
APPENDIX III

TAXATION AND FOREIGN EXCHANGE

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 current effective PRC laws and practices and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investors, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon PRC laws and relevant interpretations in effect as at the Latest Practicable Date of this document, all of which are subject to change and may have retrospective effect. Prospective investors are urged to consult their financial advisor regarding the PRC and other tax consequences of owning and disposing of H Shares.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisors regarding the PRC and other tax consequences of owning and disposing of the H shares.

THE PRC TAXATION

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》), which was promulgated on September 10, 1980, last amended on August 31, 2018 by the SCNPC and came into effect on January 1, 2019, and the Regulations on Implementation 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 were promulgated on January 28, 1994, last amended on December 18, 2018 by the State Council and came into effect on January 1, 2019, 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 a PRC 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 an applicable tax treaty.

Pursuant to the Arrangement between the Chinese 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 (《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》), or the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, signed on August 21, 2006 and became effective on December 8, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Chinese 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 (《〈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》), or the Fifth Protocol, became effective on December 6 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

According to the Announcement of the State Taxation Administration on Issuing the Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》) promulgated by the State

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Taxation Administration ([2019] No. 35) and came 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

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the NPC on March 16, 2007, latest amended by the SCNPC and implemented on December 29, 2018, and the Implementation Rules for 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》), which was promulgated on December 6, 2007, last amended on December 6, 2024 by the State Council 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 that issues shares in Hong Kong), 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 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 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 for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, 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 (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》) promulgated by the State Taxation Administration ([2019] No. 35) and came 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”.

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Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC enterprises. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong, Macau, 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 PRC tax authorities for a refund of the 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 share transfer

Value-Added Tax (“VAT”) and Local Surcharges

Pursuant to the Notice on the Full Implementation of Pilot Programme for Transition from Business Tax to VAT (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知(財稅[2016]36號)》) promulgated on March 23, 2016 and took effect on May 1, 2016, partially repealed on July 11, 2017, March 20, 2019, November 12, 2024, October 17, 2025 and December 29, 2025 respectively, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and sales of services within the PRC refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. The notice 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 income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempt from VAT upon 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 Tax

Individual investor

According to the Individual Income Tax Law of the PRC and its implementation rules, the proceeds from the sale of equity interests in PRC-resident enterprise are subject to income tax at a tax rate of 20%.

According to the Notice Concerning Continuing Temporary Exemption from Individual Income Tax on the Income From Stocks Transfer (Cai Shui Zi [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)》) promulgated by the STA and became effective on March 30, 1998, since January 1, 1997, the individual income tax levied on the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised Individual Income Tax Law of the PRC, the STA did not clearly stipulate whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

Furthermore, the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted 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)》) jointly issued by the Ministry of Finance, the STA and the CSRC and implemented on December 31, 2009 stipulates that individuals’ income from the transfer of listed

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shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from the individual income tax, provided that it excludes the relevant restricted shares as defined in the Supplementary Notice Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (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 these departments and implemented on November 10, 2010. As at the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the individual income tax on the income from the transfer of shares of PRC-resident enterprise listed on overseas stock exchanges by non-PRC resident individuals.

Enterprise investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise that has not established an establishment or premises in the PRC or it has established an establishment and premises but the income received has no actual connection with the establishment and premises, it shall pay an enterprise income tax at a rate of 10% for the income arising within the PRC (including the income from sale of equity interests of PRC-resident enterprise). The aforesaid income tax payable 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 on each payment or when it is payable on due date. The withholding tax may be reduced pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

In accordance with the Stamp Tax Law of the PRC (《中華人民共和國印花稅法》) promulgated by the Standing Committee of the NPC on June 10, 2021 and came into effect on July 1, 2022, entities and individuals that issue taxable certificates and conduct securities transactions within the territory of PRC, or entities and individuals who issue taxable certificates and conduct securities transactions outside the territory of PRC to be used within the territory of the PRC shall be subject to stamp duty.

Estate Duty

As at the Latest Practicable Date, no estate duty is levied within the PRC.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to the section headed “Regulatory Overview” of this document.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by our company.

Profit Tax

No profit tax is imposed in Hong Kong in respect of the sale of H shares. However, trading profits from the sale of the H shares by persons carrying on any industry, profession or business in Hong Kong, where such profits are derived from or arise in Hong Kong from such industry, profession or business will be subject to Hong Kong profits tax. Trading profits from sales of the H shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading profits from sales of H shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong. The trading profits from sales of the H shares for certain categories of taxpayers are likely to be regarded as deriving trading profits rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment

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purposes. Shareholders should take advice from their own professional advisers as to their particular tax position. Currently, the profit tax rate for the first HK\$2 million of assessable profits of an incorporated company is 8.25%, and profits above such amount is subject to a tax rate of 16.5%. The profit tax rate for the first HK\$2 million of assessable profits of an unincorporated company is 7.5%, and profits above such amount is subject to a tax rate of 15%.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

AFRC Transaction Levy

The AFRC Transaction Levy was applicable to all sale and purchase of securities at 0.00015% per side with effect from January 1, 2022, which will be regarded as one of the transaction costs.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

PRC FOREIGN EXCHANGE

The lawful currency of the PRC is RMB, which is currently subject to foreign exchange regulation according to relevant laws and regulations. SAFE, with 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 regulatory regulations.

On 29 January 1996, the State Council promulgated the Regulations of the PRC for Foreign Exchange Control (《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 classify all international payments and transfers into current items and capital items. Most of the current items are no longer subject to SAFE’s approval, while capital items remain unchanged. The Regulations on Foreign Exchange Administration were subsequently amended on January 14, 1997 and August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that no restriction will be imposed on international current payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (Yin Fa [1996] No. 210) (《結匯、售匯及付匯管理規定(銀發[1996]210號)》), which took effect on July 1, 1996, abolished the remaining restrictions on convertibility of foreign exchange under current items, while retaining the existing restrictions on foreign exchange transactions under capital items accounts.

According to the Announcement on Improving the Reform of the RMB (the PBOC Announcement [2005] No. 16) (《關於完善人民幣匯率形成機制改革的公告(中國人民銀行公告[2005]第16號)》), issued by the PBOC on July 21, 2005 and became effective on the same date, the PRC began 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

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currencies. The RMB exchange rate was no longer pegged to the USD. The PBOC would publish the closing price of the exchange rate of the RMB against trading currencies such as the USD in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against RMB transactions 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 practice of matching was kept at the same time. On July 1, 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorizing 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 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 August 11 2015, the PBOC announced to improve the central parity quotations of RMB against the USD by authorizing 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 August 5, 2008, the State Council promulgated the revised Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例(2008修訂)》) (the “**Amended Regulations on Foreign Exchange**”), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Amended Regulations on Foreign Exchange have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, the Amended Regulations on Foreign Exchange have improved the RMB exchange rate floating system based on market supply and demand under management; third, in the event that international balance of payment 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 against international balance of payment; fourth, the Amended Regulations on Foreign Exchange have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at designated banks that carry foreign exchange business, 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 regulations, are required to pay dividends to their shareholders in foreign exchange may, after paying taxes in according to the law, on the strength of resolutions of the board of directors on the distribution of profits, effect payment from foreign exchange accounts opened at designated banks that carry foreign exchange business, or effect exchange and payment at designated banks.

The Decisions on Matters including Cancelling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (《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)》) promulgated by the State Council and came into effect on October 23, 2014, provide to cancel the approval requirement of 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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Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (《關於境外上市外匯管理有關問題的通知(匯發[2014]54號)》) issued by SAFE and became effective on December 26, 2014, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the branch office of SAFE located at its registered address; the proceeds from an overseas listing of a domestic company may be repatriated to China or deposited overseas, provided that the intended use of the proceeds shall be consistent with the content of the document or other public disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a dedicated foreign exchange account at a domestic bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《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)》) promulgated by SAFE on February 13, 2015 and became effective on June 1, 2015, and partially repealed on 30 December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement of Capital Accounts (Hui Fa [2016] No. 16) (《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)》) which was promulgated by SAFE on June 9, 2016 and last amended on December 4, 2023, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of SAFE in due time in accordance with international revenue and expenditure situations.

According to the Notice on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (Hui Fa [2020] No. 8) (《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(匯發[2020]8號)》) issued by SAFE and became effective on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without providing materials to the bank in advance for authenticity verification on an item-by-item basis, provided that their utilized capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations related to the use of income under capital accounts. The concerned bank shall manage and control the relevant business risks under the principle of prudent business development and conduct spot checks afterwards in accordance with the relevant requirements. Local foreign exchange authorities shall strengthen monitoring and analysis and interim and ex-post supervision.