CHINA TAXATION

Taxes on Dividends

Individual Investors

According to the Individual Income Tax Law of the People's Republic of China (Amended in 2018) (《中華人民共和國個人所得稅法(2018修正)》) ("**Individual Income Tax Law**") and its implementation regulations, income from interest, dividends and bonuses is subject to individual income tax at a rate of 20%. Unless otherwise stipulated by the competent finance and tax authorities of the State Council, all interest, dividends and bonuses obtained from enterprises, public institutions, other organizations, and resident individuals within China are deemed as income sourced from within China, regardless of whether the place of payment is within China. According to the Notice of the Ministry of Finance and the State Taxation Administration on Several Policy Issues Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) promulgated on 13 May 1994, dividends and bonuses obtained by foreign individuals from foreign-invested enterprises are temporarily exempt from individual income tax. According to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on 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》), promulgated on 7 September 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market and holds the stocks for more than one year, the income from dividends and bonuses shall be temporarily exempt from individual income tax.

Corporate Investors

According to the Enterprise Income Tax Law of the People's Republic of China (Amended in 2018) (《中華人民共和國企業所得稅法(2018修正)》) ("**EIT**") and its implementation regulations, all resident enterprises in China (including foreign-invested enterprises) are subject to enterprise income tax at a unified rate of 25%. Where a non-resident enterprise has not established an institution or place of business within the territory of China, or where it has established such an institution or place of business but the income derived has no actual connection with that institution or place of business, it is generally required to pay enterprise income tax at a rate of 10% on income sourced within China (including dividends derived from shares issued in Hong Kong by Chinese resident enterprises). The aforesaid income tax payable by non-resident enterprises shall be collected through withholding at source, with the payer acting as the withholding agent. The withholding agent shall withhold the tax from the amount paid or payable to the non-resident enterprise at the time of each payment or when the payment becomes due.

The Notice of the State Taxation Administration on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese 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》), promulgated by the State Taxation Administration on 6 November 2008, further clarifies that when Chinese resident enterprises distribute dividends for the year 2008 and subsequent years to H-share holders which are overseas non-resident enterprises, enterprise income tax shall be withheld and paid at a tax rate of 10%. In addition, the Reply of the State Taxation Administration on the Collection of Enterprise Income Tax on Dividends from B-shares and Other Stocks Obtained by Non-resident Enterprises (《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復》), promulgated by the State Taxation Administration on 24 July 2009, further provides that where a Chinese resident enterprise whose shares are listed on an overseas securities exchange distributes dividends for the year 2008 and subsequent years to non-resident enterprise shareholders, enterprise income tax shall be withheld and paid at a tax rate of 10% on such dividends. The aforementioned tax rate may be further adjusted according to tax treaties or agreements (if applicable) concluded between China and the relevant country or region.

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 (《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 on 21 August 2006 and became effective on 8 December 2006, the Chinese government may levy tax on dividends paid by Chinese companies to Hong Kong residents (including natural persons and legal entities), but the tax levied shall not exceed 10% of the gross dividends payable by the Chinese companies. If a Hong Kong resident directly holds 25% or more of the equity in a Chinese company, the tax levied shall not exceed 5% of the gross dividends payable by the Chinese company. The Fifth Protocol to the Arrangement came into effect on 31 December 2019, which introduced additional provisions on the determination of eligibility for enjoying benefits under the Arrangement. Notwithstanding any other provisions of the Arrangement, where, after taking into account the relevant facts and circumstances, the principal purpose of a relevant arrangement or transaction is to directly or indirectly obtain benefits under the Arrangement, treaty benefits shall not be granted, unless the granting of such benefits in such circumstances would be consistent with the object and purpose of the relevant provisions of the Arrangement. The implementation of the dividend provisions of tax treaties shall comply with the Notice of the State Taxation Administration on Issues Concerning the Implementation of the Dividend Provisions of Tax Treaties, and other relevant PRC tax regulatory documents.

Tax Treaties

Non-Chinese resident investors residing in countries that have signed double taxation avoidance agreements with China, or residing in Hong Kong or Macao, who receive dividends from Chinese companies, may enjoy a reduced withholding tax rate. China currently has double taxation avoidance agreements/arrangements with numerous countries and regions (including Hong Kong, Macao, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, and the United States). Non-Chinese resident enterprises entitled to preferential tax rates under the relevant income tax treaties or arrangements must apply to the Chinese tax authorities for a refund of any withholding tax exceeding the treaty rate. Such refunds shall be paid only upon approval by the Chinese tax authorities.

Taxes on Share Transfers

Individual Investors

According to the Individual Income Tax Law and its implementation regulations, individuals are subject to a 20% individual income tax on gains derived from the sale of equity in Chinese resident enterprises.

According to the Notice of the Ministry of Finance and the State Taxation Administration on Temporarily Continuing to Exempt Individual Income Tax on Gains from Stock Transfers (《財政部、國家税務總局關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》), promulgated by the Ministry of Finance and the State Taxation Administration on 30 March 1998, individual income tax on gains derived from the transfer of listed company shares has been temporarily exempted since 1 January 1997. On 31 December 2009, the Ministry of Finance, the State Taxation Administration, and the China Securities Regulatory Commission jointly issued the Notice on Issues Concerning the Levy 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税有關問題的通知》), which stipulates that gains derived from the transfer of shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange continue to be exempt from individual income tax, except for certain restricted shares as defined in the Supplementary Notice on Issues Concerning the Levy 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税有關問題的補充通知》) jointly issued by the three authorities on 10 November 2010.

As of the most recently practicable date, the foregoing provisions do not explicitly specify whether individual income tax is levied on gains derived by non-Chinese resident individuals from the transfer of shares of Chinese resident enterprises listed on overseas securities exchanges. To the Company's knowledge, Chinese tax authorities have not in practice imposed income tax on gains from the transfer of such shares by non-Chinese resident individuals. However, there can be no assurance that the Chinese tax authorities will not change these practices, which could result in the imposition of income tax on gains derived by non-Chinese resident individuals from the sale of H shares.

Corporate Investors

According to the Enterprise Income Tax Law and its implementation regulations, where a non-resident enterprise has not established an institution or place of business in China, or has established such an institution or place of business but the income derived from within China has no actual connection with that institution or place of business, the non-resident enterprise is generally subject to enterprise income tax at a rate of 10% on its income sourced within China, including gains from the sale of equity in Chinese resident enterprises. The aforesaid income tax payable by non-resident enterprises shall be collected through withholding at source, with the payer acting as the withholding agent. The withholding agent shall withhold the tax from the amount paid or payable to the non-resident enterprise at the time of each payment or when the payment becomes due. Such tax may be reduced or exempted in accordance with the relevant tax treaties or double taxation avoidance agreements.

Stamp Duty

According to the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》), promulgated by the Standing Committee of the National People's Congress on 10 June 2021 and effective from 1 July 2022, Chinese stamp duty applies to entities or individuals that execute taxable documents and engage in securities transactions within China, as well as to entities or individuals that execute taxable documents outside China but use them in China. Accordingly, the provisions on stamp duty levied on the transfer of shares of Chinese listed companies do not apply to non-Chinese investors trading H shares outside China.

Estate Duty

China currently does not levy any estate duty.

Major Taxes Applicable to the Company in China

Enterprise Income Tax

According to the Enterprise Income Tax Law and its implementation regulations, promulgated on 16 March 2007, and amended on 24 February 2017 and 29 December 2018, enterprises are classified into resident enterprises and non-resident enterprises. An enterprise established within China, or established under foreign law but whose "effective management body" is within China, is regarded as a resident enterprise. Resident enterprises are subject to enterprise income tax at a rate of 25% on their global income. Non-resident enterprises (i) that have established an institution or place of business in China are subject to enterprise income tax at a rate of 25% on income derived from that institution or place of business within China, as well as on income derived outside China that has actual connection with that institution or place of business; and (ii) are subject to enterprise income tax at a rate of 10% on income derived from within China that has no actual connection with their institution or place of business in China. Non-resident enterprises that have not established an institution or place of business in China are subject to enterprise income tax at a rate of 10% on income derived from China.

Small meagre-profit enterprises that meet the prescribed conditions shall pay enterprise income tax at a rate of 20%. Important high- and new-tech enterprises that are supported by the state can enjoy a preferential enterprise income tax rate of 15%.

Value-Added Tax (VAT)

According to the Interim Regulation of the People's Republic of China on Value Added Tax (Amended in 2017) (《中華人民共和國增值稅暫行條例(2017修訂)》), promulgated on 13 December 1993 and most recently amended on 19 November 2017, and its implementation regulations, entities and individuals engaged in the sale of goods, provision of processing, repair and replacement services, sale of services, intangible assets or real estate, or importation of goods within China are subject to VAT. According to the Notice of the Ministry of Finance and the State Taxation Administration 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》), effective from 1 May 2018, where taxpayers engage in VAT-taxable sales, the VAT rate originally applicable at 17% and 11% shall be adjusted to 16% and 10%. According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) effective from 1 April 2019, where VAT general taxpayers engage in taxable sales activities or imported goods, the VAT rate originally applicable at 16% shall be adjusted to 13%, and the VAT rate originally applicable at 10% shall be adjusted to 9%.

TAXES APPLICABLE TO THE COMPANY IN HONG KONG

Taxes on Dividends

Under Hong Kong law, no person or corporation is required to pay tax on dividends distributed by the Company.

Profits Tax

Shareholders (excluding those who carry on a trade, profession or business in Hong Kong and hold shares for trading purposes) are not subject to Hong Kong profits tax on capital gains derived from the sale or disposal of shares. Shareholders should seek advice from professional advisers regarding their specific tax positions.

Stamp Duty

The sale and purchase of shares are subject to Hong Kong stamp duty. Whether the shares are sold or purchased on the Hong Kong Stock Exchange or otherwise, stamp duty is levied at the current rate of 0.2%, calculated based on the higher of the consideration paid or the value of the shares sold or purchased. Shareholders involved in the transaction are each legally responsible for half of the stamp duty payable on the transfer. In addition, any instrument of transfer of shares is currently subject to a fixed stamp duty of HKD5.

Estate Duty

According to the Revenue (Abolition of Estate Duty) Ordinance 2005 (《2005年收入(取消遺產稅)條例》), which came into effect on 11 February 2006, no Hong Kong estate duty is payable, and no estate duty clearance certificate is required, in respect of the estate of an H-share holder who passes away on or after 11 February 2006.

Chinese Laws and Regulations on Foreign Exchange

According to the Regulations on the Foreign Exchange System of the People's Republic of China (Amended in 2008) (《中華人民共和國外匯管理條例(2008修訂)》), promulgated on 29 January 1996 and amended on 5 August 2008, the Renminbi is freely convertible under current account items (including dividend distributions, trade, and service-related foreign exchange transactions), but is not freely convertible under capital account items (including direct investments, loans, capital transfers, and securities investments outside China), which require prior approval from the State Administration of Foreign Exchange (SAFE) or its designated banks.

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 on 9 June 2016 and amended on 4 December 2023, foreign exchange proceeds under capital account transactions (including foreign currency capital contributions, foreign debt funds, and funds repatriated from overseas listings) may be converted into Renminbi at the discretion of the holder. The provisional ratio for voluntary foreign exchange settlement of capital account foreign exchange income by domestic institutions is set at 100%. The SAFE may, in light of the international balance of payments situation, adjust the above ratio from time to time.

According to the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), promulgated on 23 October 2019 (as amended by the Notice of the State Administration of Foreign Exchange on Further Deepening Reforms and 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》) promulgated on 4 December 2023), non-investment foreign-invested enterprises are permitted to lawfully conduct domestic equity investments using their capital, provided that they do not violate the prevailing Special Administrative Measures for Foreign Investment Access (Negative List) (《外商投資准入特別管理措施(負面清單)》) and that the domestic investment projects are genuine and compliant.

The SAFE promulgated and implemented the Notice on Relevant Issues Concerning Foreign Exchange Administration for Overseas Listings on 26 December 2014. According to this Notice, a domestic company shall, within 15 working days from the completion date of its overseas listing and issuance, complete overseas listing registration with the foreign exchange authority at its place of incorporation. Funds raised from an overseas listing by a domestic company may be remitted back to China or retained overseas, and the use of such funds shall be consistent with the relevant disclosures set out in the prospectus and other disclosure documents. A domestic company (other than banking financial institutions) shall, on the basis of the overseas listing business registration certificate, open a "special foreign exchange account for overseas listing of domestic companies" with a domestic bank in connection with its initial public offering (or additional issuance) and share repurchase activities, and conduct the related fund remittance and transfers through such account.