PRC TAXATION

TAXATION ON DIVIDENDS

Individual Investors

Pursuant to the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得税法》) (the "**IIT Law**"), which was last amended on August 31, 2018 and came into effect on January 1, 2019 and the *Implementation Provisions of the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得税法實施條例》), which was last amended on December 18, 2018 and came into effect on January 1, 2019, for individual income including interest, dividend and bonus, shall pay individual income tax with applicable proportional tax rate of 20%. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus obtained from enterprises, institutions, other organizations and individual residents within China are deemed as derived from the PRC whether the payment place is in the PRC.

For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

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税法》) (the "EIT Law"), which was amended on December 29, 2018 and became effective on the same date, and the Implementation Provisions of the Enterprise Income Tax Law of the PRC, which was amended on April 23, 2019 and became effective on the same date, a nonresident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for nonresident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the nonresident enterprise when such payment is made or due.

The *Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares* (《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税有關問題的通知》), which was issued by the SAT on November 6, 2008 and became effective on the same date, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas nonresident enterprise shareholders of H Shares. In addition, the *Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding*

Stock such as B Shares (《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 SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to nonresident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant jurisdiction or area, where applicable.

Pursuant to the *Arrangement between the Mainland 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》), which was signed on August 21, 2006 and came into effect on December 8, 2006, the 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 the 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》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, 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 or residing in Hong Kong or Macau 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, Macau, 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 agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

TAXATION ON SHARE TRANSFER

Individual Investor

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the *Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares* (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the State Administration of Taxation on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The State Administration of Taxation did not clearly stipulate whether to continue to exempt individuals from the taxation on income from the transfer of shares of listed companies in the latest revised IIT Law.

However, On December 31, 2009, the MOF, the State Administration of Taxation and CSRC jointly issued the *Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the 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税有關問題的通知》), which became effective on January 1, 2010, states that individuals' income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the *Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies* (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above three departments on November 10, 2010).

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, the PRC tax authorities have not levied income tax from non-PRC resident individuals on gains from the transfer of PRC resident enterprises listed on overseas stock exchange. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a nonresident enterprise is generally subject to corporate income tax at the rate of a 10% 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 premise in the PRC but its PRC-sourced income has no real connection with such

establishment or premise. Such income tax payable for nonresident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the nonresident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the *Stamp Duty Law of the People's Republic of China*, which was promulgated in June 10, 2021 and became effective in July 1, 2022, PRC stamp duty only applies to specific proof executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, 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.

According to the *Law of the PRC on Stamp Duty* (《中華人民共和國印花税法》) promulgated on June 10, 2021 and became effective on July 1, 2022, the purchase and disposal of H shares by non-PRC investors outside of the PRC does not apply to the relevant provisions of the *Law of the PRC on Stamp Duty* (《中華人民共和國印花税法》).

Estate Duty

As of the Latest Practicable Date, the PRC does not impose any estate duty.

Shanghai-Hong Kong Stock Connect Taxation Policy

The *Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market* (《關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》) (the "Shanghai-Hong Kong Stock Connect Taxation Policy") jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on October 31, 2014 and became effective on November 17, 2014, clearly sets forth taxation policy involved in the pilot inter-connected mechanism for trading via Shanghai-Hong Kong Stock Connect. The *Notice on Continuing the Application of Relevant Individual Income Tax Policies under the Interconnected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market* (《關於繼續執行滬港股票市場交易互聯互通機制有關個人所得税政策的通知》) jointly promulgated by the Ministry of Finance, the *State Administration of Taxation* and the China Securities Regulatory Commission on November 1, 2017 and became effective on November 17, 2017 and the *Circular on the Continued Implementation of the Individual Income Tax Policies on the Interconnection Mechanisms for Transactions in the Shanghai and Hong Kong Stock Markets and for Transactions in the Shenzhen and Hong Kong Stock Markets* (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得税政策的通知》) jointly promulgated by the Ministry of Finance, the State Administration of

Taxation and the China Securities Regulatory Commission on December 4, 2019 and became effective on December 5, 2019 clearly sets forth relevant issues on taxation policy applicable to mainland individual investors.

According to Shanghai-Hong Kong Stock Connect Taxation Policy and the requirements of the said notice and circular, from November 17, 2014 to December 31, 2022, transfer spread income derived from investment by mainland individual investors in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect will be temporarily exempted from individual income tax. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland corporate investors through Shanghai-Hong Kong Stock Connect. For the avoidance of doubt, as the business tax has been replaced by value-added tax, the aforesaid business tax should be referred to value-added tax accordingly. For dividends and bonus received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, individual income tax shall be withheld and paid by the H share listed company at the rate of 20%. For dividends and bonus received by mainland securities investment funds from investing in non-H shares listed on the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, individual income tax is withheld by China Securities Depository and Clearing Corporation Limited ("CSDCC") at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing the valid tax credit document.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income derived from investment by mainland corporate investors in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in shares listed on the Stock Exchange by mainland corporate investors through Shanghai-Hong Kong Stock Connect. For the avoidance of doubt, as the business tax has been replaced by value-added tax, the aforesaid business tax should be referred to value-added tax accordingly. Enterprise income tax will be levied according to law on dividend income derived from investment by mainland corporate investors in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors, and the tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax by themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, mainland investors who deal with, inherit, and are bestowed upon with shares listed on the Stock Exchange via the Shanghai-Hong Kong Stock Connect are subject to stamp duties in accordance with current taxation requirements in Hong Kong. CSDCC and Hong Kong Securities Clearing Company Limited are authorized to levy stamp duties above on behalf of each other.

Shenzhen-Hong Kong Stock Connect Taxation Policy

The *Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market* (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (the "SZHK Stock Connect Taxation Policy") jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on November 5, 2016 and became effective on December 5, 2016, clearly sets forth taxation policy involved in the pilot inter-connected mechanism for trading via Shanghai-Hong Kong Stock Connect. The *Circular on the Continued Implementation of the Individual Income Tax Policies on the Interconnection Mechanisms for Transactions in the Shanghai and Hong Kong Stock Markets and for Transactions in the Shenzhen and Hong Kong Stock Markets* (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的通知》) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on December 4, 2019 clearly sets forth relevant issues on taxation policy applicable to mainland individual investors.

According to SZHK Stock Connect Taxation Policy and the requirements of the said circular, from December 5, 2016 to December 31, 2022, transfer spread income derived from investment by mainland individual investors in shares listed on the Hong Kong Stock Exchange through SZHK Stock Connect will be temporarily exempted from individual income tax. Business tax will be exempted during the pilot period of transforming business tax to value-added tax on spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland individual investors through SZHK Stock Connect. For dividends and bonus received by mainland individual investors or mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange via SZHK Stock Connect, individual income tax shall be withheld and paid by the H share listed company at the rate of 20%. For dividends and bonus received by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on the Hong Kong Stock Exchange via SZHK Stock Connect, individual income tax is withheld by CSDCC at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing the valid tax credit document.

Pursuant to the SZHK Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in its total income) derived from investment by mainland corporate investors in shares listed on the Hong Kong Stock Exchange through SZHK Stock Connect. Value-added tax will be exempted during the pilot period of transforming business tax to value-added tax in accordance with the current policy for spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland

corporate investors through SZHK Stock Connect. Enterprise income tax will be levied according to law on dividend income (included in its total income) derived from investment by mainland corporate investors in shares listed on the Hong Kong Stock Exchange through SZHK Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors, and the tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax by themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the SZHK Stock Connect Taxation Policy, mainland investors who deal with, inherit, and are bestowed upon with shares listed on the Stock Exchange via the SZHK Stock Connect are subject to stamp duties in accordance with current taxation requirements in Hong Kong. CSDCC and Hong Kong Securities Clearing Company Limited are authorized to levy stamp duties above on behalf of each other.

PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Law and the Implementation Rules of the Enterprise Income Law of the People's Republic of China, enterprises are classified into resident enterprises and nonresident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And nonresident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A resident enterprise shall pay the EIT on its incomes arising from both inside and outside PRC at the tax rate of 25%. A nonresident enterprise that has establishments or places of business in the PRC shall pay EIT on its incomes originating from PRC obtained by such establishments or places of business, and on its income which deriving outside PRC but has actual connection with such establishments or places of business, at the tax rate of 25%. A nonresident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its income derived from the PRC at a rate EIT of 10%.

According to the *Administrative Measures for Determination of High and New Tech Enterprises* (《高新技術企業認定管理辦法》), which was enacted on January 1, 2016 by the Ministry of Science and Technology, the Department of Finance and the State Administration of Taxation, an enterprise which is determined as a high and new tech enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the Enterprise Income Tax Law of the People's Republic of China and the *Regulation on the Implementation of the Enterprise*

Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法實施條例》). According to the *Notice on Promoting Nationwide the Enterprise Income Tax Policies for Advanced Technology Service Enterprises Across the Country* (《關於將技術先進型服務企業所得税政策推廣至全國實施的通知》) promulgated by the MOF, the State Administration of Taxation, the MOFCOM, the Ministry of Science and Technology and the NDRC on November 2, 2017, with effect from January 1, 2017, the enterprise income tax shall be levied on certified advanced technology service enterprises at a reduced tax rate of 15% nationwide. The portion of the employee educational expenses of a certified advanced technology service enterprise not exceeding 8% of its total salaries and wages shall be allowed to be deducted in calculating its taxable income; and the excessive portion shall be allowed to be carried forward to the subsequent tax years for deduction.

Value-Added Tax

According to the *Interim Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值税暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 2, 2016 and November 19, 2017, and the *Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax* (《中華人民共和國增值税暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011 (collectively, the "VAT Law"), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

In accordance with the *Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax* (《關於全面推開營業税改徵增值税試點的通知》), which was promulgated by the MOF and State Administration of Taxation on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016.

According to the *Notice on the Adjustment to VAT Rates* (《關於調整增值税税率的通知》), promulgated by the MOF and the State Administration of Taxation on April 4, 2018 and became effective on May 1, 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (《關於深化增值税改革有關政策的公告》 promulgated by the MOF, the State Administration of Taxation and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

FOREIGN EXCHANGE

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, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the *Regulations of the PRC on Foreign Exchange Control* (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") and it came into effect on April 1, 1996, which classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to the approval of foreign exchange administration agencies. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and came into effect on August 5, 2008. According to the latest amendment to the Foreign Exchange Control Regulations, PRC will not impose any restriction on international current payments and transfers.

The *Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (《結匯、售匯及付匯管理規定》) promulgated by PBOC on June 20, 1996 and effective on July 1, 1996 does not impose any restrictions on convertibility of foreign exchange under current items, while imposing restrictions on foreign exchange transactions under capital account items.

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 foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. 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' meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business.

On October 23, 2014, the State Council issued the *Decision of the State Council on Cancelling and Adjusting a Group of Administrative Approval Items and Other Matters* (《國務院關於取消和調整一批行政審批項目等事項的決定》), which canceled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On December 26, 2014, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing* (《國家外匯管理局關於境外上市外匯管理有關問題的通知》). Pursuant to the notice, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a "special account for overseas listing of domestic company" at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the *Notice of the State Administration of Foreign Exchange 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》) promulgated by the SAFE on February 13, 2015 and imposed on June 1, 2015, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been canceled. 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 branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the *Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies* (《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 and came into effect on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of foreign exchange capital, foreign loans and raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 18, 2017, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance* (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

The *Notice of SAFE on Further Facilitating Cross-Board Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) promulgated by SAFE on October 23, 2019 and became effective on the same date canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises and restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the *Circular of SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business* (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated on April 10, 2020 and came into effect on June 1, 2020 by the SAFE, under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises that satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction. The concerned banks may conduct random examination in accordance with the relevant requirements, and the local foreign exchange bureau should strengthen monitoring and analysis, and supervision in process and afterwards.