PRC TAXATION

Dividend Taxation

According to the Individual Income Tax Law of the People's Republic of China, as last amended by the Standing Committee of the National People's Congress on 31 August 2018 and effective from 1 January 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China, as last amended on 18 December 2018 and effective from 1 January 2019 (collectively, the "**Individual Income Tax Law**"), the distribution of dividends by PRC enterprises is subject to individual income tax at a rate of 20%. For foreign individuals who are not PRC residents, if they receive dividends from PRC enterprises, they are generally subject to individual income tax at a rate of 20%, unless specifically exempted by the State Taxation Administration of the PRC or granted a tax reduction under relevant tax treaties. According to the "Notice on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045" issued by the State Taxation Administration of the PRC on 28 June 2011, effective as at the same date, for domestic non-foreign-invested enterprises listed in Hong Kong, their overseas resident individual shareholders may enjoy relevant tax benefits pursuant to the provisions of the tax treaties signed between their countries of residence and China and the tax arrangements between the Mainland and Hong Kong (Macau). When such domestic non-foreign-invested enterprises that issue shares in Hong Kong distribute dividends to overseas resident individual shareholders, individual income tax may generally be withheld at a rate of 10%. Where an individual receiving dividends is a resident of a country that has a tax treaty with China providing for a tax rate lower than 10%, the withholding agent may, in accordance with regulatory requirements, apply for the relevant treaty benefits on behalf of such individual. Upon review and approval by the competent tax authorities, any excess tax withheld will be refunded. Where an individual receiving dividends is a resident of a country with a tax treaty providing for a rate higher than 10% but lower than 20%, the withholding agent shall, when distributing dividends, withhold individual income tax at the applicable treaty tax rate, and no application procedures are required. Where individuals receiving dividends are residents of countries that have no tax treaties with China, or under other circumstances, the withholding agent shall, when distributing dividends, withhold individual income tax at a rate of 20%.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China, enacted by the Standing Committee of the National People's Congress on 16 March 2007, as last amended on 29 December 2018 and effective as at that date, and the Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, enacted by the State Council on 6 December 2007, as last amended on 6 December 2024 and effective from 20 January 2025 (collectively, the "**Enterprise Income Tax Law**"), where non-resident enterprises have not established institutions or premises within the territory of China, or where they have established institutions or premises but the income derived from within the territory of China has no actual connection with such institutions or premises, they shall generally be subject to enterprise income tax at a rate of 10% on income derived from within China (including dividend income obtained from Chinese resident enterprises). With respect to the aforementioned enterprise income tax payable by non-resident enterprises, withholding at source shall be implemented, with the payer as the withholding agent. The tax shall be withheld by the withholding agent from the amounts payable to the non-resident enterprises. According to the "Notice of the State Taxation Administration of the PRC on Issues Concerning the Withholding and Payment of Enterprise Income Tax on Dividends Distributed by Chinese Resident Enterprises to Overseas H-Share Non-resident Enterprise Shareholders" issued and implemented by the State Taxation Administration of the PRC on 6 November 2008, when Chinese resident enterprises distribute dividends for 2008 and subsequent years to their overseas H-Share non-resident enterprise shareholders, enterprise income tax shall be withheld at a uniform rate of 10%. According 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" signed on 21 August 2006, the PRC government may tax dividends paid by a Chinese resident enterprise to Hong Kong residents (including individuals and legal entities), provided that the tax so charged shall not exceed 10% of the gross amount of the dividends. If a Hong Kong resident directly holds at least 25% of the equity interest in the Chinese resident enterprise, the tax so charged shall not exceed 5% of the gross amount of the dividends. 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", which took effect on 6 December 2019, introduced criteria for eligibility for treaty benefits.

Tax Treaties

Non-resident investors residing in jurisdictions that have entered into double taxation avoidance treaties or arrangements with China are entitled to a reduction of, or exemption from, PRC enterprise income tax on dividends received from Chinese resident companies. China currently has double taxation treaties or arrangements with various countries and regions. Non-PRC resident enterprises entitled to preferential tax rates under relevant tax treaties or arrangements must apply to the relevant PRC tax authorities for a refund of any enterprise income tax paid in excess of the applicable treaty rate, and such refund application requires approval of the same tax authorities.

Taxes Relating to Share Transfers

Pursuant to the Individual Income Tax Law, gains derived from the transfer of equity interests in a Chinese resident enterprise are subject to individual income tax at a rate of 20%. Pursuant to the "Notice of the Ministry of Finance and the State Taxation Administration of the PRC on the Continued Temporary Exemption of Individual Income Tax on Income from the Transfer of Shares by Individuals", promulgated by the Ministry of Finance and the State Taxation Administration of the PRC on 30 March 1998 and effective on the same date, income derived by individuals from the transfer of shares of listed companies has been temporarily exempt from individual income tax since 1 January 1997.

According to the Enterprise Income Tax Law, if a non-PRC resident enterprise has no establishment or place of business in Chinese Mainland, or has an establishment or place of business in Chinese Mainland but its income derived from Chinese Mainland is not effectively connected with such establishment or place of business, such non-PRC resident enterprise shall generally be subject to enterprise income tax at a rate of 10% on its income derived from Chinese Mainland (including gains derived from the transfer of equity interests in Chinese Mainland resident enterprises). With respect to the aforementioned enterprise income tax payable by non-PRC resident enterprises, withholding at source shall be implemented, with the payer as the withholding agent. The withholding agent must withhold enterprise income tax upon each payment or when a payment becomes due. Such withholding tax may be reduced or exempted under applicable double taxation avoidance treaties or arrangements.

Estate Tax

Under PRC law, no estate tax is levied in China.

Tax Policies for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

Pursuant to the "Notice on Relevant Tax Policies for the Pilot Program of the Shanghai-Hong Kong Stock Connect", jointly formulated by the Ministry of Finance, the State Taxation Administration of the PRC and the China Securities Regulatory Commission on 31 October 2014 and effective as at 17 November 2014, and the "Notice on Relevant Tax Policies for the Pilot Program of the Shenzhen-Hong Kong Stock Connect", formulated on 5 November 2016 and effective as at 5 December 2016, gains from transfers and dividend income obtained by Mainland enterprise investors from investing in stocks **[REDACTED]** on the SEHK 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 law. Among other things, dividend income derived by Mainland resident enterprises from holding H-Shares continuously for 12 months or more is exempt from enterprise income tax in accordance with the law.

For gains derived by Mainland individual investors from the transfer of H shares **[REDACTED]** on the SEHK through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, individual income tax was temporarily exempted from 5 December 2016 to 4 December 2019. For dividends and bonuses received by them, the H-share company must submit an application to China Securities Depository and Clearing Corporation Limited ("**ChinaClear**"), which will in turn provide the register of Mainland individual investors to the H-share company, and the H-Share company shall withhold individual income tax on their behalf at a rate of 20%. With respect to withholding tax already paid abroad, an individual investor may apply for a tax credit with the competent tax authority in relation to ChinaClear by presenting a valid tax deduction certificate.

Stamp Duty

Pursuant to the Stamp Duty Law of the People's Republic of China promulgated by the Standing Committee of the National People's Congress on 10 June 2021 and effective as at 1 July 2022, the purchase and disposal of H shares by non-Mainland Chinese investors outside Chinese Mainland are not subject to the provisions of the Stamp Duty Law of the People's Republic of China.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law, within the territory of China, enterprises and other organisations that obtain income are taxpayers of enterprise income tax and shall pay enterprise income tax in accordance with the provisions of the Enterprise Income Tax Law. The enterprise income tax rate is 25%.

Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises, promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Taxation Administration of the PRC on 14 April 2008, amended on 29 January 2016 and effective from 1 January 2016, an enterprise recognised as a high and new technology enterprise may, in accordance with the relevant requirements of the Enterprise Income Tax Law, apply for a preferential enterprise income tax rate of 15%.

Pursuant to the Enterprise Income Tax Law, enterprises are classified as resident enterprises and non-resident enterprises. Where a non-resident enterprise has not established an institution or place of business in Chinese Mainland, or where it has established an institution or place of business but the income obtained has no effective connection with such institution or place of business, it shall pay enterprise income tax on its income derived from Chinese Mainland. Where the payer acts as withholding agent, enterprise income tax shall be withheld at source in Chinese Mainland. The withholding agent shall withhold the tax from each payment made or due to be made.

Value-Added Tax ("VAT")

Pursuant to the Value-added Tax Law of the People's Republic of China, formulated by the Standing Committee of the National People's Congress on 25 December 2024 and effective as at 1 January 2026, and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Tax, as last amended by the Ministry of Finance on 28 October 2011 and effective as at 1 November 2011, all units and individuals (including individually-owned businesses) engaged in the sale of goods, services, intangible assets and real estate, as well as the importation of goods within the territory of the PRC, are taxpayers of value-added tax, and entities and individuals required to pay value-added tax in accordance with the regulations must pay value-added tax. According to the aforementioned rules, for the sale of goods, provision of processing, repair and maintenance services, and tangible movable assets leasing services by a taxpayer, and the importation of goods, the tax rate is 13%, unless otherwise provided.

Foreign Exchange Control

Renminbi is the legal tender in China and is subject to foreign exchange control in accordance with the law. As authorised by the People's Bank of China, the State Administration of Foreign Exchange is responsible for managing foreign exchange-related matters.

Pursuant to the Regulations of the People's Republic of China on Foreign Exchange Control, formulated by the State Council on 29 January 1996, as last amended and effective as at 5 August 2008, all international payments and transfers are classified into current account and capital account transactions. Chinese Mainland does not impose restrictions on current international payments and transfers. Foreign exchange income under the current account of domestic enterprises in China may, in accordance with relevant state regulations, be retained or sold to financial institutions engaged in foreign exchange settlement and sale business. The retention of foreign exchange income under the capital account, or the sale thereof to financial institutions engaged in foreign exchange settlement and sale business, shall be subject to the approval of the foreign exchange administration authority, except where such approval is not required under national regulations.

Pursuant to the "Announcement of the People's Bank of China on Reforming the RMB Exchange Rate Regime" promulgated and implemented by the People's Bank of China on 21 July 2005, China has implemented a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies since 21 July 2005. The RMB exchange rate is no longer pegged to a single currency, the US dollar, forming a more flexible RMB exchange rate mechanism. The People's Bank of China announces the closing price of trading currencies such as the US dollar against the RMB in the interbank foreign exchange market after the close of the market on each business day, which serves as the central parity rate for the trading of such currency pairs against the RMB on the next business day.

Pursuant to the "Notice on Issues Concerning the Administration of Funds for Overseas Listing of Domestic Enterprises", formulated by the People's Bank of China and the State Administration of Foreign Exchange on 24 December 2025 and effective on 1 April 2026, a domestic enterprise that **[REDACTED]** overseas shall, within 30 working days from the first **[REDACTED]** day of its overseas **[REDACTED]** or after the completion of the **[REDACTED]**, apply for overseas **[REDACTED]** registration with a bank located in the province or separately planned city where it is registered.

Pursuant to the "Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment", promulgated by the State Administration of Foreign Exchange on 13 February 2015, effective as at 1 June 2015 and partially repealed on 30 December 2019, the requirements for foreign exchange registration approval for domestic direct investment and for overseas direct investment have been canceled, and such registrations are now directly reviewed and processed by banks. The State Administration of Foreign Exchange and its branches shall implement indirect supervision over foreign exchange registration for direct investment through banks.

Pursuant to the "Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Management Policy of the Settlement of Foreign Exchange Earnings on Capital Accounts", promulgated and made effective on 9 June 2016 and partially amended on 4 December 2023 by the State Administration of Foreign Exchange, relevant policies have clarified that foreign exchange earnings on capital accounts subject to discretionary settlement (including funds repatriated from overseas listings) may be settled at banks based on the actual business needs of domestic institutions. The settlement percentage for capital account foreign exchange income of domestic institutions is provisionally set at 100%, and the State Administration of Foreign Exchange may adjust this percentage promptly based on the balance of payments.

Pursuant to the "Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment", promulgated and made effective on 23 October 2019 and partially amended on 4 December 2023 by the State Administration of Foreign Exchange, non-investment foreign-invested enterprises are permitted to settle foreign exchange capital into Renminbi and make domestic equity investments with Renminbi funds in accordance with the law, provided that such investments do not violate the Special Administrative Measures (Negative List) for Foreign Investment Access then in effect and that the domestic investment projects are genuine and compliant.