

APPENDIX IV

TAXATION AND FOREIGN EXCHANGE

TAXATION IN THE PRC

Taxes on Dividend

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》) or the Individual Income Tax Law, as implemented on September 10, 1980 and most recently amended on August 31, 2018, and the Implementation Regulations 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》) or the Implementation Regulations of Individual Income Tax Law, as implemented on January 28, 1994 and most recently amended on December 18, 2018 by the State Council, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. Pursuant to the regulation above, unless otherwise prescribed by the competent financial and taxation departments under the State Council, interest, dividends and bonuses derived from enterprises, public institutions, other organizations and individual residents within the territory of China shall be deemed as income derived from sources within the territory of China regardless of whether the place of payment is within the territory of China. Pursuant to the Notice of the State Taxation Administration on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 45) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, normally withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Enterprise Investors

In accordance with the EIT Law and the Implementing Rules of the EIT Law, a non-PRC resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including dividends received from a PRC resident enterprise whose shares are issued and listed in Hong Kong, if such non-PRC resident enterprise has no office or premises established in China or the income derived or accrued has no de facto relationship with the office or premises established. The aforesaid income tax payable by non-PRC resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. When making such payment or when such payment becomes due and payable, the withholding agent shall withhold the income tax from the payment or the amount due and payable.

APPENDIX IV

TAXATION AND FOREIGN EXCHANGE

Furthermore, according to the Circular of the State Taxation Administration on Promulgating the Administrative Measures for Non-Residents to Enjoy the Treatment under Treaties (國家稅務總局關於發佈<非居民納稅人享受協定待遇管理辦法>的公告) or the Trial Implementation, which was issued by the SAT on October 14, 2019 and became effective on January 1, 2020, any non-resident taxpayer who judge by themselves that they meet the conditions for entitlement to the conventional treatment may obtain the conventional treatment when filing a tax return or making a withholding declaration through a withholding agent, and shall collect and save relevant materials for examination in accordance with the Trial Implementation, subject to the subsequent administration by the tax authorities. According to the Notice on Relevant Issues Relating to the Enforcement of Dividend Provisions in Tax Treaties (《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》), if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

The Circular on Issues Related to the Withholding and Remittance of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-resident Enterprises Which Hold 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》) promulgated by the SAT on November 6, 2008, further clarified that, when PRC-resident enterprises pay dividends of 2008 and thereafter, enterprise income tax shall be withheld at the rate of 10% in respect of dividends paid to overseas non-resident enterprise shareholders which hold H shares.

Pursuant to the Double Tax Avoidance Arrangement, the PRC government may impose tax on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) subject to a maximum of 10% of the gross amount of dividends payable, or 5% for Hong Kong residents directly holding 25% or more of equity interest in such 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 (《<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 was signed on July 19, 2019 and came into effect on December 6, 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.

APPENDIX IV

TAXATION AND FOREIGN EXCHANGE

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate 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 but not limited to Hong Kong Special Administrative Region, Macau Special Administrative Region, 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 taxation treaties or arrangements are required to apply to the Chinese 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 Chinese tax authorities.

Share Transfer-Related Tax

Individual Investors

According to Individual Income Tax Law and Implementation Regulations of Individual Income Tax Law, the gains realized from the disposal of equity interests in PRC resident enterprise is subject to individual income tax rate of 20%.

According to Notice of the Ministry of Finance and the State Taxation Administration concerning the Continued Individual Income Tax Exemption for Individuals' Proceeds from Share Transfers (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》), which was promulgated and implemented on March 30, 1998 by the MOF and the SAT, from January 1, 1997 onwards, the income from transfer of shares of listed companies by individuals continues to be provisionally exempted from individual income tax.

The Circular of Issues concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (《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》) which was jointly promulgated on December 31, 2009 by the MOF, the SAT and the China Securities Regulatory Commission provided that income from the transfer of shares of listed companies on relevant domestic stock exchanges by individuals shall continue to be exempted from income tax, except the relevant restricted shares as defined in Supplemental Circular of Issues concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (《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》). As of the Latest Practicable Date, aforesaid provisions don't specify whether income tax on transfer of shares of a PRC resident enterprise listed on an overseas stock exchange by non-PRC resident would be levied.

APPENDIX IV

TAXATION AND FOREIGN EXCHANGE

Enterprise Investors

In accordance with the Enterprise Income Tax Law and the Implementation Regulations of Enterprise Income Tax Law, a non-PRC resident enterprise is generally subject to enterprise income tax of 10% on PRC-sourced income (including gains derived from disposal of equity interests in PRC resident enterprise), if such non-PRC resident enterprise has no office or premises established in China or the income derived or accrued has no de facto relationship with the office or premises established.

Value-Added Tax

According to the Interim Regulations on Value-Added Tax of the People's Republic of China and the Implementation Rules for the Interim Regulations on Value-Added Tax of the People's Republic of China, 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 at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

Furthermore, in accordance with the Notice on Comprehensively promoting the Pilot Plan of the Conversion of Business Tax to Value-Added Tax, the state started to fully implement the pilot program from business tax to value-added tax since May 1, 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates, promulgated by the MOF and the SAT on April 4, 2018 and became effective on May 1, 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform, which was promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was implemented on July 1, 2022, PRC stamp duty applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, and the Stamp Duty Law of the PRC also require that all entities and individuals who conclude taxable documents outside the territory of the PRC to be used within the territory

APPENDIX IV

TAXATION AND FOREIGN EXCHANGE

of the PRC shall pay stamp duty in accordance with the provisions of this Law, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi or RMB, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the People's Bank of China or the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Foreign Exchange Administrative Regulation classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to the approval of foreign exchange administration agencies. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and came into effect on August 5, 2008. According to the latest amendment to the Foreign Exchange Control Regulations, PRC will not impose any restriction on international current payments and transfers under current items.

The Administrative Regulations on Foreign Exchange Settlement, Sales and Payment does not impose any restrictions on convertibility of foreign exchange under current items, while imposing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was promulgated by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the RMB exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the RMB against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against RMB transactions on the following working day.

APPENDIX IV

TAXATION AND FOREIGN EXCHANGE

The Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) was promulgated by the State Council on October 23, 2014, which canceled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

Pursuant to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) which was promulgated by the SAFE on December 26, 2014, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the SAFE at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a "special account for overseas listing of domestic company" at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局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 the SAFE on February 13, 2015 and effective on June 1, 2015, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been canceled. Instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the SAFE Circular 16, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of foreign exchange capital, foreign loans and raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

APPENDIX IV

TAXATION AND FOREIGN EXCHANGE

The Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局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》) which was promulgated by the SAFE on January 26, 2017, further expands the scope of settlement for domestic foreign exchange loans, allows settlement for domestic foreign exchange loans with export background under goods trading, allows repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allows settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopts the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner’s equity in the audited financial statements of the preceding year.