

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

This section does not address any aspect of PRC or Hong Kong taxation other than income tax, stamp duty and estate duty. Prospective investors are urged to consult their respective tax advisors regarding the PRC, Hong Kong and other taxation consequences arising from the ownership and disposal 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》) (the **Individual Income Tax Law**), which was last amended by the SCNPC on August 31, 2018 and came into effect 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 by the State Council on December 18, 2018 and came into effect on January 1, 2019, 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.

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》) (the Arrangement), which was signed by the STA and Hong Kong on August 21, 2006, 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 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 was issued by the STA and came into effect on December 6, 2019, adds criteria for the entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits shall not be granted 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 also be subject to the requirements of PRC tax laws and regulations, such as the Notice of the STA 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定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

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》) (the **Enterprise Income Tax Law**), which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008, and last amended and came into effect on December 29, 2018, and the Implementation Rules 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》), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, and last amended on December 6, 2024 and came into effect on January 20, 2025, 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 nonresident 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

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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.

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 came into effect 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 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 flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Non-resident enterprise shareholders entitled to preferential tax treatment shall make registration in accordance with the relevant provisions of the tax treaties. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with relevant jurisdictions, where applicable. Accordingly, dividends paid to non-PRC resident enterprise (including HKSCC Nominees) shall be subject to withholding enterprise income tax at a rate of 10%.

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 by the STA and Hong Kong 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 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 was issued by the STA and 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 Notice of the STA 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

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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.

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 promulgated by the MOF and the STA on March 23, 2016 and came into effect on May 1, 2016 and amended on July 11, 2017, December 25, 2017 and March 20, 2019, respectively, and the “Value-Added Tax Law of the People’s Republic of China” (《中華人民共和國增值稅法》), which was promulgated by the NPC Standing Committee on December 25, 2024 and came into effect on January 1, 2026, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and “sales of transfer of financial products within the PRC” refers to the situation where either the financial products are issued within the PRC, or the sellers are entities or individuals 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 sale or disposal 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 purchasers 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 purchasers 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 the 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 the 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 the 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 came into effect 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.

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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.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》) (the Stamp Duty Law) promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, 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 current PRC law, no estate duty is currently levied in the PRC.

Major Taxes on the Company in the PRC

Please refer to the section headed “Regulatory Overview” of this Document.

TAXATION IN HONG KONG

Tax on Dividends

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

Capital Gains Tax and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares effected on the Stock Exchange. 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 H Shares effected on the 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 Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

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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 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 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 ten times the duty payable may be imposed.

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 and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

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 SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations of the PRC on the Management of Foreign Exchange (《中華人民共和國外匯管理條例》) (the Regulations on the Management of Foreign Exchange), which was promulgated by the State Council on January 29, 1996 and came into effect on April 1, 1996, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administrative authorities, while capital items are subject to the approval of foreign exchange administrative authorities. According to the Regulations on the Management of Foreign Exchange, which was amended and came into effect on January 14, 1997 and August 5, 2008, the PRC will not impose any restriction on international current payments and transfers.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the Settlement Regulations), which was promulgated by the PBOC on June 20, 1996 and came into effect on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital 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》) (PBOC Announcement [2005] No. 16), which was issued by the PBOC on July 21, 2005 and come into effect on the same date, the PRC began 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 from July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The 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.

On August 5, 2008, the State Council promulgated the revised Regulation on the Management of Foreign Exchange, which has made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign

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exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and 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; second, it has improved the RMB exchange rate formation mechanism based on market supply and demand; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

According to the Notice of the SAFE on Reforming and Regulating Policies on the Administration of Foreign Exchange Settlement under 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》) (Hui Fa [2016] No. 16) issued by the SAFE and came into effect on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including the foreign exchange capital, external debts and funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by which may be handled at banks based on the domestic institutions’ actual requirements for business operation.

The proportion of discretionary settlement of domestic institutions’ foreign exchange receipts under the capital account is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate time.

On January 26, 2017, the SAFE issued and implemented the Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局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》) (Hui Fa [2017] No. 3) 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 issued and implemented the Circular of the SAFE on Further Promoting Cross-border Trade and Investment Facilitation (《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》) (Hui Fa [2019] No. 28), which stipulated that on the basis that investing foreign-funded enterprises may make domestic equity investments with their capital funds in accordance with laws and regulations, non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the premise that the existing Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) are not violated and domestic invested projects are true and compliant.

On December 4, 2023, the SAFE issued and implemented the Notice of the SAFE on Further Deepening Reforms to Promote the Convenience of Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) (2023) (Hui Fa [2023] No. 28), the equity transfer consideration funds in foreign currency received by a domestic equity transferor (including institutions and individuals) from domestic parties, as well as the foreign exchange funds raised by domestic enterprises through overseas listing may be directly remitted to the settlement account of capital accounts. Funds in the settlement account of capital accounts may be settled and used at discretion. The equity transfer consideration funds received by a domestic equity transferor from FIEs which are paid with RMB funds derived from the settlement of foreign exchange (RMB funds derived from direct settlement of foreign exchange or from settlement account for pending payment) may be transferred directly to the RMB account of the domestic equity transferor.