 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

Tax Treaties

Non-Chinese resident investors residing in countries that have entered into treaties for the avoidance of double taxation with China or residing in HKSAR or Macau Special Administrative Region are entitled to preferential tax rates on dividends received by such investors from the Chinese companies. China has entered into arrangements for the avoidance of double taxation with HKSAR and Macau Special Administrative Region, respectively, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. A non-Chinese resident enterprise entitled to a preferential tax rate under a relevant income tax treaty or arrangement may apply to China tax authorities for a refund of the difference between the amount of tax withheld and the amount of tax calculated according to the treaty rate.

Taxes on Income from Transfer of Equity

Individual Investors

According to the *Individual Income Tax Law* and its implementation regulations, individuals shall pay the individual income tax at the rate of 20% on their income from the sale of equity in Chinese resident enterprises. In accordance with the *Circular of the Declaring that Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares* (hereinafter referred to as "No. 61 Circular") that was promulgated by the Ministry of Finance and the State Administration of Taxation on 20 March 1998, from 1 January 1997, income of individuals from the transfer of shares of listed companies remain exempted from individual income tax. According to the *Announcement of the Ministry of Finance and the State Administration of Taxation about the Catalogue of Preferential Individual Income Tax Policies with Continued Effect* promulgated by the Ministry of Finance and the State Administration of Taxation on 29 December 2018, the No. 61 Circular will remain effective.

Corporate Investors

According to the *Enterprise Income Tax Law* and its implementation regulations, where a non-Chinese resident enterprise has not set up any institutions or establishments in China, or it has done so but its income generated in China is irrelevant to the said institutions or establishments, it shall pay tax on the portion of its income generated in China (including gains from the disposal of shares of Chinese resident enterprises) and the enterprise income rate is generally 10%. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

Tax Policies for Shanghai – Hong Kong Stock Connect

On 31 October 2014, the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission jointly promulgated the *Circular on the Relevant Taxation Policy for the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets* (hereinafter referred to as "Shanghai – Hong Kong Stock Connect Taxation Policy"). Pursuant to the *Shanghai – Hong Kong Stock Connect Taxation Policy*, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Exchanges and Clearing Market through Shanghai – Hong Kong Stock Connect is included in their total income and enterprise income tax is levied on such income in accordance with the law. Pursuant to the *Announcement on Continued Implementation of Individual Income Tax Policies Relating to Interconnection Mechanism for Transactions in Shanghai – Hong Kong Stock Markets and Shenzhen – Hong Kong Stock Markets and Mutual Recognition of Funds Between the Mainland of China and the Hong Kong Special Administrative Region* that came into effect on 5 December 2019, from 5 December 2019 to 31 December 2022, the income from the transfer price difference obtained by individual investors of the mainland of China investing in stocks listed on the Hong Kong Exchanges and Clearing Market through Shanghai-Hong Kong Stock Connect is exempted from individual income tax. For dividends and bonus obtained by individual investors of the mainland of China investing in H-shares listed on the Hong Kong Exchanges and Clearing Market through Shanghai – Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Co., Ltd. (Hereinafter referred to as "CSDCC") for provision by CSDCC to the H-share companies the register of individual investors of the mainland of China. The H-share companies shall withhold individual income tax at a rate of 20%.

The income from dividends and bonus obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Exchanges and Clearing Market through Shanghai – Hong Kong Stock Connect is included in their total income. The enterprise income tax is levied on such income in accordance with the law. In particular, enterprise income tax will be exempted according to law for income from dividends and bonus obtained by resident enterprises of the mainland of China that hold H-shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

Tax Policies for Shenzhen – Hong Kong Stock Connect

On 5 November 2016, the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission jointly issued the *Circular on the Relevant Taxation Policy for the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets* (hereinafter referred to as "Shenzhen – Hong Kong Stock Connect Taxation Policy"). Pursuant to the *Shenzhen – Hong Kong Stock Connect Taxation Policy*, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Exchanges and Clearing Market through Shenzhen – Hong Kong Stock Connect is included in their total income. The enterprise income tax is levied on such income in accordance with the law. Pursuant to the *Announcement on Continued Implementation of Individual Income Tax Policies Relating to Interconnection Mechanism for Transactions in Shanghai – Hong Kong Stock Markets and Shenzhen – Hong Kong Stock Markets and Mutual Recognition of Funds Between the Mainland of China and the Hong Kong Special Administrative Region* that came into effect on 5 December 2019, from 5 December 2019 to 31 December 2022, the income from the transfer price difference obtained by individual investors of the mainland of China investing in stocks listed on the Hong Kong Exchanges and Clearing Market through Shenzhen – Hong Kong Stock Connect are exempted from individual income tax. For dividends and bonus obtained by individual investors of the mainland of China investing in The PRC listed on the Hong Kong Exchanges and Clearing Market through Shanghai – Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for provision by CSDCC to the H-share companies the register of individual investors of the mainland of China, and CSDCC shall withhold individual income tax at a rate of 20%.

The income from dividends and bonus obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Exchanges and Clearing Market through Shenzhen – Hong Kong Stock Connect is included in their total income. The enterprise income tax is levied on such income in accordance with the law. Enterprise income tax is exempted according to law for income from dividends and bonus obtained by resident enterprises of the mainland of China that hold H-shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

Chinese Stamp Duty

In accordance with the *Provisional Regulations of China Concerning Stamp Duty* that were amended on 8 January 2011 and the *Rules for Implementation of Provisional Regulations of China Concerning Stamp Duty* that came into effect on 1 October 1988, Chinese stamp duty is imposed on documents that are legally binding in China and governed by Chinese laws. Therefore, Chinese stamp duty does not apply to acquisitions or dispositions of H-shares outside China.

Estate Duty

China currently has not imposed any estate tax.

B. Hong Kong Taxation

Taxation on Dividends

No tax is payable in Hong Kong in respect of dividends paid by our 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 Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. 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.

1. PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the *Enterprise Income Tax Law*, the enterprise income tax rate in China is 25% and is in line with the rate applicable to foreign-invested enterprises and foreign enterprises.

According to the *Administrative Measures for Recognition of High and New-Technology Enterprises* that was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on 14 April 2008, amended on 29 January 2016 and came into effect on 1 January 2016, high- and new-tech enterprises can apply for a preferential enterprise income tax rate of 15% in accordance with the *Enterprise Income Tax Law*. According to the *Notice Regarding the Promotion of the Income Tax Policy for Technologically Advanced Service Enterprises to the Whole Country* that was promulgated by the Ministry of Finance, the State Administration of Taxation, the Ministry of Commerce, the Ministry of Science and Technology, and the National Development and Reform Commission on 2 November 2017 and came into effect on 1 January 2017, technologically advanced service enterprises are entitled to a reduced rate of 15% for the enterprise income tax nationwide. The education expenditures of employees in recognized technologically advanced service enterprises that do not exceed 8% of the total wages and salaries can be deducted from the taxable income. The excess is allowed to be carried forward for deduction in subsequent tax years.

Value-added Tax

Pursuant to the *Interim Regulations on Value-added Tax* that were amended and came into effect on 19 November 2017, all organizations and individuals engaged in sales of goods, provision of processing, repairs and replacement services, or import of goods within the territory of China are subject to value-added tax ("VAT"). For taxpayers selling or importing goods, except as otherwise provided in the above regulations, the general tax rate is 17%.

The *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* (Cai Shui [2016] No. 36) that promulgated by the Ministry of Finance and the State Administration of Taxation on 23 March 2016 and came into effect on 1 May 2016, upon approval of the State Council, the pilot program of replacing business tax with value-added tax will be promoted nationwide from 1 May 2016. All business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry are included in the scope of the pilot program. The payment of business tax will be replaced by the payment of VAT. Pursuant to the *Measures for the Implementation of the Pilot Program of Replacing Business Tax with Value-Added Tax* that was issued and came into effect at the same time with the aforementioned notice, the tax rates applied to taxpayers for selling services, intangible assets or real estates shall be 17%, 11%, 6% and zero, respectively.

Pursuant to *Notice on Adjusting Value-added Tax Rates* that was promulgated by the by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and came into effect on 1 May 2018, for taxpayers engaging in taxable sales or import of goods, the previously applicable VAT rates of 17% and 11% are adjusted to 16% and 10%, respectively.

Pursuant to the *Announcement on Relevant Policies for Deepening the VAT Reform* that was promulgated by the by the Ministry of Finance, the State Administration of Taxation and General Administration of Customs on March 20, 2019 and came into effect on 1 April 2019, for taxpayers engaging in taxable sales or import of goods, the previously applicable VAT rates of 16% and 10% are adjusted to 13% and 9%, respectively.

2. TAXATION OF OUR COMPANY IN HONG KONG

Profits Tax

Our 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%. Dividend income derived by our Company from its subsidiaries will be excluded from Hong Kong profits tax.

3. FOREIGN EXCHANGE

The lawful currency of China is the RMB, that is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The State Administration of Foreign Exchange under the People's Republic of China is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 29 January 1996, the State Council promulgated the *Regulations on the Foreign Exchange System of the People's Republic of China* (hereinafter referred to as the "Foreign Exchange Control Regulations") that came into effect on 1 April 1996. The *Foreign Exchange Control Regulations* classify all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the State Administration of Foreign Exchange's approval, while capital account items remain subject to the approval. The *Foreign Exchange Control Regulations* were amended on 14 January 1997 and 5 August 2008. The latest amendment to the *Foreign Exchange Control Regulations* stipulates that the state will not impose any restriction on international current account payments and transfers.

On 20 June 1996, the People's Republic of China promulgated the *Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (hereinafter referred to as the "Settlement Regulations") that came into effect on 1 July 1996. The *Settlement Regulations* abolished the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the *Announcement on Improving the Reform of the RMB Exchange Rate Formation Mechanism* promulgated by the People's Bank of China on 21 July 2005, China began to implement a managed floating exchange rate system in that the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The RMB exchange rate was no longer pegged to USD. The People's Bank of China would publish the closing price of the RMB against foreign currencies such as USD in the inter-bank foreign exchange market after the closing of the market on each business day, which would be used as the central parity for RMB transactions on the following business day.

From 4 January 2016, the People's Bank of China introduced over-the-counter transactions into the inter-bank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of RMB exchange rates, and the practice of matching was kept at the same time. In addition, the People's Bank of China introduced the market-maker system to provide liquidity to the foreign exchange market. On 1 July 2014, the the People's Bank of China further improved the market-oriented formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade System to make inquiries with the market makers before the inter-bank foreign exchange market opens every day for their offered quotations. The inquiries serve as samples to calculate the central parity of the RMB against USD, and are announced at 9:15 a.m. on each business day.

On 5 August 2008, the State Council promulgated the amended *Regulations of the People's Republic of China on Foreign Exchange Control* (hereinafter referred to as the "Amended Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange supervision system of China. First, the *Revised Foreign Exchange Control Regulations* have adopted an approach of balancing the inflow and outflow of funds. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital accounts are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the *Revised Foreign Exchange Control Regulations* have improved the RMB exchange rate formation mechanism based on market supply and demand. Third, the *Revised Foreign Exchange Control Regulations* have enhanced the monitoring of cross-border foreign currency fund flows. In the event that receipts and payments in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the *Revised Foreign Exchange Control Regulations* have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the State Administration of Foreign Exchange to enhance its supervisory and administrative powers.

Pursuant to the relevant State rules and regulations, all of the foreign exchange income of Chinese enterprises from the current account items transactions may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Foreign exchange income from loans granted by overseas institutions or from the issuance of bonds and shares is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

Chinese enterprises (including foreign-funded enterprises) that need foreign exchange for transactions relating to current account items may, without the approval of the State Administration of Foreign Exchange, effect exchange and payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-funded enterprises that need foreign exchange for the distribution of profits to their shareholders and Chinese enterprises that are required to pay dividends to their shareholders in foreign exchange in accordance with regulations, may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

Pursuant to the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Administration for Overseas Investment and Financing and Round-trip Investment Conducted by Domestic Residents through Special Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), which was promulgated by the SAFE on July 4, 2014, a domestic resident shall, before contributing the domestic and overseas lawful assets or interests to a SPV, apply to the foreign exchange office for foreign exchange registration of overseas investments. A domestic resident making capital contribution using its legitimate assets or interests in China shall apply to the

foreign exchange bureau at its place of registration or the foreign exchange bureau at the location of the enterprise assets or interests to complete registration formalities. A domestic resident making capital contribution using its legitimate assets or interests overseas shall apply to the foreign exchange bureau at its place of registration or foreign exchange bureau at its place of home register to complete registration formalities. A domestic resident may only carry out subsequent business after registration of foreign exchange for overseas investment. Where a domestic resident fails to go through relevant foreign exchange registration as required, fails to truthfully disclose information on the actual controller of the enterprise involved in the return investment or otherwise makes false commitments, the SAFE will impose penalties in accordance with the relevant provisions of the Foreign Exchange Control Regulations.

According to Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for 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 was promulgated by the SAFE on February 13, 2015, the administrative approval for foreign exchange registration under domestic direct investment and overseas direct investment have been cancelled. A market player involved may elect a bank at the place of its incorporation for direct investment foreign exchange registration. Upon registration,it may open an account, transfer funds and other businesses for subsequent direct investment, including inward or outward remittances of profits and bonus.

The *Decisions of Matters including Canceling and Adjusting a Batch of Administrative Approval Items* promulgated on 23 October 2014 canceled the approval requirement of the State Administration of Foreign Exchange and it branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into domestic RMB accounts.

Pursuant to the *Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing* promulgated by the State Administration of Foreign Exchange on 26 December 2014, a domestic issuer shall, within 15 business days from completion of its initial public offering overseas, register the overseas listing with the State Administration of Foreign Exchange's local branch at the place of its incorporation. The proceeds of a domestic issuer from an overseas listing may be remitted to a domestic account or deposited overseas, and the use of the proceeds must be consistent with the content of the document and other disclosure documents.

Pursuant to the *Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Account Items* promulgated by the State Administration of Foreign Exchange on 9 June 2016, discretionary settlement of foreign exchange capital income can be handled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The State Administration of Foreign Exchange may adjust the above proportion in due course based on international balance of payments.

On 26 January 2017, the State Administration of Foreign Exchange released the *Notice of the Foreign Exchange on Further Promoting Trade and Investment Facilitation and Improving the Authenticity Review*, to further expand the settlement scope for foreign exchange loans at home and abroad: allowing domestic foreign exchange loans in imports and exports of goods to handle foreign exchange settlement; Allowing funds to be transferred back to China under domestic guarantees and foreign loans; Allowing foreign exchange settlement in domestic foreign exchange accounts of foreign institutions in the Pilot Free Trade Zone; Full-caliber domestic currency and foreign currency lending management is implemented. For domestic institutions applying for overseas lending, the total balance of foreign lending of domestic currency and foreign currency must not exceed 30% of the owner's equity in the audited financial statements of the previous year.

On 23 October 2019, the State Administration of Foreign Exchange released the *Circular on Further Promoting the Facilitation of Cross-border Trade and Investment* that came into effect on the same date (Article 8.2 came into effect on 1 January 2020). Under this circular, on the basis that investing foreign-funded enterprises (including foreign-funded companies, foreign-funded venture capital enterprises and foreign-funded equity investment enterprises) may make domestic equity investments with their capital funds in accordance with laws and regulations, non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the premise that the existing special administrative measures (negative list) for foreign investment access are not violated and domestic investment projects are true and compliant.

Pursuant to the *Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business* issued by the State Administration of Foreign Exchange on April 10, 2020, eligible enterprises can use receipts under the capital accounts such as capital funds, external debts and overseas listings for domestic payment without providing banks with authenticity certification materials on a transaction-by-transaction basis in advance, under the premise that funds are used in a truthful and compliant manner and comply with the existing provisions on the administration of use of receipts under capital accounts. Banks shall, with the principle of prudential business development, manage and control the relevant business risks, and conduct ex post random inspection over the facilitation of receipts and payments under capital accounts according to the relevant requirements.