

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXES FOR SECURITIES HOLDERS

The income tax and the tax on capital gains 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 relevant laws and policies or constitute any opinions or suggestions. The discussion is not intended to cover all the possible tax consequences of the investment in 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 consequences of the investment in H-Shares. The following discussion is based on the laws and regulations in force as of the Latest Practicable Date, which and whose interpretations are subject to change or adjustment and may have retrospective effect.

This section does not cover any aspects of Chinese taxation other than income tax, capital tax, value-added tax, stamp duty, and inheritance tax. Prospective investors should consult their tax advisors regarding the Chinese and other tax implications of holding and disposing of H-shares.

TAXES IN MAINLAND CHINA

Tax on Dividends

Individual Investors

According to the Individual Income Tax Law of the People's Republic of China revised by the Standing Committee of the National People's Congress ("NPCSC") on August 31, 2018 and effective as of January 1, 2019, and the Implementation Regulations for the Individual Income Tax Law of the People's Republic of China revised by the State Council on December 18, 2018 and effective as of January 1, 2019, dividends distributed by domestic companies to individual investors shall be subject to withholding tax at a flat rate of 20%. Meanwhile, according to the Circular on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission ("CSRC") on September 7, 2015 and effective as of September 8, 2015, dividends and bonuses of shares of listed companies obtained by individuals from the public offering or stock market and held for more than one year shall be temporarily exempted from individual income tax. For shares of listed companies obtained by individuals from the public offering and transfer market and held for no more than one month, the dividends and bonuses thereof shall be fully included into the individual's taxable income; for shares held for more than one month but not more than one year, 50% of the dividends and bonuses thereof shall be temporarily included into the individual's taxable income. The above income shall be uniformly subject to individual income tax at the rate of 20%.

According to the Arrangement between Mainland China and Hong Kong SAR on Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income on August 21, 2006, or the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the PRC government can impose tax on dividends paid by Chinese companies to Hong Kong residents (including natural persons and legal entities), but the tax amount shall not exceed 10% of the total payable dividends. If a Hong Kong resident directly holds 25% or more of the shares in a PRC company, and such Hong Kong resident is the beneficial owner of the dividends and other conditions are satisfied, the relevant tariff shall not exceed 5% of the total payable dividends of the PRC company. The Fifth Protocol on the Arrangement between the Mainland 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 (the "**Fifth Protocol**"), which was promulgated by the State Administration of Taxation and became effective on December 6, 2019, provides that such provisions shall not apply to any arrangement or transaction made for one of the main purposes thereof to obtain such tax preference.

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Corporate Investors

According to the Enterprise Income Tax Law of the People’s Republic of China (“**Enterprise Income Tax Law**”) revised by the NPCSC and effective as of December 29, 2018 and the Implementing Regulations of the Enterprise Income Tax Law of the People’s Republic of China (“**Implementing Regulations of the Enterprise Income Tax Law**”) revised by the State Council and effective as of January 20, 2025, non-resident enterprises which do not have a branch or offices in China, or even if they have a branch or offices in China but their China-sourced income is not effectively connected with their branch or offices, shall pay a 10% EIT on their China-sourced income (including dividends paid by Chinese resident enterprises whose shares are issued and listed in Hong Kong). The above-mentioned income tax payable by non-resident enterprises shall be withheld at source, with the payer as the withholding agent and the tax payable shall be withheld from each payment or amount due at the time of payment or when payment becomes due. Such tax may be reduced or exempted under the applicable treaty on the avoidance of double taxation.

According to the Circular on Issues Related to the Withholding of the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Non-Resident Enterprises released by the State Administration of Taxation (SAT) and effective as of November 6, 2008, when Chinese Resident Enterprises pay the dividends of 2008 and subsequent years to their H-share Non-Resident Enterprises, they must withhold the enterprise income tax (EIT) at a tax rate of 10%.

In accordance with the Arrangement between Mainland 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, the PRC government may impose tax on dividends paid by a PRC Company to Hong Kong residents (including natural persons and legal entities), provided that such tax shall not exceed 10% of the aggregate amount of the dividends payable by the PRC Company. If a Hong Kong resident directly holds 25% or more of the shares in a PRC company, and such Hong Kong resident is the beneficial owner of the dividends and other conditions are satisfied, the relevant tariff shall not exceed 5% of the total payable dividends of the PRC company. The Fifth Protocol provides that such provision shall not apply to any arrangement or transaction entered into with one of the primary purposes of such tax preference.

In accordance with applicable regulations, we intend to withhold the tax at the tax rate of 10% from dividends paid to H-share non-PRC resident corporate holders. Non-PRC resident enterprises, which are entitled to enjoy tax reduction or exemption pursuant to the applicable income tax treaty, need to apply to the tax authorities in China for refund of the amount of withheld tax exceeding the conventional tax rate, and the tax refund should be verified by the tax authorities in China.

Tax on Gains from Share Transfers

Individual Investors

According to the Individual Income Tax Law of the People’s Republic of China and its implementation rules, gains from the sale of shares held by a PRC resident enterprise shall be levied individual income tax at a rate of 20%. According to the Circular on the Continued Exemption of Individual Income Tax on Gains from the Sale of Shares promulgated by the Ministry of Finance and the SAT on March 30, 1998 and effective as of the same day, gains from the sale of shares held by a listed company shall continue to be exempted from the individual income tax starting from January 1, 1997. The SAT did not explicitly specify in the newly revised Enterprise Income Tax Law and its implementation rules whether the individual income tax on gains from the sale of shares held by a listed company shall continue to be exempted.

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In accordance with the Enterprise Income Tax Law and its implementing rules, non-PRC resident enterprises that have not set up institutions or offices in China, or have set up institutions or offices but the incomes obtained by the enterprises have no actual connection with the set up institutions or offices, shall pay enterprise income tax (EIT) in relation to their incomes generated in China (including gains from the sale of shares held by a PRC resident enterprise) at the rate of 10%. The aforesaid payable income tax on non-PRC resident enterprises shall be withheld at the source, with the payer as the withholding agent. The tax payable shall be withheld from each payment or amount due at the time of payment or when payment becomes due. The withholding tax can be reduced or exempted pursuant to the relevant tax treaty or double taxation agreement.

Tax Policies of Shanghai-Hong Kong Stock Connect

According to the Circular on Tax Policies Relating to the Pilot Program of Shanghai-Hong Kong Stock Connect promulgated by the Ministry of Finance, the SAT and the CSRC on October 31, 2014 and effective as of November 17, 2014, gains as a result of the transfer price difference from investments by domestic enterprises in stocks listed on the HKSE through the Shanghai-Hong Kong Stock Connect will be included in their total revenues subject to EIT in accordance with the law. For dividends received by mainland individual investors investing in H-shares listed on the HKSE through the Shanghai-Hong Kong Stock Connect, the H-share company shall apply to CSDC, which shall provide the H-share company with the roster of mainland individual investors, and then the H-share company shall withhold and pay the individual income tax on behalf of the investors according to the tax rate of 20%.

According to the Announcement on the Extension of the Relevant Individual Income Tax Policies on the Shanghai-Hong Kong and Shenzhen-Hong Kong Mutual Stock Market Access Mechanism and the Mutual Recognition of Funds between the Mainland and Hong Kong promulgated on August 21, 2023 and implemented on the same day, individual income tax will continue to be exempted on gains as a result of the transfer price difference from investments by mainland individual investors in stocks listed on the HKSE through the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect or in Hong Kong fund units acquired through mutual recognition of funds until December 31, 2027.

According to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets, gains from dividends from investments by mainland corporate investors in stocks listed on the HKSE through the Shanghai-Hong Kong Stock Connect will be included in their total revenues subject to enterprise income tax in accordance with the law. Specifically, gains from dividends derived by a Chinese resident enterprise for holding H shares for 12 consecutive months and above will be exempted from enterprise income tax in accordance with the law. H-share companies do not withhold income tax on dividends for mainland corporate investors and the tax payable shall be declared and paid by the mainland corporate investors themselves.

Tax Policies of Shenzhen-Hong Kong Stock Connect

According to the Circular on Tax Policies relating to the Pilot Program of Shenzhen-Hong Kong Stock Connect promulgated by the Ministry of Finance, the SAT and the CSRC on November 5, 2016 and effective as of December 5, 2016, gains as a result of the transfer price difference from investments by mainland corporate investors in stocks listed on the HKSE through the Shenzhen-Hong Kong Stock Connect will be included in their total revenues subject to enterprise income tax in accordance with the law. For dividends received by mainland individual investors investing in H-shares listed on the HKSE through the Shenzhen-Hong Kong Stock Connect, the H-share company shall apply to CSDC, which shall provide the H-share company with the roster of mainland individual investors, and then the H-share company shall withhold and pay the individual income tax on behalf of the investors according to the tax rate of 20%.

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According to the Announcement on the Extension of the Relevant Individual Income Tax Policies on the Shanghai-Hong Kong and Shenzhen-Hong Kong Mutual Stock Market Access Mechanism and the Mutual Recognition of Funds between the Mainland and Hong Kong promulgated on August 21, 2023 and implemented on the same day, individual income tax will continue to be exempted on gains as a result of the transfer price difference from investments by mainland individual investors in stocks listed on the HKSE through the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and in Hong Kong fund units acquired through mutual recognition of funds until December 31, 2027.

According to the Circular on Tax Policies relating to the Pilot Program of Shanghai-Hong Kong Stock Connect, gains from dividends from investments by mainland corporate investors in stocks listed on the HKSE through the Shanghai-Hong Kong Stock Connect will be included in their total revenues subject to enterprise income tax in accordance with the law. Specifically, gains from dividends derived by a Chinese resident enterprise for holding H shares for 12 consecutive months and above will be exempted from enterprise income tax in accordance with the law. H-share companies do not withhold income tax on dividends for mainland corporate investors and the tax payable shall be declared and paid by the mainland corporate investors themselves.

Stamp Tax

According to the Stamp Tax Law of the People's Republic of China promulgated on June 10, 2021 and effective as of July 1, 2022, purchase and disposal of H shares outside Mainland China by non-mainland investors will not be subject to the Stamp Tax Law of the People's Republic of China.

Inheritance Tax

Currently, inheritance tax is not levied in Mainland China according to Chinese laws.

MAJOR TAXES OF THE COMPANY IN CHINA

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China, enterprises and other organizations that have income accruing in People's Republic of China are enterprise income tax payers, who shall pay enterprise income tax in accordance with the Law. The enterprise income tax rate is 25%. High-tech enterprises that the Chinese government needs to prioritize supporting shall be subject to a reduced enterprise income tax rate of 15%.

Enterprises are further divided into resident enterprises and non-resident enterprises. For the purposes of China's enterprise income tax, enterprises established within China, or those established outside China but with their place of effective management within China, are deemed resident enterprises. Such enterprises shall pay enterprise income tax at a rate of 25% on their income derived both within and outside China. Non-resident enterprises refer to enterprises that have not established an institution or place of business within China, or enterprises that have established an institution or place of business within China but whose income is not effectively connected with such institution or place of business. Such enterprises shall pay enterprise income tax at a rate of 20% on income derived from within China. Such income tax shall be withheld at source, with the payer acting as the withholding agent. In addition, any income derived by non-resident enterprises from the transfer of shares shall be subject to enterprise income tax if such income is deemed to be derived from the transfer of property within China.

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Value-added tax

According to the Provisional Regulations of the People's Republic of China on Value-added Tax revised by the State Council and effective on November 19, 2017, and the Implementing Rules for the Provisional Regulations of the People's Republic of China on Value-added Tax revised by the Ministry of Finance on October 28, 2011 and effective on November 1, 2011, any entity and individual engaged in the sale of goods, the provision of processing, repair, or maintenance services, or the importation of goods within China shall be a VAT taxpayer and shall pay VAT in accordance with the relevant regulations and implementing rules. Unless otherwise specified in the aforementioned regulations, the value-added tax rate for taxpayers selling or importing goods is generally 17%.

According to the Notice on Adjusting Value-added Tax Rates promulgated by the Ministry of Finance and the SAT on April 4, 2018 and effective on May 1, 2018, the previous applicable 17% and 11% tax rates of a taxpayer engaging in VAT taxable sales activities or importation of goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Policies for Deepening the VAT Reform promulgated by the Ministry of Finance, the SAT and the General Administration of Customs on March 20, 2019 and effective on April 1, 2019, the previous applicable 16% tax rate and 10% tax rates of a taxpayer engaging in VAT taxable sales activities or importation of goods are adjusted to 13% and 9% respectively.

The NPCSC promulgated the Value-Added Tax Law on December 25, 2024, which will take effect on January 1, 2026. Upon the implementation of this law, the Provisional Regulations of the People's Republic of China on Value-Added Tax shall be repealed simultaneously. Under the Value-Added Tax Law, entities and individuals (including individual industrial and commercial households) that sell goods, services, intangible assets, and real estate within China, as well as import goods, are VAT taxpayers and shall pay value-added tax. Taxpayers selling goods are subject to a 13% tax rate, while those selling services or intangible assets are subject to a 6% tax rate. Except as otherwise provided in the Value-Added Tax Law, taxpayers engaging in taxable transactions shall calculate and pay value-added tax using the general taxation method by offsetting output tax against input tax.

FOREIGN EXCHANGE CONTROL OF CHINA

The legal currency of China is Renminbi (RMB). The State Administration of Foreign Exchange is authorized by the People's Bank of China to be responsible for the administration of all matters related to foreign exchange, including the implementation of foreign exchange regulations.

According to the Foreign Exchange Control Regulations of the People's Republic of China revised by the State Council and effective on August 5, 2008, all international payment and transfer are classified into current account and capital account. China imposes no restrictions on international payments and transfers under the current account. Foreign exchange earnings of Chinese enterprises under the current account may be retained or sold to financial institutions engaged in foreign exchange conversion and sale in accordance with relevant national regulations. Foreign exchange earnings under the capital account may be retained or sold to financial institutions engaged in foreign exchange conversion and sale, subject to approval by the foreign exchange administration authorities, except where otherwise provided by the state.

According to the Administrative Provisions on Foreign Exchange Settlement, Sales and Payment promulgated by the People's Bank of China on June 20, 1996 and effective on July 1, 1996, other restrictions on foreign exchange convertibility under current account are cancelled, but the existing restrictions on foreign exchange transactions under capital account remain.

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Pursuant to relevant PRC laws and regulations, companies in China (including foreign invested enterprises) which need foreign exchange for current account transactions may produce valid receipts and transaction vouchers to make payments from their foreign exchange accounts at designated foreign exchange banks, without the need of approval by the SAFE. Foreign-invested enterprises which need to use foreign exchange to distribute profits to shareholders and Chinese enterprises which need to use foreign exchange to pay fixed dividends pursuant to relevant provisions shall make payment from its foreign exchange account or at designated foreign exchange bank pursuant to a resolution on profit distribution passed by the board of directors.

According to the Decision of the State Council on Matters relating to Cancelling and Adjusting a Number of Administrative Examination and Approval Items promulgated by the State Council and effective on October 23, 2014, the administrative examination and approval by the SAFE and its branches for the repatriation and settlement of funds raised through overseas listing were cancelled.

According to the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Administration of Overseas Listing promulgated by the SAFE and effective on December 26, 2014, the State Administration of Foreign Exchange and its branches, along with local foreign exchange bureaus, supervise activities related to business registration, account management, cross-border transactions, and fund transfers for domestic companies seeking overseas listings. Domestic companies must complete overseas listing registration with their local foreign exchange administration within 15 working days after the conclusion of the listing issuance. In addition, domestic shareholders intending to increase or reduce their holdings in overseas-listed companies must submit the required documentation to the local foreign exchange authority for registration of changes at least 20 working days prior to the proposed increase or reduction. In addition, domestic companies (excluding banking financial institutions) shall open dedicated foreign exchange accounts with domestic banks to handle foreign exchange conversion and fund transfers related to their initial public offerings, additional share issuances, and share repurchase transactions.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies for the Administration of Foreign Exchange in Direct Investment promulgated on February 13, 2015 and effective on June 1, 2015, the SAFE has cancelled the requirement for the foreign exchange registration approval for domestic or overseas direct investments. Instead, the banks are directly responsible for the review and handling of foreign exchange registration for domestic and overseas direct investments, and the SAFE and its branches exercise indirect supervision over foreign exchange registration for direct investment via the banks.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement under Capital Accounts promulgated and implemented by the SAFE on June 9, 2016, domestic institutions can settle their foreign exchange receipts under capital accounts (including repatriated funds raised through overseas listing) at their discretion with banks according to their actual business needs. Domestic institutions may, at their discretion, settle up to 100% of their foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the aforesaid proportion where appropriate based on balance of payments.