

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

THE PRC TAXATION

Taxation on Dividends

Individual Investor

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 latest amended on August 31, 2018 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 (hereinafter referred to as the “IIT Law”), 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 an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty. In addition, according to the Notice on Issues Concerning the Implementation of Differential Individual Income Tax Policies on 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》) issued on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the income from dividends and bonuses shall be temporarily exempted from individual income tax; where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends and bonuses shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, 50% of the income from dividends and bonuses shall be temporarily included into the taxable incomes. The individual income tax rate on the aforesaid income is levied at a flat rate of 20%.

Pursuant to the Arrangements 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 Incomes (《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 on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, and the Hong Kong resident is the beneficial owner of such equity, and certain other conditions are met, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangements 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 Incomes (《〈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》) came into effect on December 6, 2019, adding a criteria for the qualification of entitlement to treaty benefits. Although there may be other provisions under the Arrangement, after taking into account all relevant facts and conditions, such treaty benefits shall be reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Agreement, the treaty benefit under the standard terms shall not be granted in the circumstance in respect of the relevant gains, unless 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 is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation 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議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

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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, came into effect on January 1, 2008 and subsequently amended on February 24, 2017 and 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, and implemented on January 20, 2025 (hereinafter referred to as the “EIT Law”), a non-resident enterprise is generally subject to a 10% corporate income tax 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 such withholding taxes for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular of the SAT 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 (《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 and implemented by the SAT 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. 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 SAT and implemented on July 24, 2009, further provides that any PRC-resident enterprise listed on overseas stock exchanges must withhold 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 modified pursuant to the tax treaty or agreement that China has entered into with the relevant jurisdictions, where applicable. Therefore, dividends paid to non-PRC resident enterprises (including HKSCC Nominees) shall be subject to a rate of 10% withholding tax on corporate income.

Pursuant to the Arrangements 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 Incomes (《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 on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, and the Hong Kong resident is the beneficial owner of such equity, and certain other conditions are met, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangements 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 Incomes (《〈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》) came into effect on December 6, 2019, adding a criteria for the qualification of entitlement to treaty benefits. Although there may be other provisions under the Arrangement, after taking into account all relevant facts and conditions, such treaty benefits shall be reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Agreement, the treaty benefit under the standard terms shall not be granted in the circumstance in respect of the relevant gains, unless 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

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agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation 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議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 are 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 Chinese tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改征增值稅試點的通知》) (Cai Shui [2016] No. 36) (hereinafter referred to as “**Circular 36**”), which was implemented on May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively, entities and individuals engaged in the services sale in the PRC are subject to Value-added Tax and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in 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 revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT.

According to the aforementioned regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT.

Income tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident individuals are subject to individual income tax at a rate of 20%. Pursuant to the Circular of the Ministry of Finance and the SAT on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the 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 Ministry of Finance and the SAT 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.

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However, on December 31, 2009, the MOF, the SAT and 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, which states that individuals’ income from the transfer of listed shares obtained from the public offering of listed companies and transfer security market 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 Levy of 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 and effective by such three departments 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-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law 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, which latest amended on December 6, 2024 and took effect on January 20, 2025, 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. The such withholding taxes for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced 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 Standing Committee of the National People’s Congress 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 PRC law, no estate duty is currently levied in the PRC.

PRINCIPLE TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the EIT Law, a resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%.

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In line with the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》), promulgated on April 14, 2008 and last amended on January 29, 2016, the certificate of a high and new technology enterprise is valid for three years and may renewed after the inspection of the SAT and other relevant authority.

Value-added Tax

According to the Temporary Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), the “Regulations on VAT”, which was promulgated by the State Council on December 13, 1993 and last amended on November 19, 2017, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated on December 25, 1993 and effective on the same date by the MOF, and last amended on October 28, 2011, entities and individuals that sell goods or provision of processing, repair or replacement labor services, sell services, intangible assets, or real estate, or import goods within the territory of the PRC are taxpayers of VAT, and shall pay VAT in accordance with this Regulations on VAT. Unless specified by the Regulations on VAT, for the sales or import of goods by general taxpayers, the VAT rate shall be 17%; for provision of processing, repair and maintenance labor by taxpayers, the VAT rate shall be 17%; for export of goods by taxpayers, the VAT rate shall be nil, unless otherwise provided. According to the Circular of the Ministry of Finance and the State Taxation Administration on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), which was issued on April 4, 2018 and came into effect on May 1, 2018, where a tax payer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable reduced 17% and 11% tax rates are adjusted to be 16% and 10%, respectively. According to the Announcement on Deepening Policies in relation to Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》) which was promulgated on March 20, 2019 and became effective on April 1, 2019, the VAT rates are reduced to 13% and 9%, respectively.

FOREIGN EXCHANGE

The lawful currency of the PRC is RMB, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the People’s Bank of China, is empowered with the functions administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The principal regulation governing foreign currency exchange in China is the Foreign exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign exchange Administration Regulations**”) which was promulgated by the State Council on January 29, 1996, effective on April 1, 1996 and subsequently amended on August 5, 2008, and the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (Yin Fa[1996] No. 210), which was promulgated by the PBOC on June 20, 1996 and effective on July 1, 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside PRC which are subject to be approved by SAFE and other relevant local government authorities previously.

According to the Announcement on Improving the Reform of the RMB Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued on July 21, 2005 by the PBOC, the PRC has started 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 since July 21, 2005. Therefore, the RMB exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the foreign currencies (such as the US

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dollar) against the RMB in the interbank foreign exchange market after the closing of the market on each working day, and to determine the central parity of the currency against RMB transactions on the following working day.

Since January 4, 2006, the PBOC improved the method of generating the central parity for quoting the RMB exchange rate by introducing an enquiry system while keeping the match-making system in the interbank foreign exchange spot market. In addition, the liquidity of the foreign exchange market was also improved by adopting a market-making system in the interbank foreign exchange market.

The Foreign exchange Administration Regulations, which became effective on August 5, 2008, have made substantial changes to the foreign exchange regulatory system of the PRC. First, the Foreign exchange Administration Regulations adopted an approach of balancing the inflow and outflow of foreign exchange fund. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the relevant competent authorities and foreign exchange administration authorities. Second, the Foreign exchange Administration Regulations improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Foreign exchange Administration Regulations enhanced the monitoring of cross-border foreign exchange fund flows. In the event that revenues and costs in connection with international transactions 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. Fourth, the Foreign exchange Administration Regulations enhanced the supervision and administration of foreign exchange transactions and grant extensive authority to the SAFE to strengthen its supervisory and administrative ability.

According to the relevant State rules and regulations, all of the foreign exchange revenue of the PRC enterprises from the current account transactions may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Foreign exchange income from loans granted by overseas entities or from the issuance of bonds and shares is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect exchange and payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with relevant regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders’ meeting approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

On January 18, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《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》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) a domestic institution shall cover losses in the previous years as legally required before the outward remittance of profits. Besides, a domestic institution shall explain the source of the investment funds and the use of funds (use plan) to the bank and provide the resolution of the board of directors (or the resolution of partners), contract, or other proof on the authenticity of such investment.

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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》) (Guo Fa [2014] No. 50), which was issued and became effective on October 23, 2014, has canceled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing. Pursuant to Notice of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《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》), which was promulgated on February 13, 2015 and subsequently amended on December 30, 2019, the initial foreign exchange registration for establishing or taking control of a special purpose vehicle by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54) issued by the SAFE on December 26, 2014, a domestic issuer shall, within 15 business days from completion of its initial public offering overseas, register the overseas listing with the SAFE’s local branch at the place of its incorporation. The proceeds from an overseas listing of a domestic issuer may be remitted to a domestic account or deposited overseas, and the use of the proceeds shall be consistent with the content of the document and other public disclosure documents.

The Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Circular No. 19**”) was promulgated on March 30, 2015 and became effective on June 1, 2015, subsequently amended on December 30, 2019 and March 23, 2023, respectively. According to the SAFE Circular No. 19, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, Foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; an foreign-invested enterprise shall use its capital for its operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchange settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration.

The SAFE promulgated the Circular on Reforming and Regulating Policies on the Control over 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) on June 9, 2016, and promulgated the Notice 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》) (the “**SAFE Circular 28**”) on October 23, 2019 and amended on December 4, 2023 by the Notice of the SAFE on Further Deepening the Reform to Facilitate 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》). Pursuant to the SAFE Circular 28, on the basis of allowing investment-oriented foreign-invested enterprises (including foreign-invested investment companies, foreign invested venture capital enterprises and foreign-invested equity investment enterprises) to use capital funds for domestic equity investment in accordance with laws and regulations, non-investment foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the laws on the premise of not violating the existing special management measures for entry of foreign investment (negative list) and the authenticity and compliance of their domestic invested projects.

According to the Circular of the SAFE 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》) promulgated with effect from April 10, 2020 by the SAFE, 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, for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.