
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 residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective 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 has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor 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 investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. The discussion only covers income tax, capital gains tax, business tax/value-added tax, stamp duty and inheritance tax in the PRC and Hong Kong, and does not cover other tax issues. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of 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 most recently amended on August 31, 2018 and implemented on January 1, 2019 (hereinafter collectively referred to as the “IIT Law”), 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 most recently amended on December 18, 2018 and came into effect on January 1, 2019, dividends distributed 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.

Pursuant to the Circular on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 045 (《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》) issued and implemented by the STA on June 28, 2011, domestic non-foreign-invested enterprises that issue shares in Hong Kong can generally withhold individual income tax at a rate of 10% when paying dividends to overseas resident individuals during the term of the tax agreement. When the 10% tax rate does not apply, the withholding company shall: (1) refund the excess tax in accordance with due procedures if the applicable tax rate is less than 10%; (2) if the applicable tax rate is between 10% and 20%, the income tax of the foreign individual shall be withheld at the agreed actual tax rate; (3) if there is no applicable tax treaty, the income tax of the foreign individual shall be withheld at the rate of 20%.

Meanwhile, according to Circular on Issues Relating to Differentiated Individual Income Tax Policies for 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 by the MOF, the SAT and the CSRC on September 7, 2015 and effective on September 8, 2015, for shares of listed companies obtained by individuals via public offerings and market transfer and held for more than one year, the income from dividends and bonuses thereof shall temporarily be exempt from individual income tax. For shares of listed companies obtained by individuals via public offerings and market transfer and held for less than one month (including one month), the income from dividends and bonuses thereof shall be fully included in the individual’s taxable income amount; where the shares are held for a period from one month up to one year (including one year), 50% of the income from dividends and bonuses therefrom shall temporarily be included in the individual’s taxable income amount; the aforesaid income shall be subject to individual income tax based on 20% tax rate on a unified basis.

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Pursuant to the Arrangement between the 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》), promulgated on 21 August 2006 and implemented on 8 December 2006, if the beneficial owner is a company that directly owns at least 25% of the capital of the dividend-paying company, the PRC company is subject to withholding tax at the rate of 5% when paying dividends to the Hong Kong tax resident. If the beneficial owner directly holds less than 25% of the equity interest in a PRC company, the PRC company is subject to withholding tax at the rate of 10% when distributing dividends to the Hong Kong tax resident.

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》) (hereafter referred to as the “EIT Law”) amended and effective on December 29, 2018 by the SCNPC, and the Implementation Regulations 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》) (hereafter referred to as the “Implementation Regulations for the EIT Law”) amended by the State Council on December 6, 2024 and effective on January 20, 2025, the corporate income tax rate is 25%. If a non-resident enterprise has not established an institution or place of business within the PRC, or if it has established such an institution or place of business within the PRC but its income derived from within the PRC bears no actual connection with that institution or place of business, it shall be liable to pay a 10% corporate income tax on income derived from within the PRC (including dividends distributed by PRC resident enterprises whose shares are issued in Hong Kong). The aforementioned income tax payable by non-resident enterprises shall be withheld at source. The payer shall act as the withholding agent, and the withholding agent shall withhold the income tax from the amount payable.

The Circular of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (III-6 III-7 III-8 《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》) promulgated by the SAT and effective on November 6, 2008 further clarifies that, when distributing dividends for 2008 and subsequent years, a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends earned by overseas non-resident enterprise holders of H Shares.

According to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Tax Evasion 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 21 August 2006 and effective on 8 December 2006, the Chinese government may tax dividends paid by Chinese companies to Hong Kong residents (including natural persons and legal entities), but the tax rate generally does not exceed 10% of the total dividends. If a Hong Kong resident directly holds 25% or more of the equity interest in the PRC company, the tax rate does not exceed 5% of the total dividend. The Fifth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion on Income, which came into force on 6 December 2019, has added criteria for preferential eligibility for treaties. Notwithstanding any other provisions contained in this Arrangement, the tax incentives under this Agreement shall not apply if, having combined all relevant facts and conditions, it can reasonably be assumed that the acquisition of a direct or indirect benefit arising from this Arrangement is one of the main purposes of the relevant transaction or arrangement, unless the concession of such circumstances is consistent with the object and objective of the Arrangement. In addition, the application of dividend clauses in tax treaties also needs to comply with the provisions of Chinese tax laws and regulations, such as the Notice of the State Administration of Taxation on Issues Concerning the Implementation of Dividend Clauses in Tax Treaties.

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Tax Treaties

Non-resident investors residing in jurisdictions that have concluded double taxation treaties or similar arrangements with the PRC may benefit from a reduced rate of enterprise income tax on dividends received from PRC companies. The PRC currently maintains double taxation treaties or arrangements with numerous countries and regions, including the Hong Kong Special Administrative Region, the Macao Special Administrative Region, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, and the United States. Non-resident enterprises entitled to preferential tax rates under relevant tax treaties are required to apply to the Chinese tax authorities for a refund of corporate income tax exceeding the agreed rate, and the refund application is subject to approval by the PRC tax authorities before it can take effect.

Taxes on Transfer of Shares

VAT and Local Surcharges

Pursuant to the Circular of Taxation on Full Implementation the Pilot Reform for the 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》) (the “Circular 36”) implemented on May 1, 2016, entities and individuals engaged in sales of services within the PRC are 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. Circular 36 also provides that for general or foreign VAT taxpayers, transfers of financial products (including the transfer of ownership of securities) are subject to 6% VAT on taxable income (i.e. the balance of sales price upon deduction of purchase price). However, the transfer of financial products by individuals is exempt from VAT, which is also provided in Circular of the Ministry of Finance and the State Administration of Taxation on Several Policies concerning the Exemption of Business Tax on Transactions of Individual Financial Commodities and Other Transactions (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) effective on January 1, 2009. According to the above regulations, if the shareholder is a non-resident individual, the sale or disposal of H Shares is exempt from the PRC VAT; if the holder is a non-resident enterprise and the H Share buyer is an individual or entity located outside the PRC, the shareholder may not necessarily be subject to PRC VAT, but if the H Share buyer is an individual or entity located in the PRC, the shareholder may be subject to PRC VAT. However, in practice, it is still uncertain whether non-PRC resident enterprises are subject to PRC VAT on the disposal of H Shares.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as “local surcharge”), which are usually 12% of the VAT payable (if any).

Income Tax

Individual Investors

According to the IIT Law, the income from the transfer of equity interests in Chinese resident enterprises is subject to 20% individual income tax. Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT and came into effect 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. In the latest revision of the Individual Income Tax Law, the SAT did not specify whether it would continue to temporarily exempt individual income tax on the income from the transfer of shares of listed enterprises.

Enterprise Investors

Under the EIT Law, if a non-resident enterprise has not established an establishment or place of business within the PRC, or if it has established such an establishment or place of business but its income derived from within the PRC bears no real connection with that establishment or place of

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business, then the non-resident enterprise is generally required to pay a 10% enterprise income tax on its income derived from within the PRC (including gains from the sale of equity interests in PRC resident enterprises). The aforementioned income tax payable by non-resident enterprises shall be withheld at source, with the payer acting as the withholding agent. The income tax shall be withheld by the withholding agent from the amount payable. Such tax may be exempted or reduced in accordance with relevant tax treaties or agreements for 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》), which was issued on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty is applicable to the entities and individuals that conclude taxable document or conduct securities trading within the territory of the PRC, and the entities and individuals that conclude taxable document outside the territory of the PRC and use such taxable document within the territory of the PRC. Therefore, the relevant provisions of the Stamp Duty Law of the PRC does not apply to the purchase and disposal of H shares by non-PRC investors outside of the PRC.

Estate Duty

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

The Principal Taxes of the Company in the PRC

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

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, 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, or the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on August 5, 2008, classifies all international payments and transfers into current account items and capital account items. Current account items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in settlement and sale of foreign currencies and supervision and inspection by the foreign exchange administrative authorities. For capital account items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange administrative authorities. 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 competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current account items, while imposing existing restrictions on foreign exchange transactions under capital account items.

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According to the Announcement on Improving the Reform of the Renminbi 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 by the PBOC and implemented on July 21, 2005, 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 Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current account item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction 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 (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 bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Notice on Issues Concerning the Fund Administration of Domestic Enterprises’ Overseas Listing (《關於境內企業境外上市資金管理有關問題的通知》), issued by the People’s Bank of China and the State Administration of Foreign Exchange on December 24, 2025 and effective as of April 1, 2026, a domestic company shall apply to a bank within the provincial-level or separately listed city where it is registered for overseas listing registration within 30 working days from the first trading day of its overseas listing or the completion of the over-allotment option. Funds raised by a domestic enterprise from overseas listing shall, in principle, be promptly repatriated to the Chinese mainland. If such funds are retained overseas to conduct overseas direct investment, overseas securities investment, overseas lending or other businesses, the enterprise shall obtain the approval or filing document from the competent authority prior to the completion of the overseas listing offering or the over-allotment option, and shall comply with the relevant cross-border fund administration regulations.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policy on 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》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on 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 Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of 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》) which was promulgated by the SAFE and implemented on June 9, 2016, 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 adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.