TAXATION AND FOREIGN EXCHANGE

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 the jurisdictions in which the holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on the laws, regulations and relevant interpretations currently in effect as of the date of this document, all of which are subject to change or adjustment and may have retrospective effect. This discussion does not purport to address 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. This discussion does not address any issues of PRC or Hong Kong taxation other than income tax, capital gains tax, profits tax, business tax, stamp duty and estate duty. Accordingly, prospective investors are urged to consult their own tax advisers regarding the PRC, Hong Kong and other tax consequences of the acquisition, ownership and disposal of the H Shares.

Taxation in the PRC

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) (the "**IIT Law**"), which was most recently amended on 31 August 2018 and came into effect on 1 January 2019, and the Regulations on 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》), which was most recently amended on 18 December 2018 and came into effect on 1 January 2019, income derived from interest, dividends and bonuses paid by enterprises, institutions, other organisations and resident individuals in the PRC shall be deemed as income sourced within the PRC, regardless of whether the place of payment is within the PRC, unless otherwise stipulated by the financial department and the taxation department of the State Council. Accordingly, for non-resident individuals, dividends received from an enterprise in the PRC are generally subject to individual income tax at a rate of 20%, unless specifically exempted by the financial department and the taxation department of the State Council or reduced pursuant to an applicable tax treaty.

Pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) promulgated by the MOF and the SAT on 13 May 1994, foreign individuals are exempt from individual income tax on dividends and bonuses received from foreign-invested enterprises.

Enterprise Investors

Pursuant to the EIT Law and the Regulations 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稅法實施條例》), a uniform enterprise income tax rate of 25% is applicable to all resident enterprises in the PRC, including foreign-invested enterprises. A non-resident enterprise is subject to enterprise income tax at a reduced rate of 10% 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 place in the PRC or has an establishment or place in the PRC but its PRC-sourced income has no actual connection with such establishment or place. The aforesaid income tax payable by non-resident enterprises is withheld 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 when such payment is made or due.

Pursuant to the Circular on Issues Concerning the Withholding of Enterprise Income Tax by People's Republic of China Resident Enterprises on Dividends Paid 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》) issued by the SAT on 6 November 2008, a PRC resident enterprise is required to withhold enterprise income tax at the rate of 10% when it distributes dividends for the year of 2008 and any year thereafter to its overseas H-share holders that are non-resident enterprises. In addition, the Official Reply of the State Administration of Taxation on Issues Concerning the Levying of Enterprise Income Tax on Dividends Derived by Non-resident Enterprises from Holding Stocks such as B-Shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) issued by the SAT on 24 July 2009 requires that PRC resident enterprises that issue and list shares (A shares, B shares and overseas shares) in the PRC shall, upon distributing the dividends for the year of 2008 and subsequent years to non-resident enterprise shareholders, withhold and pay enterprise income tax at a rate of 10%.

Taxation on Share Transfer

Individual Investors

Pursuant to the IIT Law, individuals who do not have a domicile in the PRC and have not resided in the PRC, or individuals who do not have a domicile in the PRC but have resided in the PRC for less than 183 days cumulatively within a tax year, are classified as non-resident individuals. Income derived by non-resident individuals from sources within the PRC is subject to individual income tax pursuant to the IIT Law.

However, as of the Latest Practicable Date, there were no provisions expressly stipulating whether individual income tax shall be levied on non-resident individuals in respect of gains derived from the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the best of our knowledge, in practice, the PRC taxation authorities have not levied individual income tax on non-resident individuals for gains from the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC taxation authorities will not change such practice, which could result in the levying of individual income tax on non-resident individuals for gains from the sale of H Shares.

Enterprise Investors

Pursuant to the EIT Law and the Regulations 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稅法實施條例》), a uniform enterprise income tax rate of 25% is applicable to all resident enterprises in the PRC, including foreign-invested enterprises. A non-resident enterprise is subject to enterprise income tax at a reduced rate of 10% 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 place in the PRC or has an establishment or place in the PRC but its PRC-sourced income has no actual connection with such establishment or place. The aforesaid income tax payable by non-resident enterprises is withheld 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 when such payment is made or due.

Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

On 31 October 2014 and 5 November 2016, the MOF, the SAT and the CSRC jointly issued the Circular on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect (《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》) and the Circular on the Tax Policies Concerning 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》), pursuant to which, the income from transfer gains and dividends and bonuses derived by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax in accordance with the relevant laws. In particular, the dividends and bonuses derived by PRC resident enterprises which hold H Shares for at least 12 consecutive months shall be exempt from enterprise income tax according to the law. H-Share companies do not withhold tax on dividends and bonuses of PRC enterprise investors, and the tax payable shall be declared and paid by the enterprises themselves.

For dividends and bonuses received by PRC individual investors investing in H Shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, H-Share companies shall submit an application to the CSDC, which shall provide H-Share companies with a register of PRC individual investors. H-Share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits with the competent tax authorities by producing valid tax deduction certificates. Individual income tax is levied on dividends and bonuses derived by PRC securities investment funds from investing in stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect in accordance with the foregoing provisions.

On 21 August 2023, the MOF, the SAT and the CSRC jointly issued the Announcement on the Continuation of the Individual Income Tax Policies for the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the 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》), which stipulates that gains derived by mainland individual investors from the transfer of stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and from the trading of Hong Kong fund units under the mutual recognition of funds, shall continue to be temporarily exempt from individual income tax. The announcement shall remain in effect until 31 December 2027.

Tax Treaties

Non-PRC resident investors residing in jurisdictions which have entered into treaties or arrangements for the avoidance of double taxation with the PRC, or residing in Hong Kong or Macau, may be entitled to preferential tax treatment with respect to dividends derived from a PRC company or gains derived from the transfer of stocks, provided that they satisfy the conditions prescribed in the relevant tax treaties or arrangements, such as the assessment of "beneficial owner" status in the context of dividends. The PRC has entered into arrangements or treaties for the avoidance of double taxation 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.

Pursuant to the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《非居民納税人享受協定待遇管理辦法》) (the "**Measures**"), which were promulgated by the SAT on 14 October 2019 and came into effect on 1 January 2020, non-resident taxpayers who determine through self-assessment that they satisfy the criteria for claiming treaty benefits may enjoy such benefits at the time of tax declaration or at the time of withholding through a withholding agent, provided that they collect and retain the relevant documents for future inspection in accordance with the Measures and are subject to the post-filing administration by the tax authorities. Where a non-resident taxpayer was entitled to treaty benefits but paid excess tax due to the failure to claim such benefits, it may, within the period stipulated in the Law of the People's Republic of China on the Administration of Tax Collection (《中華人民共和國税收徵收管理法》), apply to the competent tax authorities for a refund of the overpaid tax, either directly or through a withholding agent. The competent tax authorities shall, upon verification, refund the overpaid tax.

However, pursuant to the Circular on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》) issued by the SAT on 20 February 2009 and came into effect on the same date, if the competent PRC tax authorities determine, at their discretion, that a company benefits from a reduced income tax rate due to a corporate structure or arrangement that is primarily driven by tax-avoidance considerations, such PRC tax authorities may adjust the preferential tax treatment. The Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家税務總局關於税收協定中「受益所有人」有關問題的公告》), which was promulgated by the SAT on 3 February 2018 and came into effect on 1 April 2018, sets out the factors that support or act against the determination of an applicant's status as a "beneficial owner". If an applicant is not recognized as a "beneficial owner", it will not be entitled to the preferential tax treatment under the relevant tax treaties or arrangements.

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 (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Hong Kong Tax Treaty**"), which was signed on 21 August 2006, the PRC government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including individuals and enterprises) in an amount not exceeding 10% of the total dividends payable by the PRC company. However, if a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC 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 (《<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第五議定書》) stipulates that the treaty benefits shall not apply to arrangements or transactions made for one of the principal purposes of obtaining such tax benefits, unless the granting of such benefits in such circumstances would be in accordance with the object and purpose of the relevant provisions of the Hong Kong Tax Treaty.

Stamp Duty

Pursuant to the Stamp Duty Law of the People's Republic of China (《中華人民共和國印花税法》), which was promulgated by the SCNPC on 10 June 2021 and came into effect on 1 July 2022, entities and individuals that execute taxable documents or conduct securities transactions within the PRC, and entities and individuals that execute taxable documents outside the PRC to be used within the PRC, shall be subject to PRC stamp duty. The aforesaid "securities transactions" refer to the transfer of stocks and depository receipts backed by stocks that are traded on stock exchanges established in accordance with laws or other national securities trading venues approved by the State Council. Transfers of H Shares by non-PRC investors conducted through the Hong Kong Stock Exchange do not fall within the scope of the aforesaid "securities transactions" and are, therefore, not subject to PRC stamp duty.

Estate Duty

The PRC government does not currently impose any estate duty.

Taxation in Hong Kong

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains Tax and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 (《2005年收入(取消遺產稅)條例》) came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

Principal Taxation of Our Company in the PRC

For details, please refer to the section headed "Regulatory Overview" in this document.

Foreign Exchange

The Renminbi is the legal currency of the PRC and is currently subject to foreign exchange controls and cannot be freely converted into foreign currency. The SAFE, under the administration of the PBOC, is responsible for all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Pursuant to the Regulations of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), which was amended by the State Council on 5 August 2008 and came into effect on the same date, all international payments and transfers are classified into current account items and capital account items. The PRC government does not currently impose any restrictions on international payments and transfers under the current account. Foreign exchange income of PRC enterprises under the current account may, in accordance with the relevant state regulations, be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange. Financial institutions engaged in the settlement and sale of foreign exchange shall, pursuant to the provisions of the foreign exchange control authorities of the State Council, carry out reasonable examinations of the authenticity of transaction documents and the consistency between the transaction documents and the foreign exchange receipts and payments. The foreign exchange control authorities shall have the right to carry out supervision and inspection of the matters stipulated in the preceding paragraph. The retention of foreign exchange income under the capital account or the sale thereof to financial institutions authorized to conduct foreign exchange settlement and sale business shall be subject to the approval of the foreign exchange control authorities, unless otherwise stipulated by the state.

Pursuant to the Provisions on the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on 20 June 1996 and came into effect on 1 July 1996, payments of dividends which must be made in foreign currency pursuant to regulations can, after taxes have been paid in accordance with the law, be made from foreign exchange accounts or by means of conversion and payment effected at designated foreign exchange banks by presenting written resolutions of the board of directors concerning profit distribution.

Pursuant to the Decision of the State Council on Canceling 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 was promulgated by the State Council on 23 October 2014 and came into effect on the same date, the administrative approval previously required from the SAFE and its branches for the repatriation and settlement of foreign exchange funds raised from overseas listings has been abolished.

Pursuant to the Circular 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》) (the "**2014 Capital Management Circular**") promulgated by the SAFE on 26 December 2014, a domestic company shall, within 15 working days from the completion of its overseas listing and issuance, complete the overseas listing registration procedures with the local branch of the SAFE at the place of its registration. The funds raised by a domestic company from an overseas listing may be remitted to the PRC or retained overseas. The use of such funds shall be consistent with the relevant matters set out in the document or other public disclosure documents, including offering circulars for corporate bonds, shareholders' circulars, and resolutions of the board of directors or general meetings.

The Circular of the People's Bank of China and the State Administration of Foreign Exchange on Issues Concerning the Capital Management of Overseas Listing of Domestic Enterprises (《中國人民銀行 國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》) (the "**2025 Capital Management Circular**") was jointly promulgated by the PBOC and the SAFE on 26 December 2025 and will come into effect on 1 April 2026, upon which the 2014 Capital Management Circular will be repealed simultaneously. Pursuant to the 2025 Capital Management Circular, a domestic enterprise shall, within 30 working days after the first trading day of its overseas listing or the completion of over-allotment, complete the overseas listing registration procedures with banks in the provincial or city specifically designated in the state plan area where it is registered. The funds raised by a domestic enterprise from an overseas listing shall, in principle, be remitted to the PRC in a timely manner. The use of funds raised from an overseas listing shall be consistent with the relevant matters set out in the public disclosure documents such as the document, offering circulars for corporate bonds, shareholders' circulars, and resolutions of the board of directors or general meetings.

Pursuant to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE on 9 June 2016, domestic institutions may, in accordance with the relevant policies and based on their actual business needs, proceed with the discretionary settlement of foreign exchange capital income under the capital account (including repatriated funds raised from overseas listings) with banks. The provisional ratio for the discretionary settlement of foreign exchange capital income under the capital account for domestic institutions is set at 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid ratio from time to time.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Deepening Reform to Promote Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》), which was issued by the SAFE and came into effect on 4 December 2023, foreign exchange receipts under capital accounts (including foreign exchange capital and foreign debts) of non-financial enterprises and the Renminbi funds settled therefrom shall be used in accordance with the principles of authenticity and self-use, and shall not be used, directly or indirectly, for expenditures prohibited by the laws and regulations of the PRC. Unless otherwise prescribed, such funds shall not be used for: (i) securities investment or other investment and wealth management (except for wealth management products and structured deposits with a risk rating of Grade II or lower); (ii) granting loans to non-affiliated enterprises (except where explicitly permitted by the scope of business or for enterprises in designated key regions); or (iii) purchasing residential properties not for self-use (except for enterprises engaged in real estate development and leasing).

Pursuant to the Circular of the State Administration of Foreign Exchange on Optimising 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》) issued by the SAFE on 10 April 2020, eligible enterprises are allowed to make domestic payments by using their receipts under capital accounts, such as capital funds, foreign debts and proceeds from overseas listing, without the need to submit supporting materials evidencing the authenticity of such usage to the banks in advance, provided that their capital use is authentic and in compliance with the prevailing administrative regulations on the use of receipts under capital accounts. The bank in charge shall conduct post-transaction checks in accordance with the relevant requirements.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration 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 issued by the SAFE on 13 February 2015, came into effect on 1 June 2015 and was partially repealed on 30 December 2019, banks shall, on behalf of the SAFE, directly review and process foreign exchange registration under domestic direct investment and overseas direct investment, and the SAFE and its branches shall exercise indirect supervision over the foreign exchange registration of direct investment via the banks.