

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of the H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of the H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices and has not taken in to account the expected change or amendment to the relevant laws or policies and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an investment in the H shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment 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 or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC and other tax consequences of owning and disposing of the H shares.

TAXATION IN MAINLAND CHINA

Tax 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稅法》) (the “IIT Law”), promulgated by the SCNPC on September 10, 1980, most recently amended on August 31, 2018 and came into effect on January 1, 2019, 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》) promulgated by the State Council on January 28, 1994, most recently revised on December 18, 2018 and came into effect on January 1, 2019, dividends paid by PRC companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%.

Meanwhile, pursuant to Notice on Issues Relating to Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》), jointly issued by the MOF, the STA and the CSRC on September 7, 2015 and came into effect on September 8, 2015, for shares of listed companies obtained by individuals via public offerings and market transfer and held for more than one year, the income from dividends and bonuses thereof shall temporarily be exempt from individual income tax; for shares of listed companies obtained by individuals via public offerings and market transfer and held for less than one month (including one month), the income from dividends and bonuses thereof shall be fully included in the individual’s taxable income amount; where the shares are held for a period from one month up to one year (including one year), 50% of the income from dividends and bonuses therefrom shall temporarily be included in the individual’s taxable income amount; the aforesaid income shall be subject to individual income tax based on 20% tax rate on a unified basis.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), promulgated by the SCNPC on March 16, 2007, most recently amended on December 29, 2018 with immediate effect, and the Implementation Rules of the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on December 6, 2007, most recently revised on December 6, 2024, and came into effect on January 20, 2025, a non-resident enterprise is subject to a 10% EIT on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise (a) do not have an establishment or place of business in China, or (b) have an establishment or place of business in China, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within China. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《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》) issued by the STA and effective on November 6, 2008, a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008.

Tax arrangement

Pursuant to the Arrangement between the Mainland 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 (《內地與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》) the “Double Tax Avoidance Arrangement”), signed by the Mainland of China and the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company.

However, the Fifth Protocol to the Arrangement between the Mainland 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 (《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》) (the “Fifth Protocol”), issued by the STA and effective on December 6, 2019, provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. Non-resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Tax on Gains from Share Transfer

Individual Investors

Pursuant to the IIT Law and its implementation rules, individuals are subject to IIT at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises.

Pursuant to the Circular of the MOF and STA on Declaring that Individual Income Tax Continues to Be Exempted over Individual Income Tax from Transfer of Shares (《財政部、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》) (the "Circular 61") issued by the MOF and SAT on March 30, 1998, from January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax.

Pursuant to Announcement about the Catalog of Preferential Individual Income Tax Policies with Continued Effect (《財政部、國家稅務總局關於繼續有效的個人所得稅優惠政策目錄的公告》), issued by the MOF and STA on December 29, 2018, the Circular 61 will continue to be effective.

Enterprise Investors

Pursuant to the EIT Law and its implementation rules, a non-resident enterprise is generally subject to EIT 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 non-resident 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 non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Taxation Policy of Shanghai-Hong Kong Stock Connect

Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證券監督管理委員會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) jointly issued by the MOF, the STA and the CSRC on October 31, 2014 and came into effect on November 17, 2014, for dividends and bonus income obtained by mainland individual investors investing in H shares listed on the HKSE through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (the “CSDC”) for the register of Mainland individual investor, based on which the H-share companies shall withhold IIT at the rate of 20%.

Income from share dividend derived by Mainland China corporate investors from investment in shares listed on the HKSE through the Shanghai-Hong Kong Stock Connect shall be included in their total income and be subject to enterprise income tax pursuant to the law. Income from share dividend derived by a Mainland China resident enterprise for holding H shares over 12 consecutive months shall be exempted from enterprise income tax pursuant to the law. The H shares company is not required to withhold income tax on share dividend for its Mainland China corporate investors, and the corporate investors shall make declaration and payment for the tax payable amount voluntarily.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shanghai-Hong Kong Stock Connect and the Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、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公告》) jointly issued by the MOF, the STA and the CSRC on August 21, 2023 with immediate effect, the transfer spread income derived by mainland individual investors from investing in shares listed on the HKSE through Shanghai-Hong Kong Stock Connect shall continue to be exempted from individual income tax until December 31, 2027.

Taxation Policy of Shenzhen-Hong Kong Stock Connect

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《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》), jointly issued by the MOF, the STA and the CSRC on November 5, 2016 and came into effect on December 5, 2016, for dividends and bonus income obtained by mainland individual investors investing in H shares listed on the HKSE through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (the “CSDC”) for the register of Mainland individual investor, based on which the H-share companies shall withhold IIT at the rate of 20%.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Income from dividends and bonuses derived by a corporate investor in Mainland China from investment in shares listed on the HKSE through Shenzhen-Hong Kong Stock Connect shall be included in the total income amount, and subject to enterprise income tax pursuant to the law. Income from dividends and bonuses derived by a Mainland China resident enterprise for H shares held for 12 months consecutively shall be exempted from enterprise income tax pursuant to the law. The H shares company shall not withhold income tax on dividends and bonuses for corporate investors in Mainland China, and the tax payable amount shall be declared and paid by the corporate investor.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、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公告》), jointly issued by the MOF, the STA and the CSRC on August 21, 2023 with immediate effect, the transfer spread income derived by mainland individual investors from investing in shares listed on the HKSE through Shenzhen-Hong Kong Stock Connect shall continue to be exempted from individual income tax until December 31, 2027.

Stamp Duty

According to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), promulgated on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty only applies to specific taxable document 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.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), promulgated by the SCNPC on March 16, 2007, most recently amended on December 29, 2018 with immediate effect, and the Implementation Rules of the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on December 6, 2007, most recently revised on December 6, 2024, and came into effect on January 20, 2025, a resident enterprise is subject to a EIT rate of 25% on their income derived from both within and outside the territory of PRC. A resident enterprise refers to an enterprise established in accordance with the laws within the territory of the PRC, or an enterprise established under the laws of a foreign country (or region) but with its actual management institution located within the territory of PRC.

Pursuant to the Administrative Measures for Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》), promulgated by the Ministry of Science and Technology, the MOF and the STA on April 14, 2008, amended on January 29, 2016 and came into effect on January 1, 2016, an enterprise recognized as a high and new technology enterprise may apply for a preferential EIT rate of 15% pursuant to the relevant requirements of the EIT Law.

Pursuant to the Announcement of the Ministry of Finance and the State Taxation Administration on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households (《財政部、國家稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》), issued on Aug 2, 2023, the taxable income of a small low-profit enterprise shall be calculated at the reduced rate of 25%, and the policy of payment of EIT at the rate of 20% shall continue to be implemented until December 31, 2027.

Value-added Tax

Pursuant to Value-added Tax Law of the PRC (《中華人民共和國增值稅法》), the "VAT Law"), promulgated on December 25, 2024, and came into effect on January 1, 2026, entities and individuals that sell goods or labor services of processing, repair or replacement, selling services, intangible assets, or immovables, or import goods within the territory of PRC are taxpayers of VAT, and shall pay VAT in accordance with law. Unless otherwise stipulated, the VAT rate is 13% for taxpayers that sell goods, provide processing, repair and replacement services, tangible movables leasing services or import goods; 9% for taxpayers that sell transport services, postal services, basic telecommunications, buildings, or real property leasing services, sell real property, transfer land use rights, or sell or import the goods listed in the VAT Law; unless otherwise stipulated, 6% for taxpayers that sell services or intangible assets; 0% for Taxpayers that export goods or sell services or intangible assets across borders within the scope specified by the State Council.

Pursuant to the Provisional Regulations of the PRC on VAT (《中華人民共和國增值稅法暫行條例》), promulgated by the State Council on November 19, 2017 and repealed by the aforementioned VAT Law, unless otherwise stipulated, the VAT 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 telecommunications, construction, or immovable leasing services, selling immovables, transferring land use rights, or selling or importing specific goods; unless otherwise stipulated, 6% for taxpayers selling services or intangible assets.

Pursuant to Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), jointly promulgated by the Ministry of Finance, the State Administration of Taxation (the "SAT") and the General Administration of Customs on 20 March 2019 and came into effect on April 1, 2019, the tax rate of 16% and 10% originally applicable to general VAT taxpayers' VAT taxable sales or goods import shall be adjusted to 13% and 9%, respectively.

FOREIGN EXCHANGE ADMINISTRATION IN THE PRC

The lawful currency of the PRC is the RMB. The State Administration of Foreign Exchange (the “SAFE”), authorized by 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 regulations.

Pursuant to the Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例》), promulgated by State Council in January 29, 1996, and most recently amended on August 5, 2008 with immediate effect, all international payments and transfers are classified into current account items and capital account items. The PRC does not impose restrictions on payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

Pursuant to the Notice of Issues concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》), issued by the State Administration of Foreign Exchange (the “SAFE”) on December 26, 2014 with immediate effect, a domestic company shall, within 15 working days after the completion of its overseas listing, go through the registration of overseas listing with the foreign exchange bureau at its place of registration. Funds raised from overseas listing of a domestic company may be repatriated to China or deposited overseas, and the usage of funds shall be consistent with the relevant contents set out in the document or disclosure documents such as the corporate bonds offering documentation, shareholders’ circular and the board of directors or shareholders’ general meeting resolution.

Pursuant to Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《關於改革和規範資本專案結匯管理政策的通知》), issued by the SAFE on June 9, 2016 and most recently amended by Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《關於進一步深化改革促進跨境貿易投資便利化的通知》) on December 4, 2023 with immediate effect, certain categories of capital account foreign exchange income (including, but not limited to, foreign exchange capital, foreign debt funds, and repatriated funds from overseas listings), which have been explicitly designated for “voluntary settlement” by relevant policy, may be converted into local currency at banks based on the actual operational needs of the domestic entity. Where existing regulations impose restrictive provisions on the settlement of capital account foreign exchange income for domestic entities, those regulations shall prevail. The ratio for voluntary settlement of capital account foreign exchange income by domestic entities is temporarily set at 100%. The SAFE may adjust the aforementioned ratio in a timely manner based on the balance of payments situation. When handling each foreign exchange settlement transaction for a domestic entity under the settlement-upon-payment principle, the bank shall review the authenticity and compliance of the usage of funds from the entity’s previous settlement transaction (whether conducted as voluntary settlement or settlement upon payment).