THE PRC TAXATION

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**Individual Income Tax Law**"), which was latest amended on August 31, 2018, and the Regulations on the Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was latest amended on December 18, 2018, dividends distributed by PRC enterprises are subject to the PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is generally subject to a withholding tax of 20%, unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty. In addition, pursuant to the Notice on Issues Concerning 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》) issued on September 7, 2015, where an individual acquires stocks of a listed company from public offering or on-market transfer and holds the stocks for more than one year, the dividend income shall be exempt from individual income tax for the time being; if the individual holds the stocks for one month or less, the dividend income shall be fully taxable; if the individual holds the stocks for one month to one year (one year inclusive), 50% of the dividend income shall be taxable; the aforesaid income is subject to an individual income tax at a flat rate of 20%.

According to the Notice of the State Taxation Administration (the "**STA**") on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 045) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the STA on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may withhold individual income tax at the rate of 10% when distributing dividends. For the individual holders of H Shares receiving dividends who are residents of countries that have entered into tax treaties with the PRC with tax rates lower than 10%, the non-foreign-invested enterprises whose shares are listed in Hong Kong may apply on behalf of such holders for the rights to enjoy lower preferential tax treatments. Upon approval by the tax authorities, any excess withholding tax collected will be refunded. For the individual holders of H Shares receiving dividends who are residents of countries that have entered into tax treaties with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprises shall withhold the tax at the agreed rate under the treaties, and no application shall be required. For the individual holders of H Shares receiving dividends who are residents of countries without tax treaties with the PRC or are under other circumstances, the non-foreign-invested enterprises shall withhold the tax at a rate of 20%.

Pursuant to the Arrangement between 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》) signed on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to residents of the Hong Kong Special Administrative Region (including natural persons and legal entities), provided that such tax shall not exceed 10% of the total amount of dividends payable. If a resident of the Hong Kong Special Administrative Region directly holds 25% or more of the equity interests in a PRC company, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between 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 of the STA (《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, stipulates that arrangements or transactions made primarily for the purpose of obtaining such tax benefits shall not be subject to the provisions mentioned above.

Corporate Investor

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**Enterprise Income Tax Law**"), which was promulgated by the SCNPC on March 16, 2007 and latest amended on December 29, 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019, the enterprise income tax rate shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from PRC resident enterprises), 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 by non-resident enterprises is 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.

The Notice of the STA on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《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 STA and implemented on November 6, 2008, further clarified that a PRC resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Reply of the STA Concerning the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (Guo Shui Han [2009] No.394) ("《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》(國稅函[2009]394號)") issued by the STA on July 24, 2009 and came into effect on the same date, further provides that any PRC resident enterprise listed on overseas stock exchange must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards distributed to non-resident enterprise. Such tax rates may be further changed pursuant to the tax treaty or agreement (where applicable) that the PRC has concluded with a relevant jurisdiction.

The Notice of the STA on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises, which was issued by the STA on November 6, 2008, further clarified that a PRC resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it pays to overseas non-resident enterprise shareholders of H Shares. In addition, the Reply of the STA Concerning the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises issued by the STA on July 24, 2009, further provides that any PRC resident enterprise listed on overseas stock exchange must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards distributed to non-resident enterprise. Such tax rates may be further revised pursuant to the tax treaty or agreement (where applicable) that the PRC has concluded with a relevant jurisdiction.

Pursuant to the Arrangement between 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 signed on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities), provided that such tax shall not exceed 10% of the total amount of dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. Pursuant to the provisions of the Fifth Protocol to the Arrangement between 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 of the STA, which came into effect on December 6, 2019, such provisions shall not apply to arrangements or transactions whose primary purposes include obtaining such tax benefits. The application of the dividend provisions under tax treaties shall comply with the tax laws and regulations of the PRC, such as the Notice of the STA on Issues Concerning the Implementation of Dividend Provisions in 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》).

Any arrangement made primarily for the purpose of obtaining the aforementioned tax benefits shall not be subject to the above provisions. The implementation of the dividend provisions in tax treaties shall comply with the provisions of the tax laws and regulations of the PRC such as the Notice of the STA on Issues Concerning the Implementation of Dividend Provisions in Tax Treaties (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC may be entitled to a reduction treatment for the PRC enterprise income tax imposed on the dividends received from PRC resident companies. The PRC currently has entered into Treaties or Arrangements for Avoidance of Double Taxation with a number of countries and regions including Hong Kong, Macau Special Administrative Region, 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 taxation treaties or arrangements are required to apply to the relevant PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the relevant PRC tax authorities.

Taxation on Share Transfer

Value-Added Tax and Local Surtax

Pursuant to the Circular regarding the Comprehensive Implementation of the Pilot Programs for Replacing Business Taxes with Value-added Taxes (《關於全面推開營業稅改徵增值稅試點的通知》) ("**Circular 36**"), which was implemented on May 1, 2016, entities and individuals engaging in the sale of services within the PRC are subject to value-added tax, and "engaging in the sale of services within the PRC" means that the seller or buyer of taxable services is located in the PRC. Circular 36 also provides that, for a general or foreign value-added tax payer, transfers of financial products (including transfers of the ownership of marketable securities) are subject to value-added tax at 6% on the taxable income (i.e., the balance of the sale price less the purchase price). However, the transfer of financial products by individuals is exempted from value-added tax, which is also provided in the Notice of the MOF and the STA on Several Tax Exemption Policies for Business Tax on Sale and Purchase 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 came into effect on January 1, 2009, and the Provisions on Transitional Policies of the Pilot Program for the Change from Business Tax to Value-added Tax (《營業稅改徵增值稅試點過渡政策的規定》) promulgated by the MOF and the STA and came into effect on May 1, 2016. Pursuant to these provisions, the sale or disposal of H Shares is exempt from PRC value-added tax if the holder is a non-resident individual.

Meanwhile, value-added tax payers are also subject to urban maintenance and construction tax, education surtax and local education surtax (collectively the "**local surtax**"), which is usually 12% of the actual value-added tax, business tax and consumption tax (if any) payable in urban areas in the PRC.

Income Tax

Individual Investor

According to the Individual Income Tax Law, gains from the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Continuing the Temporary Exemption of Individual Income Tax on Income from Share Transfers by Individuals (《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 MOF and the STA on March 30, 1998, income of individuals from the transfer of the shares of listed companies continues to be temporarily exempted from individual income tax from January 1, 1997.

On December 31, 2009, the MOF, the STA and the CSRC jointly issued the Circular on Relevant Issues on Levying Individual Income Tax over the Income of Individuals from the Transfer of Listed Shares Subject to Sales Restriction (《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》), which came into effect on the same date, which provides that individuals shall continue to be exempted from the individual income tax on the income from the transfer of listed shares acquired from the public offering of listed companies and the on-market transfer on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, except for the relevant shares which are subject to sales restriction as defined in the above circular and the Supplementary Circular on Relevant Issues on Levying Individual Income Tax over the Income of Individuals from the Transfer of Listed Shares Subject to Sales Restriction (《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 promulgated and implemented by the MOF, the STA and the CSRC on November 10, 2010. As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares of PRC resident enterprises listed on overseas stock exchanges.

Corporate Investor

According to the Enterprise Income Tax Law, a non-resident enterprise is generally subject to enterprise income tax at the rate of a 10% on PRC-sourced income (including gains 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. The aforesaid income tax payable by non-resident enterprises is 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.

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》) which came into effect on July 1, 2022, PRC stamp duty only applies to specific proof executed or received within the PRC and is legally binding in the PRC, thus the provisions on the stamp duty levied on the transfer of shares of PRC listed companies do not apply to the acquisition and disposal of H shares by non-PRC investors outside of the PRC.

MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law and its implementation rules, enterprise income taxpayers shall include resident enterprises and non-resident enterprises. A resident enterprise refers to an enterprise established in the PRC, or is established under the laws of a foreign country (region) but whose actual management STAbody is within the PRC. A non-resident enterprise refers to an enterprise established under the laws of a foreign country (region) and whose actual management STAbody is not within the PRC, but has established an institution or premise within the PRC; or an enterprise that has not established an institution or premise within the PRC, but has income sourced from the PRC. The enterprise income tax rate is 25%. Qualified small and low-profit enterprises are entitled to enjoy the preferential enterprise income tax rate of 20%.

Enterprises identified as high-tech enterprises under the Administrative Measures for the Recognition of High-Tech Enterprises (《高新技術企業認定管理辦法》) are entitled to enjoy the preferential enterprise income tax rate of 15%. The qualification of high-tech enterprises is valid for three years from the date of issuance of the high-tech enterprises certificate. The enterprise can re-apply for recognition as a high-tech enterprise.

Value-Added Tax

According to the Interim Value-Added Tax Regulations of the People's Republic of China (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and latest amended on November 19, 2017, entities and individuals selling goods, providing labor services of processing, repairing or maintenance, selling services, intangible assets and immovable property within and importing goods to the PRC, shall be identified as taxpayers of value-added tax. Entities and individuals engaging in the sale of goods, provision of processing, repairing or maintenance services and the importation of goods within the PRC are required to pay value-added tax (the "**VAT**"). The tax payable is calculated as "output tax" minus "input tax." The VAT rate is usually 17%, and in certain limited circumstances is 11% or 6% (as the case may be).

Pursuant to the Circular regarding the Comprehensive Implementation of the Pilot Programs for Replacing Business Taxes with Value-added Taxes of MOF and STA (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) issued by the MOF and the STA on March 23, 2016, the pilot program for replacing business tax with VAT nationwide should be comprehensively implemented. All business taxpayers in industries such as construction, real estate, finance and life service are included in the pilot program, shifting from paying business tax to paying VAT.

Pursuant to the Circular of the MOF and the STA on Policies for Simplifying and Consolidating Value-Added Tax Rates (財政部、國家稅務總局關於簡並增值稅稅率有關政策的通知) issued by the MOF and the STA on April 28, 2017, the VAT rate structure shall be simplified from July 1, 2017, and the 13% VAT rate shall be canceled. The scope of goods with 11% VAT rate and the provisions for deducting input tax are specified.

Pursuant to the Circular of the MOF and the STA on Adjusting Value-Added Tax Rates (財政部、國家稅務總局關於調整增值稅稅率的通知) issued by the MOF and the STA on April 4, 2018, from May 1, 2018, for taxpayers engaging in VAT taxable sales activities or importing goods, the previously applicable 17% and 11% tax rates shall be adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (關於深化增值稅改革有關政策的公告) issued by the MOF, the STA and the General Administration of Customs on March 20, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, the originally applicable tax rate of 16% shall be adjusted to 13%, and the originally applicable tax rate of 10% shall be adjusted to 9%.

FOREIGN EXCHANGE CONTROL IN THE PRC

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currencies. 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.

The Regulations on the Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Control Regulations**"), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on August 5, 2008, classifies all international payments and transfers into current account items and capital account items. Current account items are subject to the reasonable examination of the truthfulness of transaction documents and the matchability of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in settlement and sale of foreign currencies, and supervision and inspection by the foreign exchange administrative authorities. For capital account items, overseas organizations and overseas individuals making direct investment in the PRC shall, upon approval by the relevant competent authorities, process registration formalities with the foreign exchange administrative authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that a material imbalance in international receipts and payments occur or may occur, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international receipts and payments.

The Regulations for 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 June 20, 1996 and implemented on July 1, 1996, removes other restrictions on the conversion of foreign exchange under current account items, while imposing existing restrictions on foreign exchange transactions under capital account items. According to these regulations and other relevant PRC rules and regulations in relation to currency exchange, Renminbi is generally freely convertible for payments under current account items (such as foreign exchange transactions related to trade and services), but are not freely convertible for capital account items (such as direct investments, loans, or securities investments outside the PRC) without prior approval from the SAFE or its local branches.

Pursuant to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has implemented a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

Pursuant to the relevant laws and regulations in the PRC, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for current account item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank with valid transaction receipts and proof. Foreign-invested 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 (such as our Company) may, with the resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

Pursuant to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《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 by the State Council on October 23, 2014, it decided to cancel the requirements on the SAFE and its branches for reviewing and approving the remittance and settlement of proceeds raised from overseas listing of foreign shares of domestic companies into RMB domestic accounts.

Pursuant to the Notice of the SAFE 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》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of the SAFE at the place of its establishment. The proceeds from an overseas listing of a domestic company may be repatriated to the domestic account or deposited in an overseas account, provided that the use of the proceeds shall be consistent with the content of this document and other disclosure documents.

Pursuant to the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) promulgated on May 10, 2013, came into effect on May 13, 2013, amended on October 10, 2018, and partially repealed on December 30, 2019, the administration shall be carried out by SAFE or its local branches over the direct investment of foreign investors in the PRC by means of registration, and banks must handle foreign exchange business for direct investment in the PRC based on the registration information provided by the SAFE and its branches.

Pursuant to the Notice of the SAFE on Further Simplifying and Improving Foreign Exchange Administration Policy on 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 by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

Pursuant to the Notice of the SAFE on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) issued on March 30, 2015, came into effect on June 1, 2015 and partially repealed on December 30, 2019, foreign-invested enterprises may settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estate property not for self-use purposes (save for real estate enterprises).

Pursuant to the Notice of the SAFE on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of 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》) promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the repatriated funds raised through overseas listing) may effect foreign exchange settlement in banks according to the actual needs of business operations of 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 course in view of the situation of international receipts and payments.