

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains in respect of H Shares is governed by the laws and practices of the People’s Republic of China (the “**PRC**”) and the jurisdictions in which holders of H Shares are resident or otherwise subject to taxation. The following summary of certain relevant tax provisions is based on laws and practices in effect as of the date of this document and is not intended to address all potential tax consequences that may apply to any particular [REDACTED]. This summary does not purport to be comprehensive and may be subject to change, possibly with retrospective effect. No representation or warranty is made as to the future tax treatment of an investment in H Shares. [REDACTED] should consult their own tax advisors regarding the tax consequences of acquiring, holding and disposing of H Shares.

PRC TAXATION

Taxation on Dividends

Individual Investors

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) (“**IIT Law**”) and its implementing regulations, as most recently amended and effective on January 1, 2019, dividends paid by PRC enterprises are generally subject to IIT at a flat rate of 20%.

Pursuant to the “Notice on Issues Relating to Differentiated Individual Income Tax Policies for 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》) (Caishui [2015] No. 101), issued and partially abolished by the Ministry of Finance (“**MOF**”), the State Administration of Taxation (“**SAT**”) and CSRC, which became effective on September 8, 2015, differentiated IIT treatment applies to dividends received from listed companies:

- Dividends derived from shares acquired through public offerings or the secondary market and held for more than one year are exempt from IIT.
- Dividends from shares held for one month or less are fully included in taxable income.
- Dividends from shares held for more than one month but not more than one year are included in taxable income at 50% of the dividend amount.
- The applicable IIT rate on such dividend income is 20%.

Non-PRC resident individuals receiving dividends from PRC enterprises are generally subject to IIT at 20%, unless exempted by the State Council or a lower rate applies under an applicable tax treaty.

Pursuant to the “Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Tax Evasion 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》) (the “**Mainland-Hong Kong Arrangement**”), dividends paid by a PRC resident enterprise to Hong Kong residents (including individuals and entities) are generally subject to a withholding tax rate not exceeding 10%. If the Hong Kong resident beneficially owns at least 25% of the equity interest of the paying enterprise, the withholding tax rate shall not exceed 5%. The Fifth Protocol to the Mainland-Hong Kong Arrangement, effective December 6, 2019, introduced a principal purpose test for entitlement to treaty benefits.

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Enterprise Investors

Under the “PRC Enterprise Income Tax Law” (《中華人民共和國企業所得稅法》) (“**EIT Law**”), as amended, and its implementing rules, the standard EIT rate is 25%. A non-resident enterprise without an establishment or place of business in the PRC, or whose PRC-sourced income is not effectively connected with such establishment, is generally subject to a 10% withholding EIT on China-sourced income, including dividends from PRC resident enterprises.

Pursuant to the “Notice on Issues Concerning the Withholding and Payment of Enterprise Income Tax on Dividends Distributed 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》) (Guoshuihan [2008] No. 897) and the Reply on Issues Concerning the Imposition of Enterprise Income Tax on Dividends Derived by Non-Resident Enterprises from Shares 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復》) (Guoshuhan [2009] No. 394), a PRC resident enterprise is required to withhold EIT at a rate of 10% on dividends distributed to non-resident enterprise shareholders in respect of H Shares. This rate may be reduced under an applicable tax treaty or arrangement. Under the Mainland-Hong Kong Arrangement, dividends paid to Hong Kong residents are subject to the reduced withholding rates noted above, subject to satisfying the relevant conditions and the principal purpose test under the Fifth Protocol.

Tax Treaties

Non-resident investors residing in jurisdictions that have entered into tax treaties or arrangements with the PRC for the avoidance of double taxation may be eligible for a reduced EIT rate on dividends received from PRC companies. Such investors are required to apply to the PRC tax authorities for a refund of any excess tax withheld. The PRC has entered into comprehensive double taxation agreements with numerous jurisdictions, including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Taxation on Share Transfer

Individual Investors

Under the IIT Law and its implementing regulations, gains from the transfer of equity interests in PRC resident enterprises are generally subject to IIT at 20%. However, pursuant to the Notice on Continuing the Temporary Exemption from Individual Income Tax on Income 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》) (Caishuizi [1998] No. 61), income derived by individuals from the transfer of listed shares has been temporarily exempt from IIT since January 1, 1997.

The Notice on Issues Concerning the Imposition of Individual Income Tax on Income from the Transfer of Restricted Shares 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通知》) (Caishui [2009] No. 167), effective January 1, 2010, and the subsequent Announcement on Further Improving the Administration of Individual Income Tax on the Transfer of Restricted Shares of Listed Companies by Individuals (《關於進一步完善個人轉讓上市公司限售股所得個人所得稅有關徵管服務事項的公告》) (Caishui [2024] No. 59), effective December 27, 2024, provide that income from the transfer of shares acquired in a public offering or on the secondary market continues to be exempt from IIT.

As of the Latest Practicable Date, the PRC tax authorities have not, in practice, imposed IIT on gains derived by non-PRC resident individuals from the transfer of overseas-listed shares of PRC resident enterprises. However, no assurance can be given that this practice will not change in the future.

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Enterprise Investors

A non-resident enterprise without an establishment or place of business in the PRC, or whose PRC-sourced income is not effectively connected with such establishment, is generally subject to EIT at 10% on gains from the transfer of equity interests in a PRC resident enterprise. Such tax is generally withheld at source. Reductions or exemptions may be available under applicable tax treaties.

SHANGHAI-HONG KONG AND SHENZHEN-HONG KONG STOCK CONNECT TAXATION POLICIES

Pursuant to the Circular on Relevant Taxation Policies regarding the Pilot Shanghai-Hong Kong Stock Connect Program (《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》) (Caishui [2014] No. 81) and the Circular on Relevant Taxation Policies regarding the Pilot Shenzhen-Hong Kong Stock Connect Program (《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》) (Caishui [2016] No. 127):

- PRC enterprise investors deriving gains from price differences or dividends from investments in Hong Kong-listed shares through Stock Connect shall include such income in their taxable income and pay EIT accordingly. Dividends received by PRC resident enterprises that have held the relevant H Shares for at least 12 consecutive months are exempt from EIT. H-share companies do not withhold tax on dividends paid to PRC enterprise investors, who are responsible for declaring and paying the tax.
- For PRC individual investors, H-share companies are required to withhold IIT at 20% on dividends received through Stock Connect, based on shareholder registers provided by China Securities Depository and Clearing Corporation Limited (“CSDC”). Investors may claim foreign tax credits with valid documentation.
- The Announcement on Continuing the Implementation of Individual Income Tax Policies Relating to Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Mainland-Hong Kong Fund Mutual Recognition (《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》) (Announcement No. 23 [2023] of the MoF, STA and CSRC) extends the temporary exemption from IIT for gains from price differences and trading of Hong Kong fund units through mutual recognition until December 31, 2027.

STAMP DUTY

Under the “PRC Stamp Tax Law”, effective July 1, 2022, stamp duty is generally applicable to taxable documents executed within the PRC or to documents executed outside the PRC but used within the PRC. The transfer of H Shares by non-PRC investors outside the PRC is not subject to PRC stamp duty.

ESTATE DUTY

As of the Latest Practicable Date, no estate duty is levied under PRC law.

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PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

We are a PRC resident enterprise and are subject to EIT on our worldwide income. The standard EIT rate is 25%. Enterprises qualified as high and new technology enterprises under the relevant administrative measures may enjoy a preferential EIT rate of 15%. The qualification is valid for three years and is subject to renewal.

Value-Added Tax

Under the “Provisional Regulations on Value-added Tax” (《中華人民共和國增值稅暫行條例》) and its implementing rules, VAT is levied on the sale of goods, provision of services, intangible assets, real estate and import of goods within the PRC. The applicable VAT rates are 13%, 9%, 6% and 0%, depending on the category of goods or services. The “Value-added Tax Law of the PRC” (《中華人民共和國增值稅法》) was promulgated on December 25, 2024, and will take effect on January 1, 2026, repealing the current interim regulations.

FOREIGN EXCHANGE

The Renminbi is the lawful currency of the PRC and is subject to foreign exchange control. The State Administration of Foreign Exchange (“SAFE”), under the authorisation of the People’s Bank of China (“PBOC”), administers foreign exchange matters.

The “Regulation of the PRC on Foreign Exchange Administration” (《中華人民共和國外匯管理條例》), as latest amended on August 5, 2008, distinguish between current account and capital account transactions. Current account transactions are subject to verification of authenticity by financial institutions. Capital account transactions, including foreign direct investment, require registration with SAFE. Foreign exchange under capital accounts must be used for approved purposes.

The People’s Bank of China issued the “Announcement on Reforming the RMB Exchange Rate Regime” (《關於完善人民幣匯率形成機制改革的公告》) on July 21, 2005, and since then, the PRC has implemented a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. PRC enterprises may make current account foreign exchange payments through designated foreign exchange banks upon presentation of valid supporting documents. Foreign-invested enterprises may remit profits abroad upon presentation of board or shareholder resolutions.

Approval from SAFE for the remittance of proceeds from overseas listings into domestic RMB accounts was abolished pursuant to the “State Council’s Decision on 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》) issued on October 23, 2014.

Pursuant to the “Notice on Issues Concerning Foreign Exchange Control in Relation to Overseas Listings” (《關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), effective December 26, 2014, domestic companies must register their overseas listings with the local SAFE branch within 15 business days after the issuance. Proceeds may be remitted to domestic accounts or retained overseas, and must be used in accordance with the document.

The “Circular on Further Simplifying and Improving Foreign Exchange Administration for Direct Investment” (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13), as amended, delegates foreign exchange registration for direct investments to banks.

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The "Notice on Reforming and Regulating the Administration of Foreign Exchange Settlement under the Capital Account" (《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), as amended, allows discretionary foreign exchange settlement for capital account funds.

The "Notice on Further Promoting Foreign Exchange Management Reform and Improving the Verification 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》) (Hui Fa [2017] No. 3), issued on January 26, 2017, expanded the scope of foreign exchange settlement and allowed domestic use of funds from foreign loans.

The "Notice on Further Facilitating Cross-Border Trade and Investment" (《關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28), as amended, removed certain restrictions on the use of foreign exchange funds and allowed eligible enterprises to use capital account revenues for domestic payments without item-by-item verification.

HONG KONG TAXATION

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 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 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.

Taxes for Securities Holders

The income tax and the capital gains tax for holders of H Shares shall be subject to the laws and practices of PRC and the jurisdictions in which the holders of H Shares are residents or subject to taxes for other reasons. The following summary of relevant tax provisions is based on current laws and practices, and does not take into account anticipated changes in or amendments to the relevant laws and policies or constitute any opinions or suggestions. The discussion does not address all of the possible tax consequences associated with H-Shares, nor does it take into account the particular circumstances of any individual investor, some of which may be subject to special rules. Accordingly, you should consult your own tax adviser as to the tax implications of the H Shares. The discussion is based on the laws and the relevant interpretations in force as of the Latest Practicable Date. All the laws and relevant interpretations are subject to changes and may have retrospective effect.

The discussion does not address any PRC tax issues other than income tax, capital gains tax, value-added tax, stamp duty and estate duty. Prospective investors should consult their tax advisors regarding the Chinese and other tax implications of holding and disposing of H-shares.