TAXATION ON SECURITIES HOLDERS

The income tax and capital gains tax applicable to holders of H shares are determined in accordance with the laws and practices of the PRC and the jurisdictions in which the holders of H shares are residents or otherwise subject to taxation. The following summary of certain relevant tax provisions is based on the prevailing laws and practices and does not take into account any anticipated changes or amendments to relevant laws or policies, nor does it constitute any opinion or advice. The discussion does not address all possible tax implications associated with [**REDACTED**] in the H Shares, nor does it consider the specific circumstances of any particular [**REDACTED**], some of whom may be subject to special rules. Therefore, you should consult your own tax advisors as to the tax consequences of [**REDACTED**] in the H Shares. The discussion is based on the laws and relevant interpretations in force as of the Latest Practicable Date, all of which may be subject to change or modification, potentially with retroactive effect.

Save for income tax, capital gains tax and profits tax, VAT, stamp duty and estate duty, the discussion does not address any other aspects of PRC taxation. Prospective [**REDACTED**] should consult their financial advisers regarding the tax consequences in the PRC, Hong Kong and elsewhere of acquiring, owning and disposing of the H Shares.

TAXATION IN MAINLAND CHINA

Taxation on Dividends

Individual Investors

According 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》) (hereinafter referred to as the "Individual Income Tax Law") as amended by the Standing Committee of the National People's Congress on 31 August 2018 and effective from 1 January 2019, and the Regulations for the Implementation 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》) as amended by the State Council on 18 December 2018 and effective from 1 January 2019, dividends and profit distributions derived by PRC individual residents from PRC enterprises are subject to individual income tax at a uniform rate of 20%. For foreign individuals who are non-PRC residents, dividends received from PRC enterprises are generally subject to individual income tax at a rate of 20%, unless specifically exempted by the tax authorities under the State Council or reduced or exempted under an applicable tax treaty. Pursuant to the Circular on Certain Issues According to the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) jointly issued by the Ministry of Finance and the State Administration of Taxation on 13 May 1994 and effective on the same day, individual income tax on dividends and profit distributions received by foreign individuals from foreign-invested enterprises is temporarily exempted. At the same time, pursuant to the Circular on Issues Concerning Differentiated Individual Income Tax Policies on Dividends from 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 Ministry of Finance, the State Administration of Taxation and the China

Securities Regulatory Commission on 7 September 2015 and effective on 8 September 2015, where individuals acquire shares of listed companies through public issuance and transfer markets, dividends and profit distributions are temporarily exempted from individual income tax if the shareholding period exceeds one year. Where the shareholding period is within one month (inclusive), the full amount of the dividends and profit distributions shall be included in the taxable income; where the shareholding period is more than one month but not more than one year (inclusive), 50% of such income shall be temporarily included in the taxable income. A uniform tax rate of 20% applies to the aforesaid taxable income.

Pursuant to 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 (《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》) (hereinafter referred to as the "Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income"), which was signed on 21 August 2006 and became effective on 8 December 2006, the PRC government may levy tax on dividends paid by a PRC company to a Hong Kong resident (including natural persons and legal entities), but the amount of such tax shall not exceed 10% of the total amount of the dividends payable. Where the Hong Kong resident directly holds at least 25% of the equity interests in the PRC company and is the beneficial owner of the dividends and satisfies other specified conditions, the amount of such tax levied shall not exceed 5% of the total amount of the dividends payable by the PRC company. The Fifth Protocol to the Arrangement 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》) (hereinafter referred to as the "Fifth Protocol"), signed by the State Administration of Taxation on 19 July 2019 and effective from 6 December 2019, provides that any arrangement or transaction entered into with the main purpose of obtaining the aforesaid tax benefits shall not be entitled to such preferential treatment.

Corporate Investors

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》(hereinafter referred to as the "Enterprise Income Tax Law") as amended and effective on 29 December 2018 by the National People's Congress, and the Regulations for 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稅法實施條例》) (hereinafter referred to as the "Implementation Regulations of the Enterprise Income Tax Law") as amended by the State Council on 6 December 2024 and effective from 20 January 2025, where a non-resident enterprise does not have an institution or place in the PRC, or although it has established an institution or place in the PRC, the income derived from the PRC is not effectively connected with such institution or place, such non-resident enterprise shall be subject to enterprise income tax at the rate of 10% on its income derived from the PRC (including dividends distributed by PRC resident enterprises whose shares are issued and listed in Hong Kong). The aforesaid enterprise income tax payable by non-resident enterprises shall be withheld at source, with the payers acting as the withholding agents. The withholding agents shall withhold the tax from each payment made or due to be made at the time of payment or when such payment becomes due. Such taxation may be reduced or exempted under an applicable arrangement for the avoidance of double taxation.

According to Circular of the State Administration of Taxation on Issues Relating to the Withholding and Payment of the Enterprise Income Tax on Dividends Distributed by Chinese Resident Enterprises to Overseas Non-Resident Enterprise Shareholders of H Shares (《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 and became effective on 6 November 2008, PRC resident enterprises are required to withhold and pay enterprise income tax at a rate of 10% on dividends derived by H Share non-resident enterprise shareholders from profits earned since 2008. Furthermore, pursuant to the Reply on the Issue of Levying Enterprise Income Tax on Dividends Received by Non-resident Enterprises from B Shares and Other 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》), issued by the State Administration of Taxation and effective from 24 July 2009, PRC resident enterprises that issue shares on domestic and overseas stock exchanges (including A shares, B shares and overseas shares) shall withhold and pay enterprise income tax at a uniform rate of 10% when distributing dividends from 2008 onwards to non-resident enterprise shareholders. Such tax rate may be further adjusted under the applicable tax treaties or arrangements entered into between the PRC and the relevant jurisdictions (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 (《對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government may levy tax on dividends paid by a PRC company to a Hong Kong resident (including natural persons and legal entities), but the amount of such tax shall not exceed 10% of the total amount of the dividends payable by the PRC company. Where the Hong Kong resident directly holds at least 25% of the equity interests in the PRC company and is the beneficial owner of the dividends and satisfies other specified conditions, the amount of such tax levied shall not exceed 5% of the total amount of the dividends payable by the PRC company. The Fifth Protocol to the Arrangement provides that any arrangement or transaction entered into with the main purpose of obtaining the aforementioned preferential tax treatment shall not be entitled to such treatment. The application of the dividend article under the tax arrangement must comply with the relevant PRC tax laws and regulations, including the Circular of the State Administration of Taxation on Issues Concerning the Implementation of the Dividend Article under Tax Treaties (《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》).

Pursuant to applicable regulations, we intend to withhold and pay income tax at a rate of 10% on dividends to be distributed to H Share non-PRC resident enterprise shareholders (including the HKSCC Nominees). Non-PRC resident enterprises that are entitled to a reduced withholding tax rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of the portion of the tax withheld in excess of the applicable treaty rate, and such refund is subject to verification and approval by the PRC tax authorities.

Tax treaties

Non-resident investors residing in jurisdictions that have entered into tax treaties or arrangements for the avoidance of double taxation or treaties for reduced withholding tax rate with the PRC may be entitled to preferential treatment in respect of PRC enterprise income tax levied on dividends received from PRC companies. The PRC has entered into treaties or arrangements for the avoidance of double taxation with a number of countries and regions (including the Hong Kong Special Administrative Region, the Macao Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States). Non-PRC resident enterprises that are entitled to a reduced enterprise income tax rate under these relevant tax treaties or arrangements must apply to the PRC tax authorities for a refund of the portion of tax withheld in excess of the applicable treaty rate, and such refund application is subject to approval by the PRC tax authorities.

Taxation on Share Transfers

VAT and Local Surtaxes

Pursuant to the Circular on Comprehensive Launch of Pilot Replacement of Business Tax with Value-added Tax (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推行營業稅改加值稅試點的通知》) (Circular No. 36), which came into effect on 1 May 2016 and was partially repealed on 1 July 2017, 1 January 2018 and 1 April 2019, entities and individuals providing services within the PRC are subject to the VAT, where the provision of taxable services within the PRC refers to situations in which either the seller or the buyer of such services is located in the PRC. Circular No. 36 also provides that general or foreign VAT taxpayers are subject to VAT at a rate of 6% on taxable income derived from the transfer of financial products (including the transfer of ownership of marketable securities), calculated based on the balance of the selling price less the purchase price. However, pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Certain Business Tax Exemption Policies concerning the Trading of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》), which became effective on 1 January 2009, individuals are also exempt from VAT on the transfer of financial products. Under these regulations, the sale or disposal of H Shares by a non-resident individual is exempt from PRC VAT; and in the case of a non-resident enterprise, no PRC VAT is payable if the buyer of the H Shares is an individual or entity located outside the PRC. However, if the buyer is an individual or entity located within the PRC, such non-resident enterprise may be subject to PRC VAT.

However, due to absence of clear provisions, it remains uncertain in practice whether a non-resident enterprise is subject to PRC VAT upon the disposal of H Shares.

At the same time, VAT taxpayers are also required to pay Urban Maintenance and Construction Tax, Education Surcharge and Local Education Surcharge, which generally amount to 12% of the VAT payable (if any).

Income tax

Individual investors

Pursuant to the Individual Income Tax Law and its implementation regulations, gains derived from the transfer of equity interests in PRC resident enterprises are subject to individual income tax at a rate of 20%. According to the Circular on Continued Temporary Exemption of Individual Income Tax on Income from Transfer of Stocks (《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 by the Ministry of Finance and the State Administration of Taxation and effective from 30 March 1998, individual income tax continues to be temporarily exempted on gains derived by individuals from the transfer of shares in listed companies starting from 1 January 1997. The State Administration of Taxation has not expressly clarified in the revised Enterprise Income Tax Law and the Implementation Regulations thereof whether the exemption continues to apply to individual gains from the transfer of shares in listed companies.

However, pursuant to the Circular on the Issues Relating to the Collection of Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (《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》), jointly issued by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on 31 December 2009 and effective from 1 January 2010, individual income tax continues to be exempted on gains derived by individuals from the transfer of shares in listed companies acquired through public issuance and transfer markets on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, except for shares subject to selling restrictions (as defined in the Supplementary Circular on Issues concerning Individual Income Tax on Gains from the Transfer of Restricted Shares of Listed Companies (《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 and implemented by the same authorities on 10 November 2010). As of the Latest Practicable Date, the above provisions did not expressly specify whether individual income tax is applicable to non-PRC resident individuals in respect of gains derived from the transfer of shares in PRC resident enterprises that are listed on overseas stock exchanges.

Corporate investors

Pursuant to the Enterprise Income Tax Law and its implementation regulations, where a non-resident enterprise has not established any institution or place in the PRC, or although it has established an institution or place in the PRC, the income derived from the PRC is not effectively connected with such established institution or place, such non-resident enterprise shall be subject to enterprise income tax at the rate of 10% on its income derived from the PRC (including gains derived from the sale of shares in PRC resident enterprises). The aforesaid enterprise income tax payable by non-resident enterprises shall be withheld at source, with the payers acting as the withholding agents. The withholding agents shall withhold the tax from each payment made or due to be made at the time of payment or when such payment becomes due. Such tax may be reduced or exempted under an applicable tax treaty or arrangement.

Tax Policies under the Shanghai-Hong Kong Stock Connect

According to the Circular on the Pilot Tax Policies relating to the Shanghai-Hong Kong Stock Market Trading Interconnection Mechanism (《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 Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on 31 October 2014 and effective from 17 November 2014, gains derived by Mainland enterprises from the transfer of shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect shall be included in their total revenue and be subject to enterprise income tax in accordance with the law. For dividends derived by Mainland individual investors from investments in H shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect, the relevant H share company shall submit an application to CSDC, which shall provide the register of Mainland individual investors to the H share company. The H share company shall withhold individual income tax at a rate of 20% on such dividends.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies relating to the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Market Trading Interconnection Mechanism and Mutual Recognition of Funds between the Mainland 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》), issued on 21 August 2023 and effective on the same day, until 31 December 2027, individual income tax shall be exempted on gains derived by Mainland individual investors from the transfer of shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect.

According to the Circular on the Pilot Tax Policies relating to the Shanghai-Hong Kong Stock Market Trading Interconnection Mechanism (《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》), dividends derived by Mainland enterprises from investments in shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect shall be included in their total revenue and be subject to enterprise income tax in accordance with the law. Among which, for dividends received by Mainland resident enterprises that have held the H shares continuously for a period of 12 months or more, enterprise income tax shall be exempted in accordance with the law. The H share companies shall not withhold enterprise income tax on dividends distributed to Mainland enterprise investors; such taxes shall be declared and paid by the enterprises themselves.

Tax Policies under the Shenzhen-Hong Kong Stock Connect

According to the Circular on the Pilot Tax Policies relating to the Shenzhen-Hong Kong Stock Market Trading Interconnection Mechanism (《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》) issued by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on 5 November 2016 and effective from 5 December 2016, gains derived by Mainland enterprises from the transfer of shares listed on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect shall be included in their total revenue and be subject to enterprise income tax in accordance with the law. For dividends derived by Mainland individual investors from investments in H shares listed on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect, the relevant H share company shall submit an application to CSDC, which shall provide the register of Mainland individual investors to the H share company. The H share company shall withhold individual income tax at a rate of 20% on such dividends.

Pursuant to the Announcement on the Continued Implementation of the Individual Income Tax Policies relating to the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Market Trading Interconnection Mechanism and Mutual Recognition of Funds between the Mainland and Hong Kong (《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公告》) issued on 4 December 2019 by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission and effective from 5 December 2019, and the Announcement on Extending the Implementation of the Individual Income Tax Policies relating to the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Market Trading Interconnection Mechanism and Mutual Recognition of Funds between the Mainland 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》) issued on 21 August 2023 by the same authorities and effective on the same day, from 5 December 2019 to 31 December 2027, individual income tax shall be exempted on gains derived by Mainland individual investors from the transfer of shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

According to the Circular on the Pilot Tax Policies relating to the Shenzhen-Hong Kong Stock Market Trading Interconnection Mechanism (《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》), dividends derived by Mainland enterprise investors from investments in shares listed on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect shall be included in their total revenue and be subject to enterprise income tax in accordance with the law. Among which, for dividends received by Mainland resident enterprises that have held the H shares continuously for a period of 12 months or more, enterprise income tax shall be exempted in accordance with the law. The H share companies shall not withhold enterprise income tax on dividends distributed to Mainland enterprise investors; such taxes shall be declared and paid by the enterprises themselves.

Stamp duty

Pursuant to the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》), promulgated on 10 June 2021 and effective from 1 July 2022, non-PRC domestic investors who purchase and dispose of H Shares outside the PRC are not subject to the provisions of the Stamp Tax Law of the People's Republic of Chin.

Estate duty

As of the date of this Document, there is currently no estate tax imposed in the PRC under PRC law.

TAXATION IN HONG KONG

Taxation on Dividends

According to the prevailing practice of the Hong Kong Inland Revenue Department, no person or company is required to pay tax in Hong Kong on dividends paid by the Company.

Capital Gains and Profits Tax

No shareholder (other than a shareholder carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) is liable to Hong Kong profits tax on any capital gains derived from the sale or other disposal of the Shares. Shareholders should consult their professional advisers regarding their individual tax circumstances.

Stamp duty

The sale and purchase of Shares (whether conducted on or off the Hong Kong Stock Exchange) are subject to Hong Kong stamp duty at the current rate of 0.2% of the consideration or the value of the Shares transferred, whichever is higher. Each of the seller and the buyer is liable for one-half of the stamp duty payable upon a transfer. In addition, a fixed duty of HK$5 is currently payable on each instrument of transfer of Shares. If either party of the seller and the buyer to the sale is a non-Hong Kong resident and fails to pay the ad valorem duty due, the unpaid duty will be assessed on the instrument of transfer (if any), and the transferee will be liable to pay the duty. A penalty of up to 10 times the amount of stamp duty payable may be imposed for failure to pay stamp duty on or before the due date.

Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 (《2005年收入(取消遺產稅)條例》) came into effect in Hong Kong on 11 February 2006. Pursuant to this ordinance, no Hong Kong estate duty is payable in respect of the estate of a deceased H Shareholder who passed away on or after 11 February 2006, nor is it necessary to obtain an estate duty clearance certificate for the purpose of applying for a grant of probate.

Primary taxation of the Company in the PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law, enterprises and other organizations deriving income within the territory of the People's Republic of China (hereinafter collectively referred to as the "Enterprises") are subject to enterprise income tax in accordance with the provisions of such law. All enterprises established within the PRC (including foreign-invested enterprises) are generally subject to enterprise income tax at a uniform rate of 25%.

Pursuant to the Administrative Measures for the Accreditation of High and New Technology Enterprises (《高新技術企業認定管理辦法》) issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation in 2008, revised on 29 January 2016 and effective from 1 January 2016, enterprises accredited as High and New Technology Enterprises may apply for the preferential enterprise income tax rate of 15% in accordance with the relevant provisions of the Enterprise Income Tax Law. Qualified small-scale and low-profit enterprises are subject to enterprise income tax at a reduced rate of 20%.

Enterprises are classified into resident enterprises and non-resident enterprises. Where a non-resident enterprise has not established any institution or place in the PRC, or although it has established an institution or place in the PRC, the income derived from the PRC is not effectively connected with such institution or place, such non-resident enterprise is subject to enterprise income tax on its income derived from the PRC. Tax shall be withheld at source, with the payers acting as withholding agents. The tax shall be withheld from the amount paid or due to be paid by the withholding agent at the time of payment or when such payment becomes due. Meanwhile, gains derived by the investors from the transfer of shares shall be subject to enterprise income tax, and tax shall be withheld at source when the gains are deemed to be derived from transfer of assets in the PRC.

VAT

According to the Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) as amended by the State Council on 19 November 2017 and effective on the same date, and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) as amended by the Ministry of Finance on 28 October 2011 and effective from 1 November 2011, all taxpayers who sell goods or provide processing, repair and replacement services, sell services, intangible assets, real estate, or import goods within the territory of the PRC are subject to VAT Tax. Unless otherwise specified, taxpayers selling goods, labor services, leasing tangible movable property, or importing goods are generally subject to VAT at a rate of 17%; a rate of 11% applies to the sale of transportation, postal, basic telecommunication, construction, real estate leasing services, sale of real estate, transfer of land use rights, and the sale or importation of relevant goods; and exported goods and services are exempt from VAT Tax.

Pursuant to the Notice on Adjusting VAT Rates (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32) issued by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and effective from 1 May 2018, for taxpayers carrying out taxable sales activities or importing goods, the VAT rates previously set at 17% and 11% were adjusted to 16% and 10%, respectively.

According to the Announcement on Policies Relating to the Deepening of VAT Reform (《關於深化增值稅改革有關政策的公告》) (Announcement No. 39 [2019] of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs) issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and effective from 1 April 2019, for taxpayers carrying out taxable sales activities or importing goods, the VAT rate previously set at 16% was reduced to 13%, and the rate previously set at 10% was reduced to 9%.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on VAT Policies for Certain Goods Applicable to Lower Rates or Simplified Calculation Methods (《財政部國家稅務總局關於部分貨物適用增值稅低稅率和簡易辦法徵收增值稅政策的通知》) issued on 19 January 2009 and subsequently amended on 25 May 2012 and 13 June 2014, general VAT taxpayers who sell self-manufactured biological products made from microorganisms, microbial metabolites, animal toxins, or human or animal blood or tissues may elect to calculate and pay VAT under the simplified method at a levy rate of 3%.

According to the Notice on VAT Policies for Anti-Cancer Drugs (《關於抗癌藥品增值稅政策的通知》) jointly issued by the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the National Medical Products Administration on 27 April 2018, from 1 May 2018, general VAT taxpayers who manufacture, distribute, or retail anti-cancer drugs may elect to calculate and pay VAT under the simplified method at a levy rate of 3%. Once a taxpayer elects to adopt the simplified method, such election may not be changed within 36 months.

Foreign Exchange Control in the PRC

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange controls and cannot be freely converted into foreign currencies. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Pursuant to the Regulation of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), promulgated by the State Council on 29 January 1996, effective on 1 April 1996, and last amended on 5 August 2008, all international payments and transfers are categorized into current account items and capital account items. For current account items, the financial institutions conducting settlement and sale of foreign exchange shall review the authenticity of transaction documents and the consistency between such documents and foreign exchange receipts and payments, and such transactions shall be subject to supervision and inspection by the foreign exchange authorities. For capital account items, foreign institutions or individuals making direct investments in the PRC must obtain approval from the relevant authorities and complete registration with the foreign exchange authorities. Foreign exchange income derived from abroad may be remitted to domestic accounts or retained abroad, and the use of foreign exchange and converted funds under capital account items shall be in accordance with the purposes approved by the relevant authorities and foreign exchange authorities. In the event of or potential occurrence of severe imbalances in international payments or severe crises in the national economy, the State may take necessary safeguard or control measures over international payments.

According to the Regulations for the Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange (《結匯、售匯及付匯管理規定》), issued by the People's Bank of China on 20 June 1996 and effective from 1 July 1996, while the remaining restrictions on convertibility of foreign exchange under current account items were removed, existing restrictions were imposed on foreign exchange transactions under capital account items.

Pursuant to the Announcement of the People's Bank of China on Reforming the RMB Exchange Rate Regime (《關於完善人民幣匯率形成機制改革的公告》), issued and effective on 21 July 2005, the PRC adopted a managed floating exchange rate regime based on market supply and demand and with reference to a basket of currencies. Accordingly, the Renminbi exchange rate is no longer pegged to the US dollar. The People's Bank of China publishes the closing exchange rates of the interbank foreign exchange market for the US dollar and other currencies against Renminbi after the close of trading on each business day, which serve as the central parity rates for the following business day.

Under relevant PRC laws and regulations, PRC enterprises (including foreign-invested enterprises) may, for current account transactions requiring foreign exchange, pay from their foreign exchange accounts at designated foreign exchange banks upon presentation of valid receipts and transaction documents, without approval from SAFE. Foreign-invested enterprises requiring foreign exchange for the distribution of profits to their shareholders, and domestic enterprises required to pay fixed dividends in foreign exchange in accordance with regulations, may effect such payments from their foreign exchange accounts at designated banks or convert and pay through such banks upon presentation of board or shareholders' resolutions approving the distribution.

Pursuant to 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》), issued and effective on 23 October 2014, the approval requirement of SAFE and its branches for the remittance and conversion into Renminbi of proceeds raised from overseas listings was abolished.

According to the Notice of the State Administration of Foreign Exchange on Relevant Issues on 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》) issued and effective on 26 December 2014, the relevant provisions on foreign exchange administration for overseas listings of domestic joint stock limited companies (hereinafter referred to as the "Domestic Companies") include the following:

(i) The State Administration of Foreign Exchange and its branches and foreign exchange departments (or "SAFE") shall supervise, administer and inspect matters relating to overseas listings of Domestic Companies, including business registration, account opening and usage, cross-border receipts and payments, and foreign exchange settlement and conversion;

(ii) A domestic company shall, within 15 working days from the completion of its overseas offering and listing, submit the relevant documents to the local branch of SAFE at its place of incorporation for registration of the overseas listing;

(iii) Following the overseas listing of a domestic company, if its domestic shareholders intend to increase or decrease their shareholding in the overseas listed company in accordance with applicable regulations, they shall, within 20 working days prior to such intended increase or decrease, submit the relevant documents to the local SAFE branch at their place of residence or registration for registration of overseas shareholding;

(iv) Domestic Companies (excluding banking financial institutions) shall, with the overseas listing registration certificate, open a designated foreign exchange account for overseas listing with a domestic bank for the purpose of handling foreign exchange settlement and transfers related to their initial or follow-on offerings and repurchase transactions;

(v) The proceeds from the overseas listing of Domestic Companies may be remitted to onshore accounts or retained in offshore accounts, provided that the use of such proceeds must be consistent with the purposes disclosed in the prospectus and other disclosure documents.

Pursuant to the Circular on Further Simplifying and Improving Policies for Foreign Exchange Administration 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》), issued on 13 February 2015 and effective from 1 June 2015, SAFE has cancelled its approval requirement for foreign exchange registration under both inbound and outbound direct investments. Instead, banks are authorized to directly conduct foreign exchange registration for such direct investments, and SAFE and its branches shall implement indirect supervision of such registration through the banks.

Pursuant to the Circular of the SAFE on the Policies for Reforming and Standardizing Management of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本專案結匯管理政策的通知》), issued and implemented on 9 June 2016 and partially amended on 4 December 2023, relevant policies have clarified that capital account foreign exchange income subject to voluntary settlement (including funds repatriated from overseas listings) may be settled at banks based on the actual operational needs of domestic institutions. The voluntary settlement ratio for such capital account foreign exchange income is temporarily set at 100%, and SAFE may adjust such ratio from time to time in accordance with the balance of payments situation.