

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, last amended and implemented on August 5, 2008, RMB is freely convertible into other currencies for current accounts such as trade-related income and expenses and payments of interest and dividends. While for capital items such as direct equity investment, loan and divestment, the conversion of RMB into other currencies and the remittance of the converted foreign currencies outside China shall be subject to prior approval of the SAFE or its local branches.

Pursuant to the Circular of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for 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, implemented on June 1, 2015 and partially abolished on December 30, 2019, banks shall, on behalf of SAFE, directly examine and handle foreign exchange registration under domestic direct investment and overseas direct investment, and SAFE and its branches shall exercise indirect supervision over foreign exchange registration of direct investment through banks.

The Circular of the SAFE on Reforming the Management Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**Circular 19**”), issued by the SAFE on March 30, 2015, last amended and became effective on March 23, 2023, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. Furthermore, the Circular 19 and the Circular of the SAFE on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《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》) (the “**Circular 16**”) which was issued by the SAFE on June 9, 2016, last amended and implemented on December 4, 2023, stipulate that foreign-invested enterprises shall not use the RMB funds obtained from foreign exchange capital for payment outside of the business scope of the enterprises, investment in securities or financial schemes other than wealth management products and structured deposits with risk rating results not higher than Level 2, granting loans to non-connected enterprises or constructing or purchasing real estate that is not for self-use.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

The Circular of the SAFE on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was issued by the SAFE on October 23, 2019, last amended and implemented on December 4, 2023, cancelled restrictions on the domestic equity investment by non-investment foreign-invested enterprises with their capital funds. The non-investment foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the laws under the premise of not violating the Negative List and the authenticity and compliance of their domestic invested projects.

According to the Circular of the SAFE 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 the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their income under capital accounts, such as capital funds, foreign debts and the proceeds from overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance; provided that their capital use is authentic and in line with provisions, and in compliance with the prevailing administrative regulations on the use of income under capital accounts. The bank in charge shall conduct spot checks in accordance with the relevant requirements.

Pursuant to the Circular of the SAFE on Relevant Issues Concerning the Administration of Foreign Exchange for 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》) issued by the SAFE on December 26, 2014 and as amended by the Circular 16, the domestic companies shall register the overseas listing with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

LAWS AND REGULATIONS RELATING TO TAX

Enterprise Income Tax

Pursuant to the EIT Law promulgated by the SCNPC on March 16, 2007 and last amended and implemented on December 29, 2018, and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “**Regulations on the EIT Law**”) promulgated by the State Council on December 6, 2007, last amended on December 6, 2024, and implemented on January 20, 2025, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign countries (regions) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

VAT

Pursuant to the Provisional Regulations on the VAT of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council, last amended and implemented on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on the VAT of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 15, 1993, last amended on October 28, 2011 and implemented on November 1, 2011 (collectively, the “**VAT Law**”), all taxpayers selling goods, providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods within the PRC shall pay the VAT. Unless provided otherwise, for general the VAT taxpayers selling services and intangible assets, the VAT is 6%.

The Notice of the MOF and the STA on Adjusting the VAT (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated by the MOF and the STA on April 4, 2018 and came into effect on May 1, 2018, adjusts the applicable rate of the VAT and stipulates that for a taxpayer who engages in a taxable sales activity for the VAT purpose or importation of goods, the previous applicable tax rates of 17.0% and 11.0% would be adjusted to 16.0% and 10.0%, respectively.

According to the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the MOF and the STA and the GAC on March 20, 2019 and effective from April 1, 2019, the VAT rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

Taxation on Dividends and Share Transfer

Individual investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “**IIT Law**”), which was latest amended on August 31, 2018 and its implementation rules, for individual income including interest, dividend and bonus, individual income tax with applicable proportional tax rate of 20% shall be paid. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus are deemed as derived from the PRC whether the payment place is in the PRC. According to 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 on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

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%.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Enterprise investors

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the Company Law and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. When the PRC Company distributes the after-tax profits of the current year, it shall allocate 10% of the profits into the statutory reserve fund. If the accumulated amount of the statutory reserve fund reaches 50% of the registered capital, the Company is released from the obligation of withholding statutory reserve fund. Where the statutory common reserve fund of the company is not sufficient to recover its losses in the previous years, the profits of the current year shall be used to make up the loss before the withdrawal of the statutory common reserve fund in accordance with the above provisions. After making allocation to the statutory provident fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at the general meeting, also allocate funds from the after-tax profits to the discretionary provident fund. The residual after-tax profits after a company has made up its losses and accrued reserve can be distributed by the company in proportion to the shares held by its shareholders, except as otherwise provided for in the company's articles of association. The company shall not distribute any profits in respect of the shares held by it.

In accordance with the EIT Law and its implementation rules, a uniform enterprise income tax rate of 25% is imposed on all resident enterprises in China, including foreign-invested enterprises; a non-resident enterprise is generally subject to enterprise income tax at a rate of 10% on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable 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 Circular on Issues relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid 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稅有關問題的通知》), which was issued by the STA on November 6, 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends distributed to overseas non-resident enterprise shareholders of H Shares in 2008 and any subsequent year. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《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》), which was issued by the STA on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends distributed to overseas non-resident enterprise shareholders of H Shares in 2008 and any subsequent year. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Pursuant 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 (《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, 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, added a criterion 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 the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, after taking into account all relevant facts and conditions, are reasonably deemed to be obtaining such benefits, except when the grant of such 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 statutory requirements of PRC tax law documents, such as the Notice of the STA on the Issues Concerning the Enforcement of the Dividend Clauses of 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》).

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 PRC enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with Hong Kong, Macau, and a number of countries and regions including 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 PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

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 the 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.