TAXATION IN THE PRC

PRC Taxation of Investors in the H Shares

The following is a summary of certain PRC tax consequences to investors relating to their subscription of H Shares under the [**REDACTED**] and the holding of H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the taxation laws of the PRC in effect as at the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This appendix does not address any aspect of the PRC taxation other than income tax, capital tax, value-added tax, stamp duty and estate duty. Prospective investors are advised to consult their tax advisors regarding the PRC and other tax consequences of investment in H Shares.

Taxation of dividends

Individual Investors

Pursuant to the Individual Income Tax Law of PRC (《中華人民共和國個人所得稅法》) (the "IIT Law") which was promulgated on 10 September 1980 and newly amended on 31 August 2018 by the SCNPC and came into effect on 1 January 2019, and the Regulations on Implementation of the Law of PRC on Individual Income Tax (《中華人民共和國個人所得稅法實施條例》 (the "Implementation Rules on the IIT Law") (hereinafter referred to as the "IIT Law and its implementation rules") newly revised by the State Council on 18 December 2018 and the latest revision of which was effective on 1 January 2019, income from interest, dividends, bonus shall be taxed at a flat rate of 20%. The taxable income amount for income from interest, dividends and bonuses, contingent income and other income shall be the amount of each income item. Moreover, pursuant to the Notice of the MOF, the STA and the CSRC on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《《財政部、國家稅務總局、證監會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 by the MOF, the STA and the CSRC on 7 September 2015 and effective on 8 September 2015, where an individual acquires stocks of a listed enterprise from public offering of the enterprise or from the stock transfer market and holds the stocks for more than one year, the income from dividends distributed by the enterprise shall be exempt from individual income tax for the time being; if the individual holds the stocks for one month or less, the income from dividends distributed by the enterprise shall be fully taxable; if the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends distributed by the enterprise shall be taxable; the aforesaid income is subject to an individual income tax at a flat rate of 20%.

Pursuant to the Notice of the STA on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《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 28 June 2011, dividends paid by a PRC company listed in Hong Kong to foreign individuals are subject to PRC withholding tax according to the IIT Law and its implementation rules, and such withholding tax may be reduced or exempted pursuant to an applicable double taxation treaty. Generally, a convenient tax rate of 10% shall apply to the dividends paid by the company listed in Hong Kong to foreign individuals without application according to the treaties. When a tax rate of 10% is not applicable, the withholding company shall: (i) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%, (ii) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%, and (iii) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法》) which was promulgated on 16 March 2007 and newly amended and implemented on 29 December 2018 (the "EIT Law") by the SCNPC and the Regulation on the Implementation of the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法實施條例》) ("the Implementation Rules on the EIT Law") which was promulgated on 6 December 2007 and newly amended on 6 December 2024 by the State Council and enforced on 20 January 2025, the enterprise income tax shall be 25%. A non-resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if such non-PRC resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements. Such withholding tax 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 when such payment is made or due.

Pursuant to the Notice of the STA on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (《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 STA and came into effect on 6 November 2008, a PRC resident enterprise must withhold enterprise income tax at a unified rate of 10% on dividends paid to overseas non-PRC resident enterprise holders of H Shares for 2008 and afterwards. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock 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》) which was issued by the STA and came into effect on 24 July 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006, PRC Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the 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》) effective on 6 December 2019 states that such provisions shall not apply to those arrangements or transactions, of which the main purpose includes gaining such tax benefit.

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 enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into the avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong Special Administrative Region, 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 tax treaties or arrangements are required to apply to the Chinese 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 Chinese tax authorities.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the STA on 14 October 2019 and became effective on 1 January 2020, non-resident taxpayers are entitled to preferential treatment under the tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through a withholding agent, simultaneously gather and retain the relevant materials as required by the regulations for future inspection, and be subject to subsequent administration by tax authorities.

Taxation of Capital Gains

Individual Investors

In accordance with the IIT Law and its implementation rules issued, individuals are subject to individual income tax at the rate of 20% on gains realized on the transfer of properties, incidental gains or gains from other sources, including gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (《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 30 March 1998, from 1 January 1997 onwards, gains of individuals from the transfer of shares of listed enterprises continue to be exempted from individual income tax. As the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

Pursuant to the Implementation Rules on the EIT Law, a non-PRC resident enterprise is subject to enterprise income tax at a rate of 10% on PRC-sourced income, including gains from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or if it has an establishment or premises in the PRC but the PRC-sourced income is not effectively connected to them. This income tax payable by non-PRC resident enterprises is subject to withholding at source, with the payer acting as the withholding agent. The withholding agent must deduct the tax from each payment or amount due at the time of payment or when it becomes due. Such tax may be reduced or exempted under applicable tax treaties or agreements.

Shanghai-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Market Connect 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》) promulgated by the MOF, the STA and the CSRC on 31 October 2014 and effective on 17 November 2014, for dividends and bonuses obtained by mainland individual investors from investments in H shares listed on the Stock Exchange of Hong Kong Ltd. ("SEHK") through the Shanghai-Hong Kong Stock Connect, H share companies shall submit applications to China Securities Depository and Clearing Corporation Limited ("CSDC") to get the register of individual mainland investors and withhold the individual income tax at a rate of 20%.

For mainland corporate investors, income from dividends and bonuses of investment in stocks listed on the SEHK through the Shanghai-Hong Kong Stock Connect shall be included into the total income and subject to the enterprise income tax. Income of mainland resident enterprises obtained from dividends and bonuses of H shares held for twelve consecutive months or more shall be exempted from enterprise income tax according to the law. When mainland corporate investors declare and pay enterprise income taxes on their own, they may apply for tax credit for the income tax of dividends and bonuses withheld by non-H-share listed companies on the SEHK.

Shenzhen-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Market Connect 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》) promulgated by the MOF, the STA and the CSRC on 5 November 2016 and effective on 5 December 2016, for dividends and bonuses obtained by mainland individual investors from investments in H shares listed on the SEHK through the Shenzhen-Hong Kong Stock Connect, H share companies shall submit applications to CSDC to get the register of individual mainland investors and withhold the individual income tax at a rate of 20%.

For mainland corporate investors, income from dividends and bonuses of investment in stocks listed on the SEHK through the Shenzhen-Hong Kong Stock Connect shall be included into the total income and subject to the enterprise income tax. Income of mainland resident enterprises obtained from dividends and bonuses of H shares held for twelve consecutive months or more shall be exempted from enterprise income tax according to the law. When mainland corporate investors declare and pay enterprise income taxes on their own, they may apply for tax credit for the income tax of dividends and bonuses withheld by non-H-share listed companies on the SEHK.

Stamp duty

Pursuant to the Interim Regulations of the PRC on Stamp Tax (《中華人民共和國印花稅法》), which was promulgated by the SCNPC on 10 June 2021 and effective on 1 July 2022, the entities and individuals that conclude taxable certificates, or conduct securities transactions within the PRC shall be taxpayers of stamp tax, and shall pay stamp tax in accordance with the provisions of this law; where entities or individuals, outside the PRC, conclude taxable certificates that are used within the PRC, they shall pay stamp tax in accordance with the provisions of this law. 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 Tax

Currently, no estate tax is imposed by the PRC Government.

PRC TAXATION OF THE COMPANY

Enterprise Income Tax

In accordance with the EIT Law, a resident enterprise refers to an enterprise that is established within the PRC, or which is established under the law of a foreign country (region) but whose de-facto management body is within the PRC. A resident enterprise must pay the enterprise income tax on its incomes derived from both within and outside the PRC at the rate of 25%.

Value-added Tax and Local Additional Tax

Pursuant to the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》) which was promulgated by the SCNPC on 25 December 2024 and became effective from 1 January 2026, any entities and individuals (including individual businesses) engaged in the sale of goods, services, intangible assets and immovables and importation of goods within the PRC are VAT payers and shall pay VAT. Except for taxpayers' export of goods, the sale of services or intangible assets within the scope as prescribed by the State Council by domestic entities and individuals across national borders and other circumstances specified for by the State Council, the rate of VAT for sale of goods, labor services of processing, repair or replacement, or tangible movable property leasing services or import of goods is 13% unless otherwise specified; the rate of VAT for sale of transportation, postal, basic telecommunications, construction, or immovable leasing services, sale of immovables, or transfer of the rights to use land is 9%; the rate of VAT for sale of services or intangible assets is 6%.

At the same time, VAT taxpayers are also required to pay urban maintenance and construction tax, education surcharge and local education surcharge.

FOREIGN EXCHANGE CONTROLS OF THE PRC

RMB is the lawful currency of the PRC, which is subject to foreign exchange controls and is not freely exchangeable. The SAFE, under the authorization of 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 control regulations.

A strict foreign exchange control system has been adopted in the PRC and such system has undergone various major reforms. The Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》), issued on 29 January 1996, newly amended by the State Council and effective on 5 August 2008, are the existing major regulations on foreign exchange control, and are applicable to the foreign exchange income and expense or foreign exchange activities of domestic and overseas institutions and individuals. Domestic institutions engaging in the issuance or trading of negotiable securities or derivative products shall complete registration in accordance with the requirements of the foreign exchange administrative department of the State Council. Foreign exchange administrative authorities have the right to exercise inspection and examination on foreign exchange settlement under capital accounts as well as the use of funds from and account changes in respect of such settlement. However, the international payments in foreign exchange and the transfer of foreign exchange under current account shall not be subject to any state control or restriction.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on 20 June 1996 and effective on 1 July 1996, the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained. Consequently, RMB is generally freely convertible for payments under current account, such as trade and service-related foreign exchange transactions and dividend payments, but remains to be not freely convertible under capital account, such as direct investment, loan or investment in securities outside of China unless prior approval of the SAFE or its local counterparts is obtained.

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 21 July 2005, the PRC has started to implement 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 21 July 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar solely. 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 Renminbi against the currency 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 transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of 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 may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

Pursuant to the Decision of the State Council on Cancelling and Adjusting a Batch of Items Subject to Administrative Examination and Approval and Other 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》) which was promulgated by the State Council on 23 October 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

In addition, 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 and implemented by the SAFE on 26 December 2014, pursuant to which a domestic company shall, within 15 business days of the end of its offering overseas, present with certain materials and register the overseas listing with the SAFE's local branch at the place of its incorporation. Upon verification that the aforesaid materials are free of error, the SAFE's local branch shall process registration for the domestic company in the capital project information system, then the domestic company shall present this registration certificate to complete account opening and the relevant formalities for its overseas listing. The proceeds from an overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

Pursuant to the Notice of the SAFE on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to 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 became effective on 1 June 2015, the foreign exchange registration approval under the PRC direct investment and the foreign exchange registration approval under the overseas direct investment were abolished and replaced by direct approval by the bank on such foreign exchange registrations. Such registrations were indirectly supervised by the SAFE and its branches through the banks. Moreover, overseas enterprises established or controlled by domestic investment bodies are not subject to foreign exchange filing procedures for the overseas investment on establishments or control of new overseas enterprises.

Pursuant to the Notice of the SAFE on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《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 and enforced by the SAFE on 9 June 2016 and latest amended and effective on 4 December 2023, the policies on voluntary settlement of the foreign exchange earnings of domestic institutions under capital account shall be unified. Voluntary settlement of the foreign exchange earnings under capital account shall mean that the foreign exchange earnings under capital account to which the application of voluntary settlement has been specified by relevant policies (including funds repatriated from overseas listing) may be settled by banks based on the actual operating needs of domestic institutions. Domestic institutions are allowed to settle 100% of their foreign exchange earnings under capital account on a voluntary basis. The SAFE may adjust the foregoing percentage as appropriate according to balance of payments situations. In addition, the foreign exchange incomes under the capital account of a domestic institution shall be used under the principles of authenticity and for itself. Domestic institutions shall comply with the following provisions in using their foreign exchange incomes under the capital account and Renminbi funds obtained from foreign exchange settlement:

- Such incomes and funds shall not, directly or indirectly, be used for the expenditures beyond the business scope of domestic institutions or the expenditures prohibited by laws and regulations of the State,

- Unless otherwise provided, such incomes and funds shall not, directly or indirectly, be used for investment in securities or other investments (excluding wealth management products with a risk rating of Level 2 or lower and structured deposits),

- Such incomes and funds shall not be used for the granting of loans to non-affiliated enterprises, with the exception that such granting is expressly permitted in the business licence, and

- Such incomes and funds shall not be used for purchase of real estate for purposes other than self-use (except by enterprises engaged in real estate development, operation, or leasing).

Moreover, domestic institutions applying for payment with the incomes under the capital account shall truthfully provide the bank concerned with materials proving transaction authenticity relating to their use of funds. For a domestic institution that applies for (i) the payment-based settlement of its all foreign exchange incomes under the capital account, or (ii) the payment with the entire Renminbi funds in its account pending for foreign exchange settlement and payment on a lump-sum basis, the bank concerned shall not process foreign exchange settlement or payment for it if it is unable to provide relevant materials to prove transaction authenticity.