## THE PRC TAXATION

### 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 jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which are subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/value-added tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC and other tax consequences of owning and disposing of H Shares.

### The PRC Taxation

#### *Taxation on Dividends*

*Individual Investors*

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended by the Standing Committee of National People's Congress (the "**NPC Standing Committee**") on 31 August 2018 and became effective on 1 January 2019, and the Implementation Provisions 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》) most recently amended by the State Council on 18 December 2018 and effective from 1 January 2019, (hereinafter collectively referred to as the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income 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 normally subject to individual income tax levied at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) promulgated by the Ministry of Finance (the "**MOF**") and the State Taxation Administration of the PRC (the "**STA**") on 13 May 1994, overseas individuals are temporarily exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

*Enterprise Investors*

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), which was most recently amended by the NPC Standing Committee on 29 December 2018 and became effective on the same date, and the Implementation Rules for 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》) promulgated by the State Council on 6 December 2007, effective from 1 January 2008 and most recently amended on 6 December 2024 with the latest amendment coming into effect on 20 January 2025, (hereinafter collectively referred to as the "**EIT Law**"), the enterprise income tax rate shall be 25%. In general circumstance, where a non-resident enterprise has not set up any institutions or establishments in China, or it has done so but the income it earns is not actually relevant to the said institutions or establishments, it shall pay tax at the enterprise income tax rate of 10% with respect to its income sourced from the PRC (including dividends received from PRC resident enterprises that have issued shares in Hong Kong). The aforesaid income tax payable by non-resident enterprises is deducted at source, with the payer as the withholding agent that withholds the income tax amount from the amount to be paid to the non-resident enterprises.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (《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 on 6 November 2008 and effective from the same date, further clarified that a PRC-resident enterprise must withhold and remit corporate 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 Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B 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》) (Guo Shui Han [2009] No. 394), which was issued by the STA on 24 July 2009 and effective from the same date, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit corporate 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 the PRC has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Incomes (《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》) (the **"Arrangement"**), which was signed between STA and the Hong Kong Government on 21 August 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless 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 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 with respect to Taxes on Incomes (《<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 6 December 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Taxation Administration on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《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》).

Tax Treaties

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

**Taxation on Share Transfer**

***VAT and Additional Local Tax***

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993, and revised on 10 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the MOF on 25 December 1993 and subsequently revised on 15 December 2008 and 28 October 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax (**"VAT"**) at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

According to the Notice on Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (hereinafter referred to as the "**Notice No. 36**") effective from 1 May 2016, entities and individuals selling services within the territory of China are subject to value-added tax (VAT). "Selling services within the territory of China" means that the seller or buyer of the taxable services is located in China. Notice No. 36 also stipulates that for general or foreign VAT taxpayers, the transfer of financial products (including the transfer of ownership of marketable securities) is subject to a 6% VAT on the taxable income (the difference between the selling price and the buying price). However, individuals transferring financial products are exempt from VAT, as further detailed in Appendix 3 of the Provisions on Transitional Policies for the Pilot Program of Replacing Business Tax with Value-Added Tax (《營業稅改徵增值稅試點過渡政策的規定》). Based on these regulations, if the holder is a non-resident individual, the sale or disposal of H shares is exempt from Chinese VAT. If the holder is a non-resident enterprise and the buyer of the H shares is an individual or entity located outside of China, the holder may not be required to pay Chinese VAT. However, if the buyer of the H shares is an individual or entity located within China, the holder may be subject to Chinese VAT. However, in practice, it remains uncertain whether non-resident enterprises are required to pay Chinese VAT upon the disposal of H shares.

According to the Notice on Adjusting Value-Added Tax Rates (《關於調整增值稅稅率的通知》) issued by the MOF and the STA on 4 April 2018, and effective from 1 May 2018, for taxpayers engaging in VAT taxable sales or importing goods, the original applicable tax rates of 17% and 11% are adjusted to 16% and 10% respectively.

Pursuant to the Announcement on Policies Related to Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on 20 March 2019, and effective from 1 April 2019, for taxpayers engaging in VAT taxable sales or importing goods, the original applicable tax rates of 16% and 10% are adjusted to 13% and 9%, respectively.

Furthermore, the Standing Committee of the National People's Congress promulgated the Value-Added Tax Law of the People's Republic of China (《中華人民共和國增值稅法》) on 25 December 2024, which will come into effect on 1 January 2026.

***Income Tax***

*Individual investors*

According to the IIT Law, gains from the transfer of equity interests in resident enterprises in China are subject to a 20% individual income tax. Pursuant to the Notice on the Continued Exemption from Individual Income Tax on Gains from the Transfer of Shares 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 30 March 1998, gains from the transfer of listed company's shares by individuals continue to be exempted from individual income tax from 1 January 1997 onward. In the newly revised IIT Law, the STA has not explicitly stipulated whether gains from the transfer of listed company's shares by individuals will continue to be exempt from income tax.

On 31 December 2009, the MOF, the STA and the China Securities Regulatory Commission (CSRC) jointly issued the Notice on Issues Concerning the Collection of Individual Income Tax on Gains from the Transfer of Restricted Shares of Listed Companies by Individuals (《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》) (effective from the same date), which stipulates that gains realized by individuals from the transfer of listed company's shares acquired from the public offering and trading market of the listed company on the Shanghai Stock Exchange and the Shenzhen Stock Exchange will continue to be exempt from individual income tax, with the exception of relevant restricted shares as defined in the Supplementary Notice on Issues Concerning the Collection of Individual Income Tax on Gains from the Transfer of Restricted Shares of Listed Companies by Individuals (《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 10 November 2010. As of the Latest Practicable Date, the aforementioned provisions have not explicitly clarified whether individual income tax will be levied on gains realized by non-Chinese resident individuals from the transfer of shares of listed Chinese resident enterprises on overseas exchanges.

*Enterprise investors*

Pursuant to the EIT Law, if a non-resident enterprise has no establishment or place of business within China, or if it has an establishment or place of business within China but the income derived from within China has no actual connection with such establishment or place of business, the non-resident enterprise shall generally be subject to a 10% enterprise income tax on income derived from within China (including gains derived from the disposal of equity interests in Chinese resident enterprises). The aforementioned income tax payable by non-resident enterprises is subject to withholding at source, whereby the payer of the income shall withhold the income tax from the amount to be paid to the non-resident enterprise. This tax may be reduced or exempted in accordance with relevant treaties or agreements on avoidance of double taxation.

***Stamp Duty***

According to the Stamp Duty Law of the People's Republic of China (《中華人民共和國印花稅法》) promulgated by the NPC Standing Committee on 10 June 2021 and effective from 1 July 2022, entities and individuals within the territory of China that execute taxable instruments and conduct securities transactions, as well as entities and individuals outside the territory of China that execute taxable instruments for use within the territory, are required to pay China's stamp duty. Therefore, the relevant provisions of the Stamp Duty Law of the People's Republic of China do not apply to the trading of H shares by non-Chinese investors outside of China.

***Estate Duty***

As of the Latest Practicable Date, no estate tax is levied in China.

**China's Foreign Exchange Administration**

The legal currency of China is Renminbi. Upon authorization by the People's Bank of China (the "**PBOC**"), the State Administration of Foreign Exchange (SAFE) has the authority to manage all foreign exchange-related matters, including the implementation of foreign exchange control regulations.

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》) promulgated by the State Council on 29 January 1996, effective from 1 April 1996 and most recently amended on 5 August 2008, categorize all international payments and transfers into current accounts and capital accounts. Current accounts shall undergo reasonable examination by financial institutions engaged in the business of settlement and sale of foreign exchange regarding the authenticity of transaction documents and their consistency with foreign exchange receipts and payments, and are subject to supervision and inspection by foreign exchange administration authorities. For capital accounts, overseas institutions and individuals making direct investments in China must undergo registration with foreign exchange administration authorities after obtaining approval from the relevant competent authorities. Foreign exchange income obtained from overseas can be remitted back or held offshore. Capital account foreign exchange and settlement funds must be used in accordance with the approved purposes by the relevant competent authorities and foreign exchange administration authorities. When significant imbalances occur or are likely to occur in international receipts and payments, or when the national economy encounters or is likely to encounter a severe crisis, the state may take necessary safeguarding and control measures on international receipts and payments.

The Regulations on the 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 from 1 July 1996 removed other restrictions on foreign exchange conversion under current accounts, but imposed current restrictions on foreign exchange transactions under capital accounts.

According to the Announcement on Improving the Reform of the RMB Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》) promulgated and implemented by the PBOC on 21 July 2005, since 21 July 2005, China has adopted a managed floating exchange rate regime based on market supply and demand, with reference to a basket of currencies. As a result, the RMB exchange rate is no longer pegged to a single U.S. dollar. The PBOC publishes, after the close of trading on each working day, the closing prices of the RMB exchange rates against the U.S. dollar and other currencies traded in the interbank foreign exchange market, which serve as the central parity rates for the trading of such currencies against the RMB on the next working day. Pursuant to the relevant laws and regulations of China, Chinese enterprises (including foreign-invested enterprises) that require foreign exchange for current account transactions may conduct payments through foreign exchange accounts opened with designated foreign exchange banks without obtaining approval from the foreign exchange administration authorities, provided that valid transaction receipts and supporting documents are submitted. If a foreign-invested enterprise needs foreign exchange to distribute profits to its shareholders, or if a Chinese enterprise (such as our Company) is required under applicable regulations to pay dividends to its shareholders in foreign exchange, such payments or conversions and payments may be made through the designated foreign exchange bank's foreign exchange accounts in accordance with the profit distribution resolution of its board of directors or shareholders' general meeting.

According to the Decision of the State Council on Cancelling and Adjusting a Batch of Administrative Approval Items and Other Matters (《關於取消和調整一批行政審批項目等事項的決定》) promulgated and implemented on 23 October 2014, the requirement for approval by the SAFE and its local branches for the conversion and settlement into RMB of proceeds raised from overseas share offerings and listings has been abolished.

Pursuant to the Notice on Relevant Issues Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued and implemented by SAFE on 26 December 2014, domestic companies shall, within 15 working days from the completion date of their overseas offering and listing, register their overseas listing with the local branch of SAFE at their place of registration. The proceeds raised by domestic companies from overseas listings may be remitted back to onshore accounts or retained in offshore accounts, but their use shall be consistent with the purposes stated in the document and other disclosure documents. Domestic companies (excluding banking financial institutions) shall, based on the overseas listing registration certificate, open a dedicated account with a domestic bank for the purpose of handling foreign exchange settlement and transfer of funds related to their initial public offering (or additional offering) and share repurchase transactions.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by SAFE on 13 February 2015, implemented on 1 June 2015, and partially repealed on 30 December 2019, the approval for foreign exchange registration under domestic direct investment and overseas direct investment has been delegated to banks for direct review and processing, while SAFE exercises indirect supervision over direct investment foreign exchange registration through banks. SAFE and its local branches exercise indirect supervision over direct investment foreign exchange registration through the banking system.

According to the Notice 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》), promulgated and implemented by the SAFE on 9 June 2016, the relevant policies explicitly provide that foreign exchange income under the capital account subject to discretionary settlement (including funds repatriated from overseas listings) may be settled at banks based on the actual operational needs of domestic institutions. The discretionary settlement ratio of foreign exchange income under the capital account for domestic institutions is provisionally set at 100%, and SAFE may, from time to time, adjust the above ratio in accordance with the balance of payments situation. Pursuant to the Notice of the State Administration of Foreign Exchange on Further Deepening Reform on Facilitating Cross-Border Trade and Investment (《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》) issued on 4 December 2023, in order to facilitate the use of funds for equity transfer under domestic reinvestment by foreign-invested enterprises and funds raised from overseas listings, the capital account asset realization account has been adjusted to a capital account settlement account. The foreign exchange funds raised by domestic enterprises from overseas listings may be directly remitted into the capital account settlement account, and the funds in such capital account settlement account may be settled and used at the enterprise's own discretion.

SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Management Reform (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) on 26 January 2017, which further expanded the scope of foreign exchange loan settlements for domestic entities. It allows domestic entities to settle foreign exchange loans with an export background under goods trade, permits funds under domestic guarantee for overseas loans to be repatriated for onshore use, and allows overseas institutions to settle foreign exchange funds held in their onshore foreign exchange accounts within pilot free trade zones. It also implemented a full-caliber management system for both domestic and foreign currency outbound lending. The aggregate balance of domestic institutions' outbound lending in both RMB and foreign currencies shall not exceed 30% of their owners' equity as stated in the audited financial statements of the previous year.

According to the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) promulgated on 23 October 2019, the restriction on the use of capital funds by non-investment foreign-invested enterprises for domestic equity investments was removed. In addition, the restrictions on the settlement and use of funds in onshore asset realization accounts were lifted, and the restrictions on the use and settlement of margin deposits by foreign investors were relaxed. Qualified enterprises in pilot regions are allowed to use income under capital accounts, such as capital funds, foreign debts, and proceeds from overseas listings, for onshore payments without providing authenticity verification materials to banks on a transaction-by-transaction basis in advance. However, the use of such funds must be genuine and compliant, and shall conform to the prevailing regulations governing the use of income under the capital account.

According to the Circular of the State Administration of Foreign Exchange on Optimizing 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》) promulgated and implemented on 10 April 2020, on the condition that the use of funds is genuine and compliant and consistent with the prevailing regulations on the use of income under the capital account, qualified enterprises are permitted to use income under the capital account, such as capital funds, foreign debts, and proceeds from overseas listings, for onshore payments without providing authenticity verification materials to banks on a transaction-by-transaction basis in advance. The handling banks shall prudently manage relevant business risks in accordance with the principle of sound operation and conduct random post-event inspections as required. The local foreign exchange administrations shall strengthen monitoring, analysis, and supervision during and after the process.