TAXATION OF SECURITY HOLDERS

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 following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, which does not constitute legal or taxation advices accordingly. 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 your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this Document, which is subject to change or adjustment and may have retrospective effect.

No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion below. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

In the discussion of Hong Kong and PRC tax laws, it provides an overview of the relevant legal implications only, which should not be assumed that the relevant tax authorities or courts in the PRC or Hong Kong will accept or agree with the interpretations or contents as set out below.

THE PRC TAXATION

1. Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For foreign individuals who are non-PRC residents, if they receive dividends from a PRC enterprise, they are usually required to pay a 20% individual income tax unless they are specifically exempted by the tax authorities of the State Council or shall pay at a reduced rate as permitted under relevant tax treaties.

According to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《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》) (Cai Shui [2015] No. 101) issued by the MOF 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, the dividend income shall be included into the taxable incomes at the reduced rate of 50% for the time being. Individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%.

Pursuant to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (《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, the overseas resident individual shareholders of a domestic non-foreign-invested enterprise which issued stocks in Hong Kong are entitled to relevant preferential tax treatments in accordance with the tax treaties entered into by and between PRC and the countries they came from as well as the taxation arrangement between the Mainland China and Hong Kong (or Macau). The individual income tax shall be withheld at a preferential tax rate of 10% generally for dividends paid and profits to overseas resident individual shareholders by the domestic non-foreign-invested enterprise which issued stocks in Hong Kong, and no application procedure is required. For individual shareholders receiving dividends who are tax residents of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the withholding agents may apply for enjoying the lower preferential tax rate in accordance with the procedures required and, upon approval by the tax authorities, the surplus amount will be refunded. For individual shareholders receiving dividends who are tax residents of countries that have entered into a tax treaty with the PRC that provides for tax rates higher than 10% but lower than 20%, the withholding agents are required to withhold the individual income tax at the effective rates under the treaties for dividends or bonuses paid, and no application procedure is required under such circumstances. For individual shareholders receiving dividends who are tax residents of countries without taxation treaties with the PRC or, the withholding agents are required to withhold the individual income tax at a rate of 20% for dividends and bonuses paid.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion Regarding Income Tax (《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 persons and legal entities) by a PRC enterprise, but such tax amount shall not exceed 10% of the gross amount of the dividends payable. If a Hong Kong resident directly holds 25% or more equity interest in a PRC resident enterprise, such tax amount shall not exceed 5% of the total dividends payable by PRC resident enterprise. 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)) signed on July 19, 2019 provides that such preferential tax rates shall not apply to arrangement or transaction made for the primary purpose of gaining such tax benefit. The implementation of the provisions of tax agreements on dividends must comply with the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81)《國家稅務總局關於執行稅收協議股息條款有關問題的通知》(國稅函[2009]81號) and relevant taxation laws and regulation in the PRC.

In accordance with the requirements of the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994, overseas individuals are, as an interim measure, exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise Investors

According to the Enterprise Income Tax Law of the PRC which was promulgated by the National People's Congress on March 16, 2007 and was newly amended on December 29, 2018 and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC which was promulgated by the State Council on December 6, 2007 that came into effect on January 1, 2008 and was newly amended on April 23, 2019, enterprise investors are subject to enterprise income tax at a rate of 25%. A non-resident enterprise that has no establishment or premises within the PRC but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax generally at the rate of 10% on its income sourced from the PRC (including dividends derived from PRC resident enterprises issuing shares in Hong Kong). The aforementioned income tax payable by non-resident enterprises shall be deducted at source, with the payer being the withholding agent, and the income tax shall be withheld by the withholding agent from the amount payable.

The Notice of the State Administration of Taxation on Matters Concerning Withholding Enterprise Income Tax When China Resident Enterprises Distribute Dividends to Foreign Non-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》) promulgated and implemented by State Administration of Taxation on November 6, 2008 further clarified that resident enterprises in the PRC distributing dividends to foreign non-resident enterprise shareholders of H shares for 2008 and for the years onwards shall be subject to the enterprise income tax withheld at a tax rate of 10%. The Response to Questions on Enterprise Income Tax over Dividend of B-Shares and Other Shares Received by Non-resident Enterprises (《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復》) issued by State Administration of Taxation which came into effect on July 24, 2009 further provides that any PRC resident enterprise listed on stock exchanges outside the PRC must withhold enterprise income tax at the rate of 10% from dividends distributed by them for 2008 and for the years onwards to non-resident enterprises. The above tax rates are subject to further changes based on the tax treaties or agreements (if applicable) signed between the PRC and the relevant countries or regions.

According to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on 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》), which was signed on August 21, 2006 and came into effect on August 12, 2006, the Chinese government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese 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 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. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》).

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 resident companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the relevant PRC 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 relevant PRC tax authorities.

2. Taxation on Share Transfer

VAT and Local Additional Tax

The Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》), which was promulgated on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and last amended on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay value-added tax at the rates of 0%, 6%, 11% and 17% on all the goods sold and services provided, unless otherwise stipulated.

According to the Notice of Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner issued by the Ministry of Finance and the State Administration of Taxation on March 23, 2016 and latest amended on April 1, 2019, units and individuals engaged in sales and services in China shall pay value-added tax, and "engaging in sales and services in China" refers to the situation where the buyer or seller of taxable services is located in China. The notice also stipulates that the transfer of financial products (including the transfer of ownership of marketable securities) is subject to VAT tax at a rate of 6% on taxable income (i.e., the balance after selling price minus buying price) for general or overseas VAT payers. However, personal transfers of financial products are exempt from value-added tax. This is also specified in Annex 3 of the Notice of Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner issued by the Ministry of Finance and the State Administration of Taxation (i.e., the Provisional Policies of Implementing the Pilot Program of Replacing

Business Tax with Value-Added Tax) that became effective on January 1, 2009. According to the laws and regulations, if the holder is a non-resident individual, the sale or disposal of H shares is exempt from PRC value-added tax; if the holder is a non-resident enterprise and the purchaser of H shares is an overseas individual or entity, the holder does not necessarily have to pay PRC value-added tax, but if the purchaser of H shares is a domestic individual or entity, the holder may be required to pay PRC value-added tax. However, in practice, it remains uncertain whether non-PRC resident enterprises are required to pay PRC value-added tax when disposing of H shares.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge.

3. Income tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

According to the Announcement of the Ministry of Finance and the State Administration of Taxation about the Catalogue of Preferential Individual Income Tax Policies with Continued Effect promulgated and implemented by the Ministry of Finance and the State Administration of Taxation on December 29, 2018, the Circular of the Declaring that Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares will remain effective.

In addition, the Circular on Issues Relating to Collection of Individual Income Tax on Income Derived from the Transfer of Restricted Shares of Listed Companies by Individuals (《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》) (Caishui [2009] No. 167), which was jointly issued by the Ministry of Finance, the State Administration of Taxation and the CSRC and came into effect on December 31, 2009, stipulates that income from transfer of shares of listed companies from the public offering and transfer market of listed companies on the Shanghai Stock Exchange and the Shenzhen Stock Exchange will continue to be exempted from individual income tax, except for the relevant restricted shares as defined in the Supplementary Circular on Issues Relating to Collection of Individual Income Tax on Income Derived from the Transfer of Restricted Shares of Listed Companies by Individuals (《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》) (Caishui [2010] No. 70), which was jointly issued by these authorities and came into effect on November 10, 2010. As of the Latest Practicable Date, the aforesaid provision did not specify whether or not individual income tax would be levied on the income derived by non-PRC resident individuals from the transfer of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premise. Such income tax for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced pursuant to special arrangements or relevant agreements signed between the PRC and the jurisdictions where the non-resident enterprises are located.

4. Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside China. Therefore, 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.

5. Estate Duty

Currently, no estate duty has been levied in the PRC under the PRC laws.

HONG KONG TAXATION

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

1. 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 the H Shares effected on the Hong Kong 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 Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

2. Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% 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 any Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp 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 10 times the duty payable may be imposed.

3. 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 for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to the section headed "Regulatory Overview" in this document.

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 State Administration of Foreign Exchange (the "**SAFE**") under the People's Bank of China (the "**PBOC**") is responsible for administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》)(the "Foreign Exchange Control Regulations"), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on 5 August, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was issued by the PBOC on June 20, 1996 and implemented on July 1, 1996, abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing 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 issued 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 Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi 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 Renminbi transactions on the following working day.

According to relevant PRC laws, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of foreign exchange administrative authorities, effect payment for their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as the Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the SAFE 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》) which was issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of 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 this document and other disclosure documents. Domestic companies (excluding banking financial institutions) must present overseas listing business registration certificates, initial public offerings (or additional issuances), and repurchase businesses to open special foreign exchange accounts in local banks, and handle fund exchange and transfer for related businesses.

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》), which was issued by the SAFE on February 13, 2015 and came into effect on June 1, 2015 and was amended on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment via the banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of 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 adjust of the SAFE in due time in accordance with international revenues and expenditure situations.

On January 26, 2017, the SAFE issued 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(《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》) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt 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.

On October 23, 2019, the SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment(《關於進一步促進跨境貿易投資便利化的通知》). The notice cancels restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debt offering proceeds and remitted foreign listing proceeds for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current administrative regulations for use of revenues from capital accounts.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business(《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by SAFE on April 10, 2020 which came into effect on the same date, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. 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, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction.