PRC TAXATION

Taxation Relating to Dividends

Individual Investors

Pursuant to *the Individual Income Tax Law of the PRC* (中華人民共和國個人所得税法) (the "***IIT Law***") promulgated by the SCNPC on September 10, 1980, last amended on August 31, 2018 and effective on January 1, 2019, and *the Implementation Regulations for the Individual Income Tax Law of the PRC* (中華人民共和國個人所得税法實施條例) (the "***Implementation Regulations for the IIT Law***") last amended by the State Council on December 18, 2018 and implemented on January 1, 2019, dividend income derived by individual investors from PRC domestic enterprises (no matter the place of payment is in the PRC or not) shall be subject to individual income tax at a tax rate of 20% and shall be withheld by the PRC domestic enterprises, except for tax-exempt income stipulated in international conventions and agreements to which the PRC Government is a party, as well as other tax-exempt income and tax reduction circumstances stipulated by the State Council.

Pursuant 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* (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (the "***Arrangement***") executed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owner of the dividends are not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends. However, pursuant to *the Fifth Protocol of 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* (〈內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排〉第五議定書), which came into effect on December 6, 2019, although there are other provisions under the *Arrangement*, if, after taking into account all relevant facts and conditions, one of the primary purposes for the arrangement or transaction which will bring any direct or indirect benefits under this *Arrangement* is reasonably deemed to obtaining such benefit, then such benefits shall not be granted with respect to the relevant income, unless it can be confirmed that the grant of benefits under such circumstance is consistent with the purpose and goal of the relevant provisions of this *Arrangement*.

Additionally, pursuant to *the Notice on Issues Relating to the Implementation of the Dividend Clauses in the Tax Treaties* (關於執行税收協定股息條款有關問題的通知) issued by the SAT on February 20, 2009 and effective therefrom, where a PRC resident company pays dividends to a Hong Kong resident and the Hong Kong resident (or person collecting the dividends) is the beneficial owner of the dividends, the dividends obtained by the Hong Kong resident is entitled to the treatment of the tax treaties, namely that the income tax payable in the PRC by the Hong Kong resident shall be calculated at the tax rate prescribed in the treaties. If the tax rate prescribed in the treaties is higher than that provided in the tax laws of the PRC, the taxpayer may pay taxes in accordance with the tax laws of the PRC. A taxpayer who intends to enjoy the treatment of the treaties prescribed in the preceding paragraph shall satisfy all the following conditions: (i) a taxpayer eligible for the treatment of the treaties shall be a Hong Kong resident, (ii) a taxpayer eligible for the treatment of the treaties shall be the beneficial owner of the relevant dividends, (iii) dividends eligible for the treatment of the treaties shall be equity investment gains such as dividends and bonuses which are recognized in accordance with the tax laws of the PRC, and (iv) other conditions as prescribed by the SAT. A transaction or arrangement for which the primary purpose is to obtain a preferential tax position shall not constitute the reason for the application of treatment of the treaties; where a taxpayer enjoys unjustifiably the treatment of the tax treaties due to such transaction or arrangement, the competent tax authorities may make adjustments thereto.

Enterprise Investors

Pursuant to *the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得税法) (the "***EIT Law***") last amended and implemented on December 29, 2018, and *the Implementation Regulations for the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得税法實施條例) (the "***Implementation Regulations for the EIT Law***") last amended and implemented on April 23, 2019, a non-resident enterprise is subject to enterprise income tax for its PRC-sourced income (including equity investment gains such as dividends and bonuses paid by PRC enterprises), but shall be at a reduced tax rate of 10%, if such non-resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premises in the PRC. The aforementioned income tax which shall be paid by non-resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. Such withholding tax shall be withheld by the withholding agent from the amount paid or amount due and payable upon each payment or payment due and payable. *The Circular on Issues Relating to the Withholding and Remittance of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of 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税有關問題的通知) issued by the SAT on November 6, 2008 and implemented therefrom, further clarified that a PRC resident enterprise shall withhold enterprise income tax at a rate of 10% on the dividends of the year 2008 and onwards distributed to overseas non-resident enterprise shareholders of H Shares.

Pursuant to the *Arrangement*, the PRC Government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC law. However, if the beneficial owner of the dividends is a Hong Kong resident, then the levied taxes shall not exceed: (i) 5% of the total dividends if the beneficial owner is a company owns directly at least 25% of the equity interest in the company paying the dividends, or (ii) 10% of the total dividends under the other circumstances. Pursuant to the Fifth Protocol of the *Arrangement*, although there are other provisions under the *Arrangement*, if, after taking into account all relevant facts and conditions, one of the primary purposes for the arrangement or transaction which will bring any direct or indirect benefits under this *Arrangement* is reasonably deemed to obtaining such benefit, then such benefits shall not be granted with respect to the relevant income, unless it can be confirmed that the grant of benefits under such circumstance is consistent with the purpose and goal of the relevant provisions of this *Arrangement*.

Additionally, pursuant to *the Notice on Issues Relating to the Implementation of the Dividend Clauses in the Tax Treaties*, where a PRC resident company pays dividends to a Hong Kong resident and the Hong Kong resident (or person collecting the dividends) is the beneficial owner of the dividends, the dividends obtained by the Hong Kong resident is entitled to the treatment of the treaties, namely that the income tax payable in the PRC by the Hong Kong resident shall be calculated at the tax rate prescribed in the treaties. If the tax rate prescribed in the treaties is higher than that provided in the tax laws of the PRC, the taxpayer may pay taxes in accordance with the tax laws of the PRC. A taxpayer who intends to enjoy the treatment of the treaties prescribed in the preceding paragraph shall satisfy all the following conditions: (i) a taxpayer eligible for the treatment of the treaties shall be a Hong Kong resident, (ii) a taxpayer eligible for the treatment of the treaties shall be the beneficial owner of the relevant dividends, (iii) dividends eligible for the treatment of the treaties shall be equity investment gains such as dividends and bonuses which are recognized in accordance with the tax laws of the PRC, and (iv) other conditions as prescribed by the SAT. Pursuant to the provisions of relevant dividend clauses in the tax treaties, where a Hong Kong resident directly owns over a certain proportion of equity interest in the PRC resident company paying the dividends, the tax of the dividends obtained by the Hong Kong resident may be levied at the rate prescribed in the tax treaties. A Hong Kong resident who intends to enjoy such treatment of the tax treaties shall satisfy all the following conditions: (i) the Hong Kong resident obtaining the dividends shall be a company according to the provisions of tax treaties, (ii) the proportion directly owned by the Hong Kong resident in the total proprietary

interest and voting shares of the PRC resident company shall comply with the prescribed proportion, (iii) the proportion directly owned by the Hong Kong resident in the equity interest of the PRC resident company shall comply with the proportion prescribed in the tax treaties at any time within 12 consecutive months prior to the obtaining of dividends. A transaction or arrangement for which the primary purpose is to obtain a preferential tax position shall not constitute the reason for the application of treatment of the treaties; where a taxpayer enjoys unjustifiably the treatment of the tax treaties due to such transaction or arrangement, the competent tax authorities shall have the rights to make adjustments thereto.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau Special Administrative Region shall be granted to preferential tax rates on dividends from PRC companies. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau Special Administrative Region respectively and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. A non-PRC resident enterprise which is granted to a preferential tax rate under a relevant tax treaty or arrangement may apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and tax calculated according to the preferential tax rate stipulated by the relevant treaties or arrangements, and such application shall be subject to the approval by the PRC tax authorities.

Taxation relating to Share Transfer

Individual Investors

Pursuant to the *IIT Law* and the *Implementation Regulations for the IIT Law*, gains on transfer of properties (including gains derived by individuals from the transfer of priced securities, equity, shares of property in a partnership enterprise) in subject to individual income tax at the rate of 20%. Pursuant to *the Circular on Declaring that Individual Income Tax Continues to Be Exempted over Individual Gains from Transfer of Shares* (Cai Shui Zi [1998] No. 61) (關於個人轉讓股票所得繼續暫免徵收個人所得税的通知(財税字[1998]61號)) issued jointly by the Ministry of Finance and the SAT on March 30, 1998 and implemented therefrom, from January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax.

Enterprise Investors

Pursuant to the *EIT Law* and the *Implementation Regulations for the EIT Law*, a non-resident enterprise is subject to enterprise income tax for its PRC-sourced income (including gains from transfers of equity investments in PRC enterprises), but shall be at a reduced tax rate of 10%, if such non-resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premises in the PRC. The aforementioned income tax which shall be paid by non-resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. Such withholding tax shall be withheld by the withholding agent from the amount paid or amount due and payable upon each payment or payment due and payable.

PRC Stamp Tax

Pursuant to *the Stamp Tax Law of the PRC (中華人民共和國印花稅法)* promulgated by the SCNPC on June 10, 2021 which became effective on July 1, 2022, the entities and individuals that (i) conclude taxable vouchers or conduct securities trading within the territory of the PRC, or (ii) conclude outside the territory of the PRC the taxable vouchers that are used inside China, shall pay stamp tax. Therefore, PRC stamp tax does not apply to acquisitions or dispositions of H shares outside PRC by non-PRC investors.

Estate Tax

As of the Latest Practicable Date, no estate tax has been levied in the PRC.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable, and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE

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 SAFE, with the authorization of the People's Bank of China (the "**PBoC**"), is empowered with the functions of administering all matters in relation to foreign exchange, including the implementation of foreign exchange control regulations.

The Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) issued by the State Council on January 29, 1996 and effective from April 1, 1996, and last amended on August 5, 2008 and effective therefrom, which classified all international payments and transfers into current account and capital account items. The PRC government does not impose any restrictions on the international payments and transfers under current account. The foreign exchange incomes and payments under current account shall be based on true and legitimate transactions. Financial institutions engaging in the settlement and sale of foreign currencies shall carry out reasonable examination on the authenticity of transaction documents and their consistency with the foreign exchange incomes and payments pursuant to the provisions stipulated by the department of foreign exchange administration under the State Council. The authorities of foreign exchange administration are empowered to supervise and inspect the afore-mentioned matters. Capital account items shall be subject to registration pursuant to the provisions stipulated by the department of foreign exchange administration under the State Council, and if the approval by or filing with the relevant competent departments beforehand is required by the relevant regulations of the PRC, such approval or filing formalities shall be completed prior to the foreign exchange registration. The foreign exchange under capital account and the funds obtained from the settlement of foreign exchange shall be used for the purpose approved by the relevant competent departments and the authorities of foreign exchange administration, and the authorities of foreign exchange administration are empowered to supervise and inspect the use of the foreign exchange under capital account and the funds obtained from the settlement of foreign exchange and the changes in the accounts. The foreign exchange incomes of domestic institutions or individuals may be remitted into the PRC or deposited overseas. If the international incomes and payments have become or may become seriously unbalanced, or the national economy has encountered or may encounter serious crises, the PRC government may take necessary protective and controlling measures to the international incomes and payments.

The Regulation of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) issued by the PBoC on June 20, 1996 and effective from July 1, 1996 cancelled the restrictions on convertibility of foreign exchange under current account, while retaining the existing restrictions on foreign exchange transactions under capital account.

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) issued by the PBoC on July 21, 2005 and effective therefrom, an administrated floating exchange rate system where the exchange rate is determined based on market supply and demand and adjusted with reference to a basket of currencies has been adopted in the PRC since July 21, 2005. The exchange rate of renminbi is no longer pegged to the US dollar, and a more flexible renminbi exchange rate mechanism is formed. The PBoC will publish the closing price of renminbi against US dollar and other trading currencies in the inter-bank foreign exchange market after closing of the market every working day, as the middle price of renminbi against such currencies on the following working day.

According to the relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) in need of foreign exchange to carry out transactions under current account may make payments through the foreign exchange accounts opened at a designated foreign exchange bank but shall provide effective receipts and documents of transactions, without approval by the authorities of foreign exchange administration. Foreign-invested enterprises in need of foreign exchange for the distribution of profits to their shareholders or PRC enterprises required by the relevant regulations to pay dividends to their shareholders in foreign exchange to may make payments from foreign exchange accounts at designated foreign exchange banks or with the foreign exchange converted at designated foreign exchange banks in accordance with the resolutions on profit distribution adopted by the board of directors or the shareholders' meeting.

The Decision on Matters relating to the Cancellation and Adjustment of a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (關於取消和調整一批行政審批項目等事項的決定(國發[2014]50號)) issued by the State Council on October 23, 2014 and effective therefrom, cancelled the administrative approval items by the SAFE and its branches on the remittance and settlement of the overseas proceeds of the overseas listing of foreign shares.

According to *the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing* (關於境外上市外匯管理有關問題的通知) issued by the SAFE on December 26, 2014 and effective therefrom, a domestic company shall register its overseas listing with the local branch of the SAFE at the place of its incorporation with 15 working days upon closing of its overseas offering and listing. The proceeds from the overseas listing of the domestic company may be remitted into domestic accounts or deposited oversea, and the use of proceeds shall be consistent with the information disclosed in the prospectus documents and other public disclosure documents.

The Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investments (關於進一步簡化和改進直接投資外匯管理政策的通知) issued by the SAFE on February 13, 2015 and effective from June 1, 2015, cancelled two administrative approval items, i.e. foreign exchange registration approval under domestic direct investments and foreign exchange registration approval under overseas direct investments, and foreign exchange registration under domestic direct investments and foreign exchange registration under overseas direct investments are instead reviewed and carried out by banks directly, while the SAFE and its branches would carry out indirect supervision on such foreign exchange registration of direct investments through banks.

According to *the Notice on the Reform and Regulation of Administrative Policies of the Settlement of Foreign Exchange under Capital Account* (關於改革和規範資本項目結匯管理政策的通知) issued by the SAFE on June 9, 2016 and effective therefrom, the foreign exchange incomes under capital account that, as clearly provided by the relevant policies, shall be settled by willingness (including the remitted funds of overseas listing), may be settled at banks based on the actual business needs of the domestic institutions. The tentative ratio for settlement of the foreign exchange incomes under capital account of domestic institutions by willingness is 100%, subject to the adjustment by the SAFE based on the international income and payment situations when appropriate.

The Notice on Promoting the Reform of Foreign Exchange Administration and Improving the Review of Authenticity and Compliance (Hui Fa [2017] No. 3) (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(匯發[2017]3號)) issued by the SAFE on January 18, 2017 and implemented therefrom, continuously implementing and improving the policy for outward remittance of foreign exchange profit generated from direct investment; enhancing the review of authenticity and compliance of outbound direct investment; implementing administration on comprehensive overseas lending in domestic and foreign currencies, where a domestic institution engages in overseas lending business, the maximum sum of the balance of overseas lending in domestic currency and the balance of overseas lending in foreign currency shall not exceed 30% of the owners' equity as set out in its audited financial statements of the preceding year.

According to *the Notice on Further Promoting Cross-border Trade and Investment Facilitation* (Hui Fa [2019] No. 28) (關於進一步促進跨境貿易投資便利化的通知(匯發[2019]28號)) issued by the SAFE on October 23, 2019 and implemented therefrom, restrictions on the domestic equity investment by non-investment foreign-funded enterprises with their capital funds were cancelled, on the basis that investing foreign-funded enterprises (including foreign-funded companies, foreign-funded venture capital enterprises and foreign-funded equity investment enterprises) may make domestic equity investments with their capital funds in accordance with laws and regulations, non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the premise that the existing special administrative measures (negative list) for foreign investment access are not violated and domestic investment projects are true and compliant. Qualified enterprises in pilot regions are allowed to use capital funds, foreign debts, income from overseas listing and otherwise under the capital account for domestic payments without prior provision of proof materials for veracity to the bank for each transaction, provided that such use is authentic and in compliance with existing administrative provisions on the use of income under the capital account. Pilot banks manage and control relevant business risks under the principle of prudent business development. Local branches of the SAFE shall strengthen monitoring and analysis and interim and ex-post supervision.

According to *the Notice on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business* (Hui Fa [2020] No. 8) (關於優化外匯管理支持涉外業務發展的通知(匯發[2020]8號)) issued by the SAFE on April 10, 2020 and implemented from June 1, 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction. Handling banks shall manage and control relevant business risks under the principle of prudent business development and conduct spot checks afterwards on the payment facilitation business for income under the capital account handled by them according to relevant requirements. Local branches of the SAFE shall strengthen monitoring and analysis and interim and ex-post supervision.