TAXATION FOR SECURITIES HOLDERS

The income tax and capital gains tax of H-share holders must comply with the laws and practices of China and the jurisdiction where the H-share holder is located, or other tax provisions. The following summary of relevant tax provisions is based on current laws and practices, which may change and does not constitute legal or tax advice. This discussion does not cover all possible tax implications related to investing in H-shares, nor does it take into account any specific circumstances of any particular investors, some of which may be subject to special regulations. Therefore, you should consult your tax advisor regarding the tax implications of investing in H-shares. The discussion is based on laws and interpretations effective as of the latest practicable date, all of which may change and may have retroactive effect.

In addition to income tax, capital gains tax, business tax/VAT, stamp duty, and inheritance tax, this discussion does not cover any other aspects of Chinese or Hong Kong taxes. Potential investors should consult their financial advisors regarding the Chinese, Hong Kong, and other tax implications of holding and selling H-shares.

CHINESE TAXES

Tax on Dividends

Individual Investors

According to the Personal Income Tax Law of the People's Republic of China (hereinafter referred to as the "Personal Income Tax Law"), promulgated on September 10, 1980, revised by the Standing Committee of the Thirteenth National People's Congress on August 31, 2018, and effective from January 1, 2019, and the Implementation Regulations of the Personal Income Tax Law of the People's Republic of China, revised by the State Council on December 18, 2018, and effective from January 1, 2019, dividends paid by Chinese companies to individual investors are generally subject to a withholding tax at a uniform rate of 20%. At the same time, according to the Notice on Issues Related to the Differential Personal Income Tax Policy for Dividends and Bonuses of Listed Companies issued by the Ministry of Finance, the State Administration of Taxation, and the CSRC on September 7, 2015, for individuals who obtain listed company shares from the public issuance or transfer market, dividends received from shares held for more than one year are temporarily exempt from personal income tax; dividends received from shares held for a period of one month or less (including one month) are fully included in the taxable income; dividends received from shares held for a period of more than one month but up to one year (including one year) are included in the taxable income at 50%; the above-mentioned income is subject to personal income tax at a uniform rate of 20%. In practice, the withholding tax rate for non-resident individual dividends may be lower than 20% in some cases. However, according to the Notice on Several Issues of Personal Income Tax Policy issued by the Ministry of Finance and the State Administration of Taxation, dividends and bonuses received by foreign individuals from foreign-invested enterprises are temporarily exempt from personal income tax. On February 3, 2013, the State Council approved and promulgated the Notice of the State Council Approving and Forwarding Certain Opinions of the Development and Reform Commission and Other Departments on Deepening the Reform of the Income Distribution System. On February 8, 2013, the General Office of the State Council promulgated the Notice of the General Office of the State Council on the Key Work Division for Deepening the Reform of the Income Distribution System. According to the above two documents, the Chinese government plans to cancel the tax exemption for dividends received by foreign individuals from foreign-invested enterprises, and the Ministry of Finance and the State Administration of Taxation are responsible for formulating and implementing the details of the plan. However, the Ministry of Finance and the State Administration of Taxation have not yet formulated relevant implementation regulations or rules. According to the Notice on Several Issues of Personal Income Tax Collection and Administration after the Abolition of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation on June 28, 2011, dividends paid by domestic non-foreign-invested enterprises issuing shares in Hong Kong to resident individuals in a foreign country in a tax treaty jurisdiction are generally subject to personal income tax at a rate of 10%. For H-share individual holders who are residents of a contracting state and receive dividends, if their country of residence has entered into a tax treaty with China that provides for a tax rate lower than 10%, the non-foreign-invested enterprise listed in Hong Kong may apply to the tax authorities on behalf of such holders for the right to enjoy the preferential tax treatment, and any excess withheld tax will be refunded once approved by the tax authorities. For individual H-share holders who are residents of a contracting state and receive dividends, if their country has a tax treaty with China that provides for a tax rate higher than 10% but lower than 20%, the non-foreign-invested enterprise shall withhold tax at the agreed tax rate under the tax treaty without the need for application. For individual H-share holders who are non-residents and receive dividends, if their country entered into any tax treaty with China or otherwise the non-foreign-invested enterprise shall withhold tax at a rate of 20%.

According 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 with respect to Taxes on Income signed on August 21, 2006, the Chinese government may levy tax on dividends paid by Chinese companies to Hong Kong residents (including natural persons and legal entities), provided that the amount of tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident holds directly 25% or more of the equity in a Chinese company, the amount of tax shall not exceed 5% of the total amount of dividends payable by the Chinese company. The Fifth Protocol 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 with respect to Taxes on Income, effective from December 6, 2019, stipulates that the above provisions shall not apply to arrangements or transactions made primarily for the purpose of obtaining the above tax benefits.

Corporate Investors

According to the Enterprise Income Tax Law, revised and effective on December 29, 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China, revised and effective on April 23, 2019, non-resident enterprises that do not have an establishment or place of business in China, or although having an establishment or place of business in China, the income derived from China is not actually related to the establishment or place of business set up in China, shall pay enterprise income tax at a general rate of 10% on income derived from within China (including dividends paid by Chinese resident enterprises listed and issued in Hong Kong). The withholding tax on the aforementioned income tax payable by non-resident enterprises shall be implemented at source, with the payer of income as the withholding agent. The withholding tax may be reduced or exempted in accordance with applicable treaties to avoid double taxation.

The Notice on Issues Concerning the Withholding and Payment of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Non-Resident Enterprise Shareholders of Overseas H-shares issued by the State Administration of Taxation and effective on November 6, 2008, further clarifies that for dividends distributed out of profits generated from January 1, 2008 onwards, PRC resident enterprises shall withhold and pay enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise H-shareholders. The Reply on the Issue of Enterprise Income Tax on Dividends on B-shares and Other Stocks Acquired by Non-Resident Enterprises issued by the State Administration of Taxation on July 24, 2009 further stipulates that any PRC resident enterprise listed on an overseas stock exchange shall withhold and pay enterprise income tax on behalf of the non-PRC resident enterprise shareholders at a rate of 10% on the dividends distributed to such shareholders. The above-mentioned tax rate may be further changed in accordance with tax treaties or agreements concluded between China and the relevant jurisdictions (if applicable).

According 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 with respect to Taxes on Income signed on August 21, 2006, the Chinese government may levy a tax on dividends paid by Chinese companies to Hong Kong residents (including natural persons and legal entities), provided that the tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident holds directly 25% or more of the equity interest in a Chinese company, the tax shall not exceed 5% of the total amount of dividends payable by the Chinese company. The Fifth Protocol 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 with respect to Taxes on Income, effective from December 6, 2019, stipulates that arrangements or transactions made primarily for the purpose of obtaining the above tax benefits shall not be applicable to the above provisions. The implementation of the dividend clause of the tax agreement also needs to comply with the provisions of Chinese tax laws and regulations such as the Notice on Issues Concerning the Implementation of the Dividend Clause of the Tax Agreement issued by the State Administration of Taxation.

Tax Treaties

Non-PRC resident investors residing in countries that have concluded double taxation avoidance treaties with China or residing in the Hong Kong or Macao Special Administrative Regions are entitled to preferential tax rates on dividends received from Chinese companies. China has concluded double taxation avoidance arrangements with the Hong Kong and Macao Special Administrative Regions respectively, and has concluded double taxation avoidance treaties with a number of other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises that are entitled to preferential tax rates under the relevant income tax treaties or arrangements may apply to the Chinese tax authorities for a refund of the difference between the withheld tax amount and the tax calculated at the treaty tax rate.

According to the Measures for the Administration of Non-Resident Taxpayers' Entitlement to Treaty Benefits issued by the State Administration of Taxation on October 14, 2019, which became effective on January 1, 2020, non-resident taxpayers who entitle to tax preferential treatment under the tax agreements shall adopt the method of "self-judgment, filing of returns for entitlement, and retention of relevant data for inspection". Non-resident taxpayers who determine that they meet the conditions for entitlement to the agreement benefits may enjoy the agreement benefits on their own when filing tax returns or through the withholding agent when declaring withholding taxes, while collecting and retaining relevant data as required for record-keeping and inspection purposes, and accepting subsequent management by the tax authorities.

Share Transfer Tax

Value-Added Tax and Local Surcharges

According to the Notice on the Comprehensive Implementation of the Pilot Program for the Transformation of Business Tax to Value-Added Tax (hereinafter referred to as "Circular 36"), promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016, and revised on July 11, 2017, December 25, 2017, and March 20, 2019, units and individuals selling services, intangible assets, or real estate within China are taxpayers of value-added tax and shall be subject to value-added tax instead of business tax in accordance with the law. Circular 36 also stipulates that the transfer of financial products (including the transfer of ownership of negotiable securities) shall be subject to a value-added tax of 6% on taxable income.

At the same time, value-added tax taxpayers are also subject to urban maintenance and construction tax, educational surcharge tax and local educational surcharge tax.

Income Tax

Individual Investors

According to the Personal Income Tax Law and its implementing regulations, individuals shall be subject to 20% personal income tax on the gains from the sale of equity interests in PRC resident enterprises. According to the Notice on the Continued Temporary Exemption from Personal Income Tax on Gains from the Transfer of Listed Company's Shares promulgated by the Ministry of Finance and the State Administration of Taxation on March 30, 1998 (hereinafter referred to as "Notice No. 61"), starting from January 1, 1997, the gains from the transfer of listed company's shares by individuals continue to be temporarily exempt from personal income tax. According to the Announcement on the Catalogue of Personal Income Tax Preferential Policies Remaining in Force issued by the Ministry of Finance and the State Administration of Taxation on December 29, 2018, Notice No. 61 will remain valid.

According to the Notice on Issues Concerning the Levy of Personal Income Tax on Gains from the Transfer of Restricted Shares of Listed Companies issued by the Ministry of Finance, the State Administration of Taxation, and the CSRC on December 31, 2009, the gains from the transfer of listed company's shares publicly issued and acquired from trading market by individuals on the Shanghai Stock Exchange or Shenzhen Stock Exchange continue to be exempt from personal income tax, except for the restricted shares as defined in the Supplementary Notice on Issues Concerning the Levy of Personal Income Tax on Gains from the Transfer of Restricted Shares of Listed Companies jointly issued by the above-mentioned three authorities on November 10, 2010.

As of the latest practicable date, the above provisions do not explicitly stipulate the levy of personal income tax on the sale of shares of PRC resident enterprises listed on overseas stock exchanges (such as the Stock Exchange) by non-resident individuals.

Corporate Investors

According to the Enterprise Income Tax Law and its implementing regulations, non-PRC resident enterprises that do not have an establishment or place of business in China, or although having an establishment or place of business in China, the income derived from China is not actually related to the establishment or place of business set up in China, shall pay enterprise income tax on income derived from within China at a general rate of 10%. The above-mentioned tax may be reduced or exempted in accordance with applicable tax agreements or arrangements.

Tax Policy on Shanghai-Hong Kong Stock Connect

On October 31, 2014, the Ministry of Finance, the State Administration of Taxation, and the CSRC jointly issued the Notice on Tax Policies for the Pilot Program of Shanghai-Hong Kong Stock Market Trading Interconnection Mechanism (hereinafter referred to as the "Shanghai-Hong Kong Stock Connect Tax Policy"). According to the Shanghai-Hong Kong Stock Connect Tax Policy, for mainland enterprise investors who obtain transfer price gains through Shanghai-Hong Kong Stock Connect when investing in stocks listed on the Hong Kong Stock Exchange, the gains are included in their total income and enterprise income tax is levied in accordance with the law. For mainland enterprise investors who obtain dividend and bonus income through Shanghai-Hong Kong Stock Connect when investing in stocks listed on the Hong Kong Stock Exchange, the income is included in their total income and enterprise income tax is levied in accordance with the law. Among them, dividend and bonus income obtained by mainland resident enterprises holding H-shares continuously for 12 months is exempt from enterprise income tax in accordance with the law. For dividend and bonus income obtained by mainland enterprise investors, H-share companies do not withhold dividend and bonus income tax for mainland enterprise investors. The taxable amount shall be declared and paid by the enterprise itself.

For dividend and bonus income obtained by mainland individual investors through Shanghai-Hong Kong Stock Connect when investing in H-shares listed on the Hong Kong Stock Exchange, H-share companies should apply to China Securities Depository and Clearing Corporation Limited (hereinafter referred to as "China Clearing") for the mainland individual investor list provided by China Clearing, and H-share companies shall withhold personal income tax at a rate of 20%.

Tax Policy on Shenzhen-Hong Kong Stock Connect

On November 5, 2016, the Ministry of Finance, the State Administration of Taxation, and the CSRC jointly issued the Notice on Tax Policies for the Pilot Program of Shenzhen-Hong Kong Stock Market Trading Interconnection Mechanism (hereinafter referred to as the "Shenzhen-Hong Kong Stock Connect Tax Policy"). According to the Shenzhen-Hong Kong Stock Connect Tax Policy, for mainland enterprise investors who obtain transfer price gains through Shenzhen-Hong Kong Stock Connect when investing in stocks listed on the Hong Kong Stock Exchange, the gains are included in their total income and subject to enterprise income tax in accordance with the law. For mainland enterprise investors who obtain dividend and bonus income through Shenzhen-Hong Kong Stock Connect when investing in stocks listed on the Hong Kong Stock Exchange, the income is included in their total income and subject to enterprise income tax in accordance with the law. Among them, dividend and bonus income obtained by mainland resident enterprises holding H-shares continuously for 12 months is exempt from enterprise income tax in accordance with the law. For dividend and bonus income obtained by mainland enterprise investors, H-share companies do not withhold dividend and bonus income tax on behalf of mainland enterprise investors. The taxable amount shall be declared and paid by the enterprise itself.

For dividend and bonus income obtained by mainland individual investors through Shenzhen-Hong Kong Stock Connect when investing in H-shares listed on the Hong Kong Stock Exchange, H-share companies shall submit an application to China Securities Clearing Corporation which will provide the H-share company with a register of mainland individual investors, and H-share companies shall withhold personal income tax at a rate of 20%.

CHINESE STAMP DUTY

According to the Stamp Duty Law of the People's Republic of China, promulgated on June 10, 2021, and effective from July 1, 2022, units and individuals that have executed taxable instruments or conducted securities transactions within the territory of the People's Republic of China are taxpayers of stamp duty and shall pay stamp duty in accordance with the provisions of this law, or units and individuals that have executed taxable instruments outside the territory of the People's Republic of China for use within the territory shall pay stamp duty in accordance with the provisions of this law.

Estate Duty

As of the date of this document, there is currently no estate duty in China.

MAIN TAXES OF THE GROUP IN CHINA

Enterprise Income Tax

According to the Enterprise Income Tax Law, the enterprise income tax rate for Chinese enterprises is 25%, which is in line with the applicable tax rates for foreign-invested enterprises and foreign enterprises.

According to the Announcement on Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Owners issued by the Ministry of Finance and the State Administration of Taxation on August 2, 2023, and came into effect on January 1, 2023, the policy of calculating the taxable income of small and micro-profit enterprises at a reduced rate of 25% and subjecting them to enterprise income tax at a rate of 20% was extended to December 31, 2027.

According to the Administrative Measures for the Recognition of High and New Technology Enterprises promulgated by the Ministry of Science and Technology of the People's Republic of China, the Ministry of Finance, and the State Administration of Taxation on April 14, 2008, as revised on January 29, 2016, and effective from January 1, 2016, enterprises recognized as high and new technology enterprises may apply for a preferential enterprise income tax rate of 15% in accordance with the Enterprise Income Tax Law.

Value-Added Tax

According to the Interim Regulations of the People's Republic of China on Value-Added Tax, which was revised and effective on November 19, 2017, units and individuals who sell goods or provide processing, repair, and fitting services as well as import goods within China, are subject to value-added tax. Unless otherwise stipulated in the above regulations, the general tax rate for taxpayers selling or importing goods is 17%.

According to Circular 36 issued by the Ministry of Finance and the State Administration of Taxation on March 23, 2016, which came to effect on May 1, 2016, with the approval of the State Council, the pilot program for the transformation of business tax to value-added tax was fully rolled out nationwide with effect from May 1, 2016. All business tax taxpayers in the construction industry, real estate industry, financial industry, or daily-life service industry were included in the scope of the pilot program, changing from paying business tax to paying value-added tax. According to the Implementation Measures for the Pilot Program of Transformation of Business Tax to Value-Added Tax issued and came into effect at the same time as the above notice, the tax rates for sales of services, intangible assets or real estate by taxpayers shall be 17%, 11%, 6%, and nil, respectively.

According to the Notice on Adjusting Value-Added Tax Rates issued by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, which became effective from May 1, 2018, the tax rates for taxpayers engaging in value-added tax taxable sales or importing goods, originally applicable at 17% and 11%, were adjusted to 16% and 10%, respectively.

According to the Announcement on Policies for Deepening Value-Added Tax Reform issued by the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs of the People's Republic of China on March 20, 2019, which became effective from April 1, 2019, the tax rates for taxpayers engaging in value-added tax taxable sales or importing goods, originally applicable at 16% and 10%, were adjusted to 13% and 9%, respectively.

According to the Announcement on Value-Added Tax Reduction or Exemption Policies for Small-Scale Taxpayers of Value-Added Tax issued by the Ministry of Finance and the State Administration of Taxation on August 1, 2023, which became effective from the same day, value-added tax is exempted for small-scale taxpayers of value-added tax with monthly sales of RMB100,000 (inclusively) or less, and the announcement is valid until December 31, 2027.

CHINESE FOREIGN EXCHANGE CONTROL

The main foreign exchange control laws and regulations in China are the Foreign Exchange Administration Regulations promulgated by the State Council on January 29, 1996, and effective from April 1, 1996, and subsequently revised on January 14, 1997, and August 5, 2008, and the Regulations on the Administration of Settlement, Sale, and Payment of Foreign Exchange issued by the People's Bank of China on June 20, 1996, and effective from July 1, 1996. According to these regulations and other relevant Chinese rules and regulations on currency exchange, Renminbi is generally freely convertible for recurring items (such as foreign exchange transactions involving trade and services and dividend payments), and is not freely convertible for capital items (such as direct investments, loans, or securities investments abroad) without the prior approval of the State Administration of Foreign Exchange or its local branches.

According to relevant laws and regulations of China, when Chinese enterprises (including foreign-invested enterprises) need to use foreign exchange for current account transactions, they may make payments through foreign exchange accounts opened by financial institutions engaged in the business of settlement and sale of foreign exchange with valid proof documents without the approval of the foreign exchange management authorities. Foreign-invested enterprises that need to distribute profits to shareholders in foreign exchange and Chinese enterprises that need to pay dividends to shareholders in foreign exchange according to regulations may make payments from the foreign exchange accounts of designated foreign exchange banks or purchase foreign exchange from designated foreign exchange banks based on the resolutions of the board of directors or shareholders' meetings on profit distribution.

On December 26, 2014, the State Administration of Foreign Exchange issued the Notice on Issues Concerning the Administration of Foreign Exchange for Overseas Listings, according to which domestic companies shall, within 15 working days after the end of the overseas public issuance, hold the required materials and process the registration for overseas listings with the foreign exchange bureau where they are registered. The funds raised by domestic companies through overseas listings may be remitted back to China or deposited abroad, and the use of funds shall be consistent with the content listed in the publicly disclosed documents.

On February 13, 2015, the State Administration of Foreign Exchange issued the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, which came into effect on June 1, 2015, and was partially abolished on December 30, 2019. The notice abolished the approval matters for foreign exchange registration under domestic direct investment and foreign direct investment, and the registration of foreign exchange under domestic direct investment and foreign direct investment was changed to be directly reviewed and processed by banks. The State Administration of Foreign Exchange and its branches indirectly supervised the foreign exchange registration for direct investment through banks.

According to the Notice on Reforming and Regulating the Policies for the Administration of the Settlement of Capital Items in Foreign Exchange issued by the State Administration of Foreign Exchange on June 9, 2016, domestic institutions' foreign exchange income from capital items is subject to a discretionary settlement policy, i.e., the foreign exchange income from capital items (including capital in foreign exchange, foreign debt funds, and funds remitted back from overseas listings, etc.) that has been clearly stipulated by relevant policies to be subject to discretionary settlement may be settled in banks according to the actual business needs of domestic institutions. Domestic institutions may determine in their discretion that the proportion of discretionary settlement of the foreign exchange income from capital items shall be temporarily set at 100%, and the State Administration of Foreign Exchange may adjust the above proportion in a timely manner according to the conditions of balance of payments.