

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

THE PRC TAXATION

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 current laws and practices and relevant interpretations in effect, all of which are subject to change or adjustment and may have retrospective effect and constitutes no predictions of changes or adjustments to relevant laws or policies or any advice or suggestions thereunder. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares or take into account the specific circumstances of any particular investor, some of which may be subject to special rules. Accordingly, investors should consult their own tax advisor regarding the taxation of an investment in the H Shares.

The discussion below does not involve any issue concerning the PRC or Hong Kong taxation other than income tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H shares.

Taxation on Dividends

Individual investors

Pursuant to the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法》) (the “**IIT Law**”) last amended on August 31, 2018 and implemented on January 1, 2019 as well as the Regulations on Implementation of the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法實施條例》) last amended on December 18, 2018 and implemented on January 1, 2019, dividends distributed by PRC enterprises are subject to an 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 an individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

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 (《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 and took effect on December 8, 2006 (the “**Arrangement**”), the PRC government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of 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 dividends payable by the PRC company.

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On June 28, 2011, the SAT issued the Notice of State Administration of Taxation on Issues Relating to Administration of Levying of Individual Income Tax Upon Abolishment of Document Guoshuifa [1993] No. 045 (Guoshuihan [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函 [2011] 348號)), pursuant to which, dividends received by overseas resident individual shareholders from domestic non-foreign invested enterprises which have issued shares in Hong Kong are subject to individual income tax, which shall be withheld and paid by a withholding agent according to the items of interest, dividend and bonus income. Overseas resident individual shareholders of domestic non-foreign invested enterprises which have issued shares in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax treaties between the countries in which they are residents and China, and the tax arrangements between Chinese Mainland and Hong Kong (Macau). Individual shareholders are generally subject to a withholding tax rate of 10% without any application when domestic non-foreign invested enterprises which have issued shares in Hong Kong distribute dividends. Where the tax rates on dividends are not 10%, the following requirements shall apply: (1) for individuals receiving dividends who are citizens from countries that have entered into tax treaties with China with tax rates lower than 10%, they may, according to the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (Guoshuifa [2019] No. 35) (《國家稅務總局關於發佈非居民納稅人享受協議待遇管理辦法的公告》(國稅發 [2019] 35號)), apply for refund; (2) for individuals receiving dividends who are citizens from countries that have entered into tax treaties with China with tax rates higher than 10% but lower than 20%, the withholding agent will, upon distribution of dividends, withhold and pay the individual income tax at the agreed effective tax rates under the treaties, without seeking such approval; (3) for individuals receiving dividends who are citizens from countries without tax treaties with China or under other circumstances, the withholding agent will, upon distribution of dividends, withhold and pay the individual income tax at the rate of 20%.

Enterprise investors

According to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) promulgated by the NPC on March 16, 2007, last amended by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on December 29, 2018 and took effect on the same date, and the Implementing Regulations for the Enterprise Income Tax Law of the People’s Republic of China (《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, last amended on December 6, 2024 and took effect on January 20, 2025, a non-resident enterprise is generally subject to a 10% enterprise 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. Such withholding taxes for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

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The SAT Circular on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders which are Overseas Non-Residents Enterprises (Guoshuihan [2008] No. 897) (《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》(國稅函[2008]897號)) issued by the SAT on November 6, 2008, which became effective on the same day, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a flat rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to the dividends of 2008 and onwards. In addition, the official Reply from the SAT on Issues Concerning the Levying of the Enterprise Income Tax on Dividends Derived by Non-Resident Enterprises from B Shares, Etc. (Guoshuihan [2009] No. 394) (《國家稅務總局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》(國稅函 [2009] 394號)) issued by the SAT on July 24, 2009, which became effective on the same day, further provides that PRC-resident enterprises listed on Chinese and overseas stock exchanges by issuing stocks (A shares, B shares and overseas shares) must withhold enterprise income tax at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaties or agreements that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of 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 dividends payable by the PRC 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, if, having regard to all relevant facts and circumstances, it can be reasonably concluded that one of the main purposes for the arrangement or transactions is to obtain any direct or indirect benefits under the Agreement, the benefits under the Arrangement 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 Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (Guoshuihan [2009] No. 81) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》國稅函 [2009] 81號)).

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Tax treaties

Investors who are not PRC residents and reside in jurisdictions which have entered into avoidance of double taxation treaties or arrangements with the PRC are entitled to a reduction of the PRC enterprise income taxes imposed on the dividends received from PRC companies. At present, the PRC has entered into agreements/arrangements for the avoidance of double taxation with a number of countries or regions including Hong Kong, Macau SAR, 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 income tax treaties or arrangements may apply to the PRC tax authorities for a refund of enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on Equity Transfer

Income tax

- *Individual investors*

According to the IIT Law, gains realized on the transfer of personal assets are subject to the income tax at a rate of 20%. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on the Continued Provisional Exemption of Individual Income Tax on Income from the Transfer of Stocks by Individuals (Caishuizi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》(財稅字 [1998] 61號)) jointly issued by the MOF and the SAT on March 30, 1998, which became effective on the same date the income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax since January 1, 1997.

However, on December 31, 2009, the MOF, the SAT and the China Securities Regulatory Commission (the "CSRC") jointly issued the Notice on Issues Relating to Levying of Individual Income Tax on Income Derived by Individuals from Transfer of Moratorium Shares of Listed Companies (Cai Shui [2009] No. 167) (《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》(財稅 [2009] 167號)), which became effective on the same date and provides that individuals' income from transferring listed shares publicly issued and transferred on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for shares subject to sales limitations as defined in the Supplementary Notice on Relevant Issues Relating to Levying of Individual Income Tax on Income from Transfer of Moratorium Shares of Listed Companies by Individuals (Cai Shui [2010] No. 70) (《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》(財稅 [2010] 70號)) jointly issued by such departments on November 10, 2010 and coming into effect on the same date.

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As of the date of this document, no provision has expressly provided that individual income tax shall be collected from non-PRC resident individual shareholders on their gains from the transfer of shares of PRC resident enterprises listed on overseas stock exchanges (such as the Hong Kong Stock Exchange).

- *Enterprise investors*

In accordance with the EIT Law and the Implementation Regulations for the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》), a non-resident enterprise is generally subject to enterprise 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. Such withholding taxes for non-resident enterprises are deducted at source, where the payer of the income is 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.

Value-added tax

According to the Value-Added Tax Law of the People’s Republic of China (《中華人民共和國增值稅法》), promulgated by the SCNPC on December 25, 2024, and effective as of January 1, 2026, entities and individuals (including individual industrial and commercial households) that engage in taxable transactions (including the sale of financial products), are considered value-added tax (“**VAT**”) taxpayers and shall pay VAT in accordance with this law. For the sale of financial products, it means either that the financial product is issued in the PRC or that the seller is a domestic entity or individual. Where an entity or individual transfers financial products without consideration, the transfer is deemed a taxable transaction and value-added tax shall be paid in accordance with the relevant provisions. Taxpayers that sell financial products are subject to a VAT rate of 6%. The VAT to be levied under the simplified tax calculation method is 3%.

Pursuant to the Provisions on Transitional Policies Concerning the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (Cai Shui [2016] No. 36, Attachment 3) (《營業稅改徵增值稅試點過渡政策的規定》(財稅 [2016] 36號之附件三)) (“**Circular 36**”), which was implemented on May 1, 2016, and amended on July 1, 2017, January 1, 2018, December 1, 2024, November 1, 2025 and January 1, 2026, individuals who transfer financial products are exempt from VAT.

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Stamp duty

Under the Stamp Duty Law of the People’s Republic of China (《中華人民共和國印花稅法》) issued by the SCNPC on June 10, 2021 and implemented on July 1, 2022, the PRC stamp tax is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the People’s Republic of China, and the entities and individuals outside the territory of the People’s Republic of China that conclude taxable vouchers that are used inside the People’s Republic of China. Therefore, PRC stamp duty on share transfer of PRC listed companies does not apply to acquisitions or dispositions of H shares outside the PRC by non-PRC investors.

Estate Duty

As of the date of this document, no estate duty has been levied in China under the PRC laws.

Taxation Policies of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

On October 31, 2014 and November 5, 2016, the MOF, the SAT and the CSRC jointly issued the Notice on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) (《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》(財稅 [2014] 81號)) and the Notice on Tax Collection Policies Relating to the Pilot Scheme of Stock Connect for Shenzhen and Hong Kong Stock Market Transactions (Cai Shui [2016] No. 127) (《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》(財稅 [2016] 127號)), pursuant to which, the income from transfer differences and dividend and bonus income derived by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai - Hong Kong Stock Connect or Shenzhen - Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax in accordance with the law. In particular, the dividend and bonus income derived by PRC resident enterprises which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law. H-share companies do not withhold tax on dividends and bonus income of PRC enterprise investors, and the tax payable shall be declared and paid by such investors themselves.

For dividends and bonuses received by PRC individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai - Hong Kong Stock Connect and Shenzhen - Hong Kong Stock Connect, H-share companies shall submit an application to China Securities Depository and Clearing Corporation Limited (the “CSDC”), which shall provide H-share companies with a register of PRC individual investors. H-share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits at the competent tax authorities of the CSDC with valid tax deduction certificates. Individual income tax is levied on dividend and bonus income derived by PRC security investment funds from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai - Hong Kong Stock Connect and Shenzhen - Hong Kong Stock Connect in accordance with the above provisions.

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Principle Taxation of Our Company in the PRC

For details, please refer to “Regulatory Overview” in this document.

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 State Administration of Foreign Exchange (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.

According to the Foreign Exchange Control Regulations of the People’s Republic of China (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, the Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange (《結匯、售匯及付匯管理規定》) issued by the People’s Bank of China on June 20, 1996 and implemented from July 1, 1996, RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE or its designated banks is obtained.

According to the Announcement of the People’s Bank of China on Reforming the RMB Exchange Rate Regime (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》) issued by the People’s Bank of China on July 21, 2005 and effective from the same date, from July 21, 2005 onwards, China has implemented a floating exchange rate system with management and regulation based on market supply and demand and with reference to a basket of currencies. As a result, RMB exchange rates are no longer pegged to USD. The People’s Bank of China publishes the closing prices of the exchange rates of RMB against USD and other currencies in the interbank foreign exchange market after the market closes on each working day, which serves as the mid-price for the currency’s transactions against RMB on the following working day.

On August 5, 2008, the State Council promulgated the amended Foreign Exchange Control Regulations of the People’s Republic of China, with significant changes to China’s foreign exchange regulatory system. Firstly, balanced treatment has been adopted for foreign exchange inflows and outflows. Foreign exchange earnings from overseas may be transferred back to the PRC or deposited abroad, and foreign exchange and settlement funds under capital items may only be used for the purposes approved by competent authorities and foreign exchange control authorities. Secondly, it has improved the RMB exchange rate formation mechanism based on market supply and demand. Thirdly, when there is or appears to be a serious imbalance in international balance of payments or when there is or appears to be a serious crisis in the national economy, the state can take necessary safeguard and control measures on international balance of payments. Fourthly, it has strengthened the supervision and management of foreign exchange transactions and granted extensive powers to the SAFE to enhance its supervision and management capabilities.

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According to relevant PRC laws and regulations, Chinese enterprises (including foreign-invested enterprises) requiring foreign exchange for current account transactions may, without the approval of foreign exchange authorities, make payments through foreign exchange accounts opened at designated foreign exchange banks, provided that valid receipts or vouchers for the transactions are produced. Foreign-invested enterprises that need to distribute profits in foreign currency to their shareholders and Chinese enterprises that need to pay dividends in foreign currency to their shareholders may make payments from foreign exchange accounts at designated foreign exchange banks or exchange and pay at such banks in accordance with the decision of the board of directors or the shareholders' general meeting on the distribution of profits.

Pursuant to the Decision of the State Council on Matters Concerning Cancellation and Adjustment to a Batch of Items subject to Administrative Approval (Guo Fa [2014] No. 50) (《國務院關於取消和調整一批行政審批項目等事項的決定》(國發 [2014] 50號)) issued by the State Council on October 23, 2014 and effective from the same date, the requirement has been cancelled for the SAFE and its branches to approve the repatriation and settlement of foreign exchange proceeds raised by overseas listed foreign shares.

According to the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control Pertaining to Overseas Listing (Hui Fa [2014] No. 54)(《國家外匯管理局關於境外上市外匯管理有關問題的通知》(匯發 [2014] 54號)) issued by the SAFE on December 26, 2014 and effective from the same date, a domestic company shall register its overseas listing with the local branch of the State Administration of Foreign Exchange within 15 working days from the date of completion of overseas listing. Funds raised by a domestic company from overseas listing may be transferred back or deposited overseas, and the use of the funds shall be consistent with those set out in the document and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (Hui Fa [2015] No. 13) (《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》(匯發 [2015] 13號)) issued by the SAFE on February 13, 2015, implemented from June 1, 2015 and amended on December 30, 2019, two administrative approvals have been cancelled, namely foreign exchange registration under domestic direct investment and that under overseas direct investment, which will be directly reviewed and approved by banks. The SAFE and its branches exercise indirect supervision over the foreign exchange registration of direct investment through banks.

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Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (Hui Fa [2016] No. 16) (《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》(匯發 [2016] 16號)) issued by the SAFE on June 9, 2016, implemented from the same date and amended on December 4, 2023, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign exchange capital and external debts and funds recovered from overseas listing) may convert from foreign currency into RMB on a self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under the domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due course according to the balance of payment status.

According to the Notice of the State Administration of Foreign Exchange on Improving the Examination of Authenticity and Compliance to further Promote Foreign Exchange Control (Hui Fa [2017] No. 3) (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發 [2017] 3號)) issued by the SAFE on January 26, 2017 and implemented from the same date, the scope of domestic foreign exchange loan settlement is further expanded to allow domestic foreign exchange loans with the background of commodity trade and exports to be settled, allow funds under domestic guarantee and foreign loans to be transferred back, allow foreign exchange settlement via the foreign exchange accounts of foreign institutions in pilot free trade zones, and implement full-coverage overseas lending management in both RMB and foreign currencies; where a domestic institution engages in overseas lending, the combined balance of foreign exchange lending in RMB and foreign currencies shall not exceed a maximum of 30% of the owner's equity in the audited financial statements of the preceding year.

According to the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (Hui Fa [2019] No. 28) (《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》(匯發 [2019] 28號)) issued by the SAFE on October 23, 2019 and implemented from the same date, restrictions have been removed on the use of capital funds by non-investment foreign-invested enterprises for domestic equity investment. In addition, restrictions have also been relaxed on the use of funds in domestic asset realization accounts for foreign exchange settlement and the use of security deposits for foreign exchange settlement by foreign investors. Eligible enterprises in pilot areas are allowed to use capital funds, foreign debt, overseas listings and other income under capital items for domestic payments without providing the banks with proof of authenticity in advance, and their use of funds should be genuine and compliant with the current regulations governing the use of income from capital items.

According to the SAFE Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (Hui Fa [2023] No. 28) (《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》(匯發 [2023] 28號)) which was promulgated on December 4, 2023 and effective on the same date, the equity transfer consideration paid in foreign currency by domestic entities to domestic equity transferors (including institutions and individuals), as well as the foreign exchange funds raised from overseas listing by domestic enterprises, may be remitted to the settlement account under the capital account directly. The funds in the settlement account under the capital account may be independently settled and used.