
APPENDIX III

TAXATION AND FOREIGN EXCHANGE

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, and no legal or tax comments or suggestions will be made accordingly. The discussion has no intention to deal with all possible tax consequences resulting from the investment in H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you 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 fully subject to change or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisors regarding the PRC and other tax consequences of owning and disposing of the H shares.

The PRC Taxation

Taxes 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 promulgated on September 10, 1980 and most recently amended on August 31, 2018 by the Standing Committee of the National People’s Congress (the “NPC”), and came into effect on January 1, 2019, 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 by the State Council on December 18, 2018 and came into effect on January 1, 2019 (collectively the “**IIT Law**”), dividends distributed by PRC enterprises are generally subject to a withholding individual income tax levied at a flat rate of 20%. Moreover, pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies issued by the Ministry of Finance (the “**MOF**”), the State Taxation Administration (the “**STA**”) and CSRC on September 7, 2015, where an individual acquires stocks of a listed enterprise from public offering of the enterprise or from the stock transfer market and holds the stocks for more than one year, the income from dividends distributed by the enterprise shall be exempt from individual income tax for the time being; if the individual holds the stocks for one month or less, the income from dividends distributed by the enterprise shall be fully taxable; if the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends distributed by the enterprise shall be taxable; the aforesaid income is subject to an individual income tax at a flat rate of 20%.

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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 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 by the Central People’s Government of Mainland of China and the Government of the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol 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 with Respect to Taxes on Income (《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》) issued by the STA and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

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》) issued by NPC on March 16, 2007 and came into effect on December 29, 2018 and the Implementation Provisions 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》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and latest amended on December 6, 2024 (collectively the “**EIT Law**”), a non-resident enterprise is generally subject to a 10% enterprise income tax (the “**EIT**”) on PRC-sourced income (including dividends received from a PRC resident enterprise), 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. The withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation. Notice of the STA on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises, which was promulgated by the STA and came into effect on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. The Reply of the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises that was promulgated by the STA on July 24, 2009, further provides that any Chinese resident enterprise listed on any overseas stock exchange must withhold EIT at a rate of 10% on dividends distributed to non-PRC resident enterprise shareholders. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

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Pursuant to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the PRC Government has the authority to impose taxes on 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.

According to the Announcement of the State Taxation Administration on Issuing the Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers (《非居民納稅人享受協定待遇管理辦法》) promulgated by the State Taxation Administration ([2019] No. 35) and coming into effect as of January 1, 2020, the non-resident taxpayers with tax payment obligations within the territory of the PRC may, if they need enjoy the entitlement to treaty benefits, receive such treaty benefit at the time of making tax declarations, or at the time of making withholding declarations via tax withholding agents, and in such way as “self-judgment of eligibility, declaration of entitlement, and maintenance of relevant materials for future inspection by the tax authority”.

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 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 Chinese 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 PRC tax authorities.

Taxation on Share Transfer

Value-added Tax and Local Additional Tax

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》) promulgated on March 23, 2016 and took effect on May 1, 2016, partially repealed on July 11, 2017, March 20, 2019 and November 12, 2024 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. The notice 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

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are exempt from VAT upon transfer of financial products. The taxable income, in this context, refers to the sales price balance after deducting the purchase price. This VAT obligation applies to both general and foreign VAT taxpayers.

As per the aforementioned regulations, non-resident individuals selling or disposing of H shares are exempt from VAT in the PRC. However, if the holders are non-resident enterprises, they may avoid VAT in the PRC only if the buyers of the H shares are individuals or entities located outside of the PRC. Conversely, the holders might be subject to VAT in the PRC if the buyers of the H shares are individuals or entities situated within the PRC.

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 issued by the MOF and STA 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 STA 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.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% 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 premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are 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. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Tax policies for Shanghai-Hong Kong Stock Connect

On October 31, 2014, the MOF, the STA and the CSRC jointly promulgated the Circular on the Relevant Taxation Policy for the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《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》) (the “**Shanghai-Hong Kong Stock Connect Taxation Policy**”). Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect is included in their total income and EIT is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect is included

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in their total income. The EIT is levied on such income in accordance with the law. Among them, EIT will be exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that hold H-shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《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》), issued by the MOF, the STA and the CSRC, for dividends and bonus obtained by individual investors of the Mainland of China investing in H-shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (the “CSDCC”) for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China. The H-share companies shall withhold individual income tax at a rate of 20%.

Tax policies for Shenzhen-Hong Kong Stock Connect

On November 5, 2016, the MOF, the STA and the CSRC jointly issued the Notice on the Relevant Taxation Policy for the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (《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》) (the “**Shenzhen-Hong Kong Stock Connect Taxation Policy**”). Pursuant to the Shenzhen-Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the Mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. EIT is exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that hold H-shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

Pursuant to the Notice on the Relevant Taxation Policy for the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (《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》), which was issued by the MOF, the STA and the CSRC on November 5, 2016 and came into effect on December 5, 2016, for dividends and bonus obtained by individual investors of the Mainland of China investing in the H Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to the CSDCC for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China, and the H-share companies shall withhold individual income tax at a rate of 20%.

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Stamp Duty

According to the Stamp Duty Law of the PRC ((《中華人民共和國印花稅法》)), which was promulgated on 10 June 2021 and came into effect on 1 July 2022, the disposal of H Shares by non-Chinese mainland investors outside of the Chinese mainland is not subject to the requirements of the Stamp Duty Law of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

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”), with the authorization of the People’s Bank of China (the “PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The lawful currency of the PRC is the Renminbi. The SAFE, authorized by the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

Pursuant to the Regulations of the PRC on Foreign Exchange Control ((《中華人民共和國外匯管理條例》)) amended by the State Council and became effective on 5 August 2008, all international payments and transfers are classified into current account items and capital account items. The PRC does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of PRC enterprises may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange ((《結匯、售匯及付匯管理規定》)) promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996, the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

According to relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprise that need to distribute profits to their shareholders in foreign exchange

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and Chinese enterprise that need to pay fixed dividends in foreign exchange in accordance with the requirements shall pay from its foreign exchange account or pay at the designated foreign exchange bank by a resolution of the board of directors on the distribution of profits.

According to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (國務院關於取消和調整一批行政審批項目等事項的決定) promulgated by the State Council and effective on 23 October 2014, the administrative approval of the SAFE and its branches on matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing has been canceled.

According to the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration of 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) promulgated by the SAFE and became effective on 26 December 2014, the relevant provisions on foreign exchange administration of domestic joint stock companies (hereinafter referred to as “**domestic companies**”) listed overseas are as follows:

(i) The SAFE and its branches and the Foreign Exchange Management Department, or the Foreign Exchange Bureau, supervise, manage and inspect the business registration, account opening and use, cross-border income and expenditure, and capital exchange involved in the overseas listing of domestic companies. (ii) A domestic company shall, within 15 working days after the completion of the overseas listing and issuance, register the overseas listing with the Foreign Exchange Bureau at the place where it is registered with relevant material. (iii) After the overseas listing of a domestic company, its domestic shareholders who intend to increase or reduce their shareholding in an overseas listed company according to relevant regulations shall register the overseas shareholding with the local foreign exchange bureau at the place where the domestic shareholders are located within 20 working days prior to the proposed increase or reduction of shareholding with relevant materials. (iv) A domestic company (other than banking financial institutions) shall, by virtue of its registration certificate for overseas listing business, open a “special foreign exchange account for overseas listing of domestic companies” with a domestic bank for its initial offering (or additional offering) and repurchase business to handle the remittance and transfer of funds for the relevant business.

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》) issued on 13 February 2015 and came into effect on 1 June 2015, the SAFE has canceled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks. According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate 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》) issued and implemented by the SAFE on 9 June 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly

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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 adjustment by the SAFE in due time in accordance with international revenue and expenditure situations.