

**TAXATION FOR HOLDERS OF SECURITIES**

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The discussion is based upon laws and relevant interpretations currently in force as of the Latest Practicable Date, which are subject to change or adjustment and may have retrospective effect and therefore do not constitute any opinion or recommendation. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, prospective investors should consult their own tax advisors regarding the tax consequences of an investment in H Shares.

No issues on PRC or Hong Kong taxation other than income tax, capital income and profit tax, business tax/VAT, stamp duty and estate duty are addressed in this discussion. Prospective investors shall consult their own advisors regarding the PRC, Hong Kong and other tax consequences of purchasing, owning and disposing of H Shares.

**PRC TAXATION****Taxation on Dividends***Individual Investors*

In accordance with 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》) (hereinafter referred to as "IIT Law") issued by the Standing Committee of the National People's Congress on September 10, 1980, amended on August 31, 2018 and effective on January 1, 2019, 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》) amended by the State Council on December 18, 2018 and effective on January 1, 2019, dividends paid by Chinese companies to individual investors shall generally be subject to withholding tax at a rate of 20%. Meanwhile, according to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《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》(財稅[2015]101號)) issued by the MOF, the SAT and the CSRC on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the dividend incomes shall be exempted from personal income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, 50% of the

dividend income shall be included into the taxable incomes. The individual income tax rate on the aforesaid income is imposed at the uniform rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by applicable tax treaty. In practice, the withholding rate on non-resident individuals' dividends may be lower than 20% in certain circumstances, as described in "Risk Factors — Holders of our H Shares may be subject to income tax obligations in China."

Pursuant to the Arrangement between Mainland 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》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. The Fifth Protocol of the Arrangement between Mainland 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 issued by the SAT (《國家稅務總局關於〈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》) effective on December 6, 2019 states that such provisions shall not apply to arrangements or transactions made for the primary purpose of gaining such tax benefit.

### *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》) (hereinafter referred to as "EIT Law") amended and effective on December 29, 2018, and the Implementing Regulations of 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》) amended and effective on April 23, 2019, a non-resident enterprise is generally subject to a 10% EIT on PRC-sourced income, including dividends received from a Chinese resident enterprise whose shares are issued and listed in Hong Kong, 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 actually connected with such establishment or premises in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. Such withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation.

The Circular of the SAT on Issues Relating to the Withholding of Enterprise Income Tax by Chinese Resident Enterprises on Dividends Paid to Overseas Non-Chinese Resident Enterprise Shareholders of H Shares (《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》) issued by the SAT and effective on November 6, 2008,

further clarified that a Chinese resident enterprise must withhold EIT at a rate of 10% on dividends paid to non-Chinese resident enterprise H Shareholders which are derived out of profit generated after January 1, 2008. The Reply of the SAT on Imposition of Enterprise Income Tax on B-share and Other Dividends of 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覆》) issued by the SAT and effective on July 24, 2009 further provides that any Chinese-resident enterprise that is listed on overseas stock exchanges must withhold EIT at a rate of 10% on dividends that it distributes to non-Chinese resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between Mainland 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》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total amount of dividends payable by that PRC company. The Fifth Protocol of the Arrangement between Mainland 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 issued by the SAT (《國家稅務總局關於〈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》) effective on December 6, 2019 states that such provisions shall not apply to arrangements or transactions made for the primary purpose of gaining such tax benefit.

### *Tax Treaties*

Non-Chinese 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 SAR may be entitled to preferential tax rates on dividends from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau SAR, 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-Chinese resident enterprise which is entitled to a preferential tax rate under a relevant income 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 computed based on the treaty rate.

## Taxation on Gains from Share Transfer

### *Individual Investors*

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in Chinese resident enterprises. Under the Circular of the MOF and SAT on Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《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》(財稅字[1998]61號)) (hereinafter referred to as “**No. 61 Circular**”) issued by the MOF and SAT on March 30, 1998, from January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax. According to Announcement about the Catalog of Preferential Individual Income Tax Policies with Continued Effect (MOF and SAT Announcement [2018] No. 177) (《財政部、國家稅務總局關於繼續有效的個人所得稅優惠政策目錄的公告》(財政部、稅務總局公告[2018]177號)) issued by the MOF and SAT on December 29, 2018, the No. 61 Circular will continue to be effective.

### *Enterprise Investors*

In accordance with the EIT Law and its implementation rules, a non-Chinese resident enterprise is generally subject to EIT at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposition of shares in a Chinese resident enterprise, if it 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 actually connected with such establishment or premises in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

### *Taxation Policy of Shanghai-Hong Kong Stock Connect*

Under the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證券監督管理委員會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) which came into effect on November 17, 2014, for dividends and bonus obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to CSDC for provision by CSDC to the H-share companies register of mainland individual investors, and the H-share companies shall withhold individual income tax at the rate of 20%.

Gains on price difference from transfer of shares derived by mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect are included in their total income and subject to enterprise income tax according to law. In particular, EIT will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprises, the H-share companies will not withhold dividend and bonus income tax for mainland enterprises. The tax payable shall be declared and paid by the enterprises themselves.

#### *Taxation Policy of Shenzhen-Hong Kong Stock Connect*

Under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) which came into effect on December 5, 2016, for dividends and bonus obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDC for provision by CSDC to the H-share companies register of mainland individual investors, and individual income tax shall be withheld by H-share companies at the tax rate of 20%.

Transfer spread income derived by mainland enterprises from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect are included in their total income and subject to enterprise income tax according to law. In particular, EIT will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprises, the H-share companies will not withhold dividend and bonus income tax for mainland enterprises. The tax payable shall be declared and paid by the enterprises themselves.

#### *PRC Stamp Duty*

Under the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》) which came into effect on July 1, 2022, (i) the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the People's Republic of China are taxpayers of stamp tax, and shall pay PRC stamp tax; (ii) the entities and individuals that conclude outside the territory of the People's Republic of China the taxable vouchers that are used inside China shall pay PRC stamp tax.

*Estate Duty*

The PRC currently has not imposed any estate duty.

*EIT*

Under the EIT Law, the EIT rate in the PRC is 25% and is in line with the rate applicable to foreign investment enterprises and foreign enterprises.

According to the Measures for the Administration of Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》), which was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on April 14, 2008, amended on January 29, 2016 and became effective on January 1, 2016, an enterprise recognized as a high and new technology enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the relevant requirements of the EIT Law. According to the Notice on Promoting Nationwide the Enterprise Income Tax Policies for Advanced Technology Service Enterprises Across the Country (《關於將技術先進型服務企業所得稅政策推廣至全國實施的通知》), which was promulgated by the Ministry of Finance, the State Administration of Taxation, the Ministry of Commerce, the Ministry of Science and Technology and the NDRC on November 2, 2017 and became effective on January 1, 2018 (with the stipulated relevant Preferential Policies for Enterprise Income Tax implemented from January 1, 2017), the enterprise income tax shall be levied on certified advanced technology service enterprises at a reduced tax rate of 15% across the country. The portion of the employee educational expenses of a certified advanced technology service enterprise not exceeding 8% of its total salaries and wages shall be allowed to be deducted in calculating its taxable income; and the excess portion shall be allowed to be carried forward to the subsequent tax years for deduction.

Pursuant to the Circular of the MOF and SAT on the Preferential Policies for Enterprise Income Tax in Guangzhou Nansha (Cai Shui [2022] No. 40) (《財政部財務總局關於廣州南沙企業所得稅優惠政策的通知》(財稅[2022]40號)), which was published on November 3, 2022 and implemented on January 1, 2022, a reduced EIT rate of 15% shall apply to qualified enterprises in the encouraged industries located in Nansha pioneering areas.

*Value-added Tax*

Before August 2013 and pursuant to applicable Mainland China tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenue generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

In November 2011, MOF and SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》). In May and December 2013, April 2014, March 2016 and July 2017, MOF and SAT promulgated five circulars to further expand the scope of services that are to be subject to VAT instead of business tax. Pursuant to these tax rules, from August 1, 2013, VAT was imposed to replace the business tax in certain service industries, including technology services and advertising services, and from May 1, 2016, VAT replaced business tax in all industries, on a nationwide basis. On November 19, 2017, the State Council further amended the Provisional Regulations of the People's Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例》) to reflect the normalization of the pilot program. The VAT rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT rate applicable to the small-scale taxpayers is 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

Pursuant to the Circular on Adjusting Value-Added Tax Rates (Cai Shui [2018] No. 32) (《關於調整增值稅稅率的通知》(財稅[2018]32號)) issued by the MOF and SAT on April 4, 2018 and effective on May 1, 2018, for taxpayer engaging in VAT taxable sales or import of goods, the previously applicable rates of 17% and 11% shall be adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Policies Related to Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) issued by the MOF, SAT and General Administration of Customs on March 20, 2019 and effective on April 1, 2019, for taxpayer engaging in VAT taxable sales or import of goods, the previously applicable rates of 16% and 10% shall be adjusted to 13% and 9%, respectively.