TAXATION OF PRC

Taxation on Dividends

Individual Investors

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) which was latest amended on August 31, 2018, and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) that was latest amended on December 18, 2018 (collectively, the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax at a flat rate of 20%. For foreign individuals who are not PRC residents and who receive dividends from PRC enterprises, they are normally subject to a 20% individual income tax rate unless they are specifically exempted by the tax authorities of the State Council or are exempted from relevant tax treaties.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), which was promulgated by the National People's Congress on March 16, 2007 and latest amended on December 29, 2018, and the Implementation Rules for the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and latest amended on December 6, 2024 (collectively, the **"EIT Law**"), a non-resident enterprise that does not have an establishment or place in the PRC, or has an establishment or place in the PRC but its PRC source income is not effectively connected with the said PRC establishment or place, it is generally subject to a 10% EIT on its PRC source income (including dividends received from PRC resident enterprises). The foregoing income tax payable by a non-resident enterprise is subject to withholding at source, in which the payer of the income is required to withhold income tax from the amount to be paid to the non-resident enterprise. Such withholding tax may be reduced or exempted under applicable treaties for the avoidance of double taxation.

Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Pursuant to Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) Cai shui [2016] No. 36) (the "**Circular 36**"), which was implemented on May 1, 2016, the entities and individuals that sell services, intangible assets or immovable properties within the territory of the PRC shall pay value-added tax, and the term "sale of services within the territory of the PRC" means that the seller or purchaser of taxable services is located in China. Circular 36 also provides that transfer of financial products (including transfer of the ownership of marketable securities) shall be subject to value-added tax at 6% on the taxable income (i.e., the balance of the selling price minus the buying price) for general or foreign value-added tax payers. However, transfers of financial products by individuals are exempt from value-added tax.

Income Tax

Individual Investors

According to the IIT Law, income derived from the sale of the equity of the PRC-resident enterprises are subject to the individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income from 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》)(Cai Shui [1998] No. 61) issued by Ministry of Finance and the State Administration of Taxation on March 30, 1998 and, income of individuals from the transfer of shares of listed enterprises shall continue to be exempted from individual income tax since January 1, 1997. The Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals, from Transfer of Listed Shares Subject to Sales Limitation (《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》)(Cai Shui [2009] No. 167), which became effective on December 31, 2009, states that individuals' income from transfer of A-share stocks at Shanghai Stock Exchange and Shenzhen Stock Exchange shall continuously be exempted from the individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《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》)(Cai Shui [2010] No. 70) issued on November 10, 2010. The State Administration of Taxation, Ministry of Finance, China Securities Regulatory Commission (the "**CSRC**") jointly promulgated the Announcement on Further Improving upon the Services for Collection and Administration of Individual Income Tax on Income from the Transfer of Restricted Shares of Listed Companies by Individuals (《關於進一步完善個人轉讓上市公司限售股所得個人所得稅有關徵管服務事項的公告》) on 27 December 2024, and it states that this announcement shall prevail of any discrepancy with Cai Shui [2009] No.167. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that whether individual income tax shall be collected from non-PRC resident individuals on the transfer of shares of PRC-resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if it does not have an establishment or premise in the PRC or has an establishment or a premise but the income it derives does not have actual connection with such establishment or premise. Such income tax for non-resident enterprises are deducted at source. The tax is withheld by the withholding agent from the amount paid or due each time a payment is made to a non-resident enterprise. The tax may be reduced or exempted pursuant to relevant tax treaties or treaties on avoidance of double taxation.

Stamp Duty

Pursuant to Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》), which was promulgated on June 10, 2021 and effective on July 1, 2022, entities and individuals who draw up taxable certificates and carry out transactions in securities within the PRC, as well as those who draw up taxable certificates outside the PRC for use within the PRC, are subject to stamp duty. Accordingly, the provisions on stamp duty levied on the transfer of shares of listed companies in the PRC do not apply to the purchase and disposal of H shares outside the PRC by non-PRC investors.

PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

Enterprise Income Tax

Pursuant to the EIT Law, resident enterprises shall pay enterprise income tax at the enterprise income tax rate of 25% on their income derived from sources within and outside the PRC. A foreign-invested enterprise within the PRC belonging to the category of resident enterprise shall pay enterprise income tax at the rate of 25% on its income derived from sources within or outside China.

Value-added Tax

Under the Value-added Tax Law of the People's Republic of China (《中華人民共和國增值稅法》), entities and individuals engaged in taxable activities within China (including sales of goods, services, intangible assets, real property, and imports) are liable for VAT.

The current applicable VAT rates are as follows: 13% for sales of goods, processing/repair/maintenance services, leasing of tangible movable property, or import of goods; 9% for sales of transportation, postal, basic telecom, construction, or immovable property leasing services; sales of immovable property; transfer of land-use rights; or sale/import of specific goods; 6% for sales of services or intangible assets; 0% for export of goods or cross-border sales of services/intangible assets within State Council-prescribed scope.

FOREIGN EXCHANGE MANAGEMENT IN THE PRC

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (國家外匯管理局, the "**SAFE**") under the People's Bank of China (the "**PBOC**"), is responsible for the administration of all matters relating to foreign exchange, including the enforcement 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 January 29, 1996, implemented on April 1, 1996 and latest amended on August 5, 2008 classify all international payments and transfers into current account and capital account. For current account, the financial institutions operating the business of foreign exchange settlement and sale shall be subject to reasonable examination of the authenticity of the transaction documents and their consistency with the foreign exchange receipts and expenditures, as well as to the supervision and inspection of the foreign exchange administration authorities. For capital items, direct investment in the PRC by foreign institutions and individuals abroad shall be registered with the foreign exchange administration authorities after approval by the relevant competent authorities. Foreign exchange earnings obtained from abroad may be repatriated or deposited abroad, and foreign exchange and settlement funds for capital projects shall be utilised in accordance with the purposes approved by the relevant competent authorities and foreign exchange administration authorities. When a serious imbalance in the international balance of payments occurs or is likely to occur, or when a serious crisis in the national economy occurs or is likely to occur, the State may take the necessary safeguard and control measures for the international balance of payments.

The Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996, and implemented on July 1, 1996, deleted other restrictions on foreign currency exchange in the current account, but imposed existing restrictions on foreign exchange transactions in the capital account.