

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

1. 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 resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on the current laws and practices in the PRC, is subject to change and does not constitute legal or tax advice to H-Share holders. The discussion below has no intention to cover all possible tax consequences resulting from the in H Shares, nor does it take the specific circumstances of any particular 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 in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of the Latest Practicable Date, which is subject to change and may have retrospective effect.

The PRC Taxation

A. *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 “**IIT Law**”), which was latest amended on August 31, 2018 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 latest amended on December 18, 2018 and came into effect on January 1, 2019, dividends distributed by PRC enterprises are subject to PRC 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 withholding tax of 20% unless such tax is specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Meanwhile, according to *the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus 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》) (Cai Shui [2015] No. 101) issued by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission (the “**CSRC**”) on September 7, 2015 and coming into effect on September 8, 2015, where an individual acquires the shares of a listed company through a public offering or trading at the stock exchange where the company is listed and such individual holds the shares for more than one year, the dividend and bonus income shall be temporarily exempted from individual income tax. However, in the case where the holding period of such shares is no more than one month, the dividend shall be subject to individual income tax in full; while in the case where the holding period is between the range of one month to one year (inclusive), only 50% of the dividend income shall be subject to individual income tax. In each case where individual income tax shall be leviable, an uniform rate of 20% shall apply.

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Pursuant to *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 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 on August 21, 2006, 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. However, 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”.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) enacted by the National People’s Congress (“NPC”) on March 16, 2007, and effective from January 1, 2008, latest amended on December 29, 2018, and the Implementation Regulations 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》) promulgated by the State Council on December 6, 2007, and effective from January 1, 2008, latest amended on December 6, 2024, a non-resident enterprise shall be subject to a 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise the shares of which are issued and listed in Hong Kong, if such non-resident enterprise does not have an institution or establishment in the PRC, or if, where such non-resident enterprise has an institution or establishment in the PRC, the PRC-sourced income is not actually connected with such institution or establishment in the PRC. Such withholding tax may, where applicable, be reduced or exempted pursuant to a treaty for the avoidance of double taxation. Such withholding tax payable by non-resident enterprises is deducted at source, where the payer of dividends, is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment of dividends is made or due.

The Circular on Issues Relating to the Withholding and Remitting of Corporate Income Tax by PRC Resident Enterprises 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》) (Guo Shui Han [2008] No. 897), which was issued by the State Taxation Administration (the “STA”) on November 6, 2008, further clarifies that a PRC-resident enterprise shall withhold corporate income tax at a rate of 10% on the dividends

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of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Corporate 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 listed on overseas stock exchanges shall withhold and remit corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further adjusted pursuant to a tax treaty or agreement that China has entered into with the relevant jurisdictions, where applicable.

Pursuant to 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 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 on August 21, 2006, 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 countries which have entered into treaties for the avoidance of double taxation with the PRC are generally entitled to a reduction of the withholding taxes to be imposed on the dividends received from a PRC company. The PRC has entered into Avoidance of Double Taxation Arrangements with a number of countries and regions including but not limited to Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. According to *the Law of the People’s Republic of China on the Administration of Tax Collection*, in the case of a discrepancy between the provisions of the relevant tax treaties or agreements concluded between the People’s Republic of China and other countries and the provisions of *the Law of the People’s Republic of China on the Administration of Tax Collection*, the provisions of the treaties or agreements shall prevail.

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In the event that a non-resident taxpayer entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements does not enjoy the benefits, such non-resident taxpayer may elect to apply to the PRC tax authorities for a refunding of the withholding tax in excess of the agreed tax rate, and such refunding is subject to verification by the PRC tax authorities.

B. Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Pursuant to the Notice on the Full Implementation of the Pilot Program for Transition from Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (“**Circular 36**”), effective from May 1, 2016, and latest amended on March 20, 2019, individuals and entities providing service within the PRC are obligated to pay Value-Added Tax (“**VAT**”). According to Circular 36 and the appendixes thereto, “providing service” shall include the assignment of financial products, inclusive of marketable securities, and the provision of service shall be deemed “within the PRC” where either the service provider or the recipient of service is situated within the PRC, except as otherwise provided by Circular 36 or other rules promulgated by the Ministry of Treasury and the National Taxation Bureau. The assignment of marketable securities is subject to a VAT rate of 6% on the taxable income, provided, however, that individuals are exempt from VAT obligations when engaging in the 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 Taxes

Individual Investors

Under the IIT Law, gains arising from the transfer of equity interests in PRC resident enterprises are subject to individual income tax at a rate of 20%. However, according to the Circular of the Ministry of Finance (“**MOF**”) and the STA on continuing the exemption policy of Individual Income Tax over Income of Individuals Arising 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 jointly by the MOF and STA on March 30, 1998, gains obtained by individuals from the transfer of shares of listed companies have been temporarily exempted from individual income tax since January 1, 1997.

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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 Restriction (《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). This circular, effective from January 1, 2010, provides that individuals' income derived from the transfer of listed shares acquired through public offerings and trading on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempt from individual income tax, while for the listed shares subject to sales restrictions, an individual income tax of 20% shall apply. As of the Latest Practicable Date, there are no provisions expressly providing that individual income tax shall be imposed on non-resident individuals for the transfer of shares in a PRC resident enterprise listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and the Implementation Regulations of the Enterprise Income Tax Law of the PRC, non-resident enterprises are typically subject to a 10% enterprise income tax on income sourced within the PRC. This includes gains realized from the disposal of equity interests in a PRC resident enterprise. However, this taxation applies only if the non-resident enterprise does not maintain a physical establishment or premises in the PRC, or if it does have such establishments in the PRC, but its PRC-sourced income is not genuinely connected with those establishments. The withholding of income tax for non-resident enterprises is executed at the source, with the entity making the payment acting as the withholding agent. This withholding agent is obliged to deduct the income tax from each payment or due payment made to the non-resident enterprise. It's important to note that the tax liability may be reduced or exempted in accordance with applicable tax treaties or agreements on the 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》), as issued by the Standing Committee of the NPC on June 10, 2021 and came into effect on July 1, 2022, Units and individuals who establish taxable instruments or conduct securities transactions within the territory of China, or units and individuals who establish taxable instruments or conduct securities transactions outside the territory of China but use taxable instruments within the territory of China shall pay stamp duty.

Estate Duty

As of the last practicable date, there is presently no imposition of estate duty in China.

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2. FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi (“**RMB**”), which is currently subject to foreign exchange control and cannot be freely converted into foreign exchange. The State Administration of Foreign Exchange (the “**SAFE**”), under 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.

On January 29, 1996, the State Council promulgated the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (the “**Regulations on Foreign Exchange Administration**”) which became effective on April 1, 1996. The Regulations on Foreign Exchange Administration classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the SAFE’s approval, while capital account items are still subject to such approval. Pursuant to the latest amendment to the Regulations on Foreign Exchange Administration made on August 5, 2008, the PRC does not impose any restriction on international payments and transfers under the current account items.

On June 20, 1996, PBOC promulgated the Provisional 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 became effective on July 1, 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Reforming the RMB Exchange Rate Regime issued by the PBOC (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16) and came into effect on July 21, 2005, the PRC will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. Therefore, the RMB exchange rate was no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the RMB in the interbank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day.

Starting from 4 January 2006, the PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practise of matching was kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On 1 July 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorising the China Foreign Exchange Trade System to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD on that day using the weighted average of the

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remaining market makers offered quotations after excluding the highest and lowest quotations, and announce the central parity of the RMB against currencies such as the USD at 9:15 a.m. on each working day. On 11 August 2015, the PBOC announced to improve the central parity quotations of RMB against the USD by authorising market makers to provide central parity quotations to the China Foreign Exchange Trading System before the interbank foreign exchange market opens every day with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On 5 August 2008, the State Council promulgated the amended Regulations on Foreign Exchange Administration (the “**Amended Regulations on Foreign Exchange**”) which made significant changes on the supervisory system for foreign exchange in the PRC. Firstly, the Amended Regulations on Foreign Exchange adopted balanced treatment on the inflow and outflow of foreign capital. Incomes in foreign currencies overseas can be remitted to the PRC or remained overseas, and foreign currencies of capital account items and funds for settlement in foreign currencies can only be used according to the purposes approved by relevant competent authorities and foreign exchange administration. Secondly, the Amended Regulations on Foreign Exchange improved the RMB exchange mechanism based on market supply and demand. Thirdly, the Amended Regulations on Foreign Exchange enhanced the monitoring of cross-border capital flow in foreign currencies, whereby the state could implement necessary protection or controlling measures on international balance of payments when material imbalance of income and expenses related to cross-border trading arise or might arise, or serious crises in the domestic economy occur or might occur. Fourthly, the Amended Regulations on Foreign Exchange enhanced the regulation and administration on foreign currency trading, and granted extensive authorization to the SAFE to enhance its supervisory and administrative capacity.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment from foreign exchange accounts opened at the designated foreign exchange banks, on the strength of valid transaction receipt or proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders’ meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including 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專案等事項的決定》) (Guo Fa [2014] No. 50), which decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

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On December 26, 2014, the SAFE promulgated and implemented the Notice of the SAFE on 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》) (Hui Fa [2014] No. 54), pursuant to which a domestic company shall, within 15 business days upon the end of its overseas issuance and listing, register the overseas listing with the Administration of Foreign Exchange in the city where such company is registered; the proceeds from an overseas listing of a domestic company may be remitted to the PRC or deposited overseas, but the use of the proceeds shall be consistent with such contents as specified in the registration documents and other disclosure documents.

According to the Notice of the SAFE 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》) (Hui Fa [2015] No. 13) promulgated by the SAFE on February 13, 2015 and taking effect on June 1, 2015, two of the administrative approval items, being the approval of foreign exchange registration under domestic direct investment and the approval of foreign exchange registration under overseas direct investment, have been canceled, the foreign exchange registration under domestic direct investment and overseas direct investment shall thereafter be directly handled by banks. The SAFE and its branch offices shall, through the relevant foreign exchange business handled by banks, indirectly regulate the foreign exchange registration of direct investment.

According to the Notice of the State Administration of Foreign Exchange 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 funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies 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.

According to the Circular of the State Administration for Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (Hui Fa [2020] No. 8) promulgated with effect from April 10, 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.