

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of [REDACTED] of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which [REDACTED] 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, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the [REDACTED] in H Shares, nor does it take the specific circumstances of any particular [REDACTED] into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an [REDACTED] 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 tax, VAT, stamp duty and estate duty were referred in the discussion. Prospective [REDACTED] are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of [REDACTED] and [REDACTED] of H Shares.

PRC TAXATION

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 last amended on August 31, 2018 and effective on January 1, 2019, and the *Implementation Rules 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 last amended on December 18, 2018 and effective on January 1, 2019 (the “**IIT Law**”), dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a PRC enterprise is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by a relevant tax treaty. In addition, 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》) issued on September 7, 2015 and effective on September 8, 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 income from dividends and bonuses shall be exempted from individual 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 1 month or less, the income from dividends and bonuses shall be included into the taxable incomes in full amount; if the stock holding period is more than 1 month and up to one year, 50% of the income from dividends and bonuses shall be temporarily included into the taxable incomes. The individual income tax rate on the aforesaid income is levied at a flat rate of 20%.

Enterprise Investors

In accordance with the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC on March 16, 2007, and was most recently amended with immediate effect on December 29, 2018, and the *Implementing Rules of the EIT Law* (《中華人民共和國企業所得稅法實施條例》) most recently amended on December 6, 2024, the rate of EIT shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends and bonuses received from a PRC resident enterprise), if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income is not connected with such establishment or premise in the PRC. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income shall be the withholding agent, and is required to withhold the income tax from the payment or due payment every time it is paid or due.

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The *Circular of the STA on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Overseas Non-PRC 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》) (Guo Shui Han [2008] No. 897), which was issued by the STA and implemented on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate flat of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the *Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B shares* (《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》) (Guo Shui Han [2009] No. 394) which was issued by the STA and implemented on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises shareholders. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with relevant jurisdictions, where applicable.

Pursuant to the *Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and 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, the PRC government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met. The *Fifth Protocol of the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and 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>第五議定書》), which came into effect on December 6, 2019, adds 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 for relevant gains in the circumstance where relevant treaty benefits, 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 the 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 shall be subject to the requirements of PRC tax laws and regulations, such as the *Circular of the SAT on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or arrangements 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 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 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.

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Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to VAT (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (the “**Circular 36**”), which was implemented on May 1, 2016 and amended on July 11, 2017 and March 20, 2019, respectively, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and “sales of services within the PRC” refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempt from VAT upon transfer of financial products.

According to the provisions above, upon the [REDACTED] or [REDACTED] of H shares, the holders are exempt from VAT in the PRC if they are non-resident individuals; in case the holders are non-resident enterprises, they may not be subject to the VAT in the PRC if the [REDACTED] of the H shares are individuals or entities located outside of the PRC whereas the holders may be subject to the VAT in the PRC if the [REDACTED] of the H shares are individuals or entities located in the PRC.

Income Taxes

Individual investors

According to the IIT Law, gains from the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. According to the *Circular of the MOF and STA on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares* (《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》) (Cai Shui Zi [1998] No. 61) issued by the MOF and STA on March 30, 1998, since January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be temporarily exempted from individual income tax.

However, on December 31, 2009, the MOF, the STA and CSRC jointly issued the *Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation* (《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》) (Cai Shui [2009] No. 167), which became effective on January 1, 2010, states that individuals’ income from the transfer of listed shares obtained from the public offering and transfer of the stock market of the listed company on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the *Supplementary Notice on Issues Concerning the Individual Income Tax on Individuals’ Income from the Transfer of Restricted Stocks of Listed Companies* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above three departments and came into effect on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and the Implementation Rules of the Enterprise Income Tax Law of the PRC, a non-resident enterprise is generally subject to a 10% enterprise 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 premise in the PRC or has an establishment or premises in the PRC but its PRC-sourced income is not connected in reality with such establishment or premise. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income shall be the withholding agent, and is required to withhold the income tax from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

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Shanghai-Hong Kong Stock Connect Taxation Policy and Shenzhen-Hong Kong Stock Connect Taxation Policy

On October 31, 2014 and November 5, 2016, the MOF, SAT and CSRC jointly issued the Circular on the Relevant Taxation Policies regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《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》) and the Circular on the Relevant Taxation Policies regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《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》), pursuant to which, the income from transfer differences and dividend and bonus income derived by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to EIT in accordance with the law. In particular, the dividend and bonus income derived by PRC resident enterprises which hold H shares for at least 12 consecutive months shall be exempted from EIT according to law. H-share companies do not withhold tax on dividends and bonus income of PRC enterprise investors, and the tax payable shall be declared and paid by enterprises.

For dividends and bonuses received by PRC individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, H-share companies shall submit an application to China Securities Depository and Clearing Corporation Limited (the “CSDC”), which shall provide H-share companies with a register of PRC individual investors. H-share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits at the competent tax authorities of the CSDC with valid tax deduction certificates. Individual income tax is levied on dividend and bonus income derived by PRC security investment funds from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in accordance with the above provisions.

On August 21, 2023, the MOF, the SAT and the CSRC jointly issued the Announcement on the Continuation of Implementation of Individual Income Tax Policies Relating to Shanghai Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and Mutual Recognition of Funds between Mainland China and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》), which stipulates that for PRC individual investors, the transfer difference income derived from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the trading of Hong Kong fund units through mutual recognition of funds will continue to be exempt from individual income tax on a temporary basis until December 31, 2027.

Stamp Duty

Pursuant to the *Stamp Duty Law of the PRC* (《中華人民共和國印花稅法》) promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022 (the “**Stamp Duty Law**”), all entities and individuals engaged in securities transactions within the PRC are subject to stamp duty as stamp duty payers in accordance with the provisions of the Stamp Duty Law, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the transfer and disposal of H Shares by non-PRC investors outside the PRC.

Estate Duty

According to PRC law, no estate duty is currently levied in the PRC.

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Major Taxes on the Company in the PRC

Enterprise Income Tax

According to the PRC Law on Enterprise Income Tax (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which was promulgated by the SCNPC on March 16, 2007, last amended and became effective on December 29, 2018, and the Implementing Regulations of the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) (the “**EIT Implementing Regulations**”), which was promulgated by the State Council on December 6, 2007, last amended on December 6, 2024 and became effective on January 20, 2025, enterprises are classified into resident enterprises and non-resident enterprises. The EIT Law generally imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises. However, high-tech enterprises to which the PRC need to give key support are given the reduced enterprise income tax rate of 15%.

VAT

All entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, the sales of service, intangible assets and real estate, and the importation of goods within the territory of the PRC shall pay VAT in accordance with the Interim VAT Regulations of the PRC (《中華人民共和國增值稅暫行條例》) (the “**VAT Regulations**”), which was promulgated by the State Council on December 13, 1993, last amended and became effective on November 19, 2017, and the Implementing Rules for the Interim Regulations of the PRC on VAT (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 15, 2008, last amended on October 28, 2011, and took effect on November 1, 2011.

PRC FOREIGN EXCHANGE

Current Account and Capital Account Items

Pursuant to the *Regulations on the Foreign Exchange Control of the PRC* (《中華人民共和國外匯管理條例》) (issued on January 29, 1996 and last amended on August 5, 2008), the Renminbi is freely convertible for current account items (such as trade and dividend payments), but remains subject to the approval of the SAFE or its branches for capital account items (such as direct investment and loans).

According to the *Decisions of Matters including Canceling and Adjusting a Batch of Administrative Approval Items* (2014) and the *Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing* (2014), the approval requirement for remittance and settlement of overseas listing proceeds was canceled. Instead, a domestic company shall, within 15 business days after completion of its overseas listing, register with the local SAFE branch. Proceeds may be transferred to a domestic account or deposited overseas in accordance with the disclosures in the document.

Direct Investment and Capital Settlement

Under the *Notice on Further Simplifying and Improving Foreign Exchange Management Policies for Direct Investment* (2015), bank registration has replaced administrative approval for foreign exchange registration under domestic and overseas direct investment. Furthermore, pursuant to the *Circular on Further Promoting the Facilitation of Cross-border Trade and Investment* (2019, last amended on December 4, 2023), non-investment foreign-invested enterprises are permitted to legally use their capital funds for domestic equity investments, provided they comply with the Negative List and the underlying projects are authentic and compliant.

Pursuant to the *Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Account Items* (2016, last amended on December 4, 2023) and the *Circular on Optimizing Administration of Foreign Exchange to Support the Development of*

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Foreign-related Business (2020), domestic companies may handle discretionary settlement of foreign exchange capital income (currently set at 100%) at banks based on actual operating needs. Qualified enterprises are permitted to employ capital account income for domestic payments without providing prior proof materials for each transaction, subject to banks’ prudent business management and post facto random inspections.