

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

PRC TAXATION

Taxation of security holders

Taxation on dividends

Individual investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “**IIT Law**”), which was last amended on August 31, 2018 by the SCNPC, which 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 was 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 Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guoshui Fa [1993] No. 45) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guoshui Han [2011] No. 348) issued by the SAT on June 28, 2011, which came into effect on the same day, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rate of lower than 10%, non-foreign-invested enterprises listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rate of higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) (Caishui Zi [1994] No. 20) promulgated by the MOF and the SAT on May 13, 1994 and came into effect on the same day, overseas individuals are exempted from the individual income tax for dividends and bonuses received from foreign-invested enterprises.

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Enterprise investors

According to the EIT Law, which was 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》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and amended on April 23, 2019, 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. 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.

The Circular of on Issues Relating to the Withholding and Remitting of Enterprise 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》) (Guoshui [2008] No. 897), which was issued and implemented by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise 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》) (Guoshui [2009] No. 394), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise 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 a relevant country or area, where applicable.

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》) (the “**Arrangement**”), which was signed between the SAT and the Government of the Hong Kong Special Administrative Region of the PRC on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25.0% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol 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〉第五議定書》) which came into effect on December 6, 2019, added a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the

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Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when 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定股息條款有關問題的通知》).

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

Individual investor

According to the IIT Law 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 Circular Concerning Temporary Exemption From Individual Income Tax on The Income From Stocks Transfer (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Caishui Zi [1998] No. 61) promulgated by the SAT and became effective on March 20, 1998, since January 1, 1997, the IIT in the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised IIT Law, the SAT has not clearly stipulated whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

However, the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Stocks of Listed Company (《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》) (Caishui [2009] No. 167) jointly issued by the MOF, the SAT and the CSRC and implemented on December 31, 2009 stipulates that individuals' income from the transfer of listed 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 IIT,

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provided that it excludes the relevant restricted shares as defined in the Supplementary Notice Personal Income Tax on Income from Individuals Transferring Restricted Shares 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》) (Caishui [2010] No. 70) jointly issued by these departments and implemented on November 10, 2010. As of the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the IIT 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 a business 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.

PRC Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》), which was latest amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), which was promulgated by the Ministry of Finance on September 29, 1988 and came into effect on October 1, 1988, the PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC Law, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

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

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”), promulgated by the National People’s Congress on March 16, 2007, came into effect on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, as well as the Implementation Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》)

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(the “Implementation Rules”), promulgated by the State Council on December 6, 2007, came into force on January 1, 2008 and amended on April 23, 2019, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and its Implementation Rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

Value-Added Tax

The major PRC Law governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) issued on December 13, 1993 by the State Council, came into effect on January 1, 1994, and revised on November 10, 2008, February 6, 2016 and November 19, 2017, as well as the Implementation Rules for the Interim 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》) issued on December 25, 1993 by the Ministry of Finance (the “MOF”), came into effect on the same day and revised on December 15, 2008 and October 28, 2011, any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The rate of VAT for sale of goods is 17% unless otherwise specified, such as the rate of VAT for sale of transportation is 11%. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the State Taxation Administration (the “STA”) issued the Notice of on Adjusting VAT Rates (《關於調整增值稅稅率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer’s VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on May 1, 2018. Subsequently, the MOF, the STA and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

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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 (the “PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to the Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》), latest amended by the State Council and effective on August 5, 2008, the foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that the SAFE shall specify the conditions for transfer to China or overseas and other requirements in accordance with the international receipt and payment status and the need of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad, engage in the distribution, issuance or trading of valuable securities or derivative products overseas should register according to the regulations of the SAFE. Such institutions or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

According to 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) promulgated by PBOC on June 20, 1996 and became effective on July 1, 1996, no any restrictions are imposed on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital items.

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, 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 opened at designated banks that carry foreign exchange business, or effect exchange and payment at designated banks.

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According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《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) promulgated by the State Council and came into effect on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

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 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 the 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 (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13) promulgated by the SAFE on February 13, 2015 and became effective 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. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知》) promulgated by the SAFE on March 30, 2015 and effective on June 1, 2015 (“**Circular 19**”), foreign-invested enterprises are allowed to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. The SAFE can adjust such proportion in due time based on the international receipt and payments status. However, 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 became effective on June 9, 2016, prohibits foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, security investment or other investment in wealth management products (except for principal-guaranteed products issued by banks), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use.

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The Notice on Further Facilitating Cross-Board Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28), which was issued by the SAFE and became effective on October 23, 2019, cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises and restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets, and relaxed restrictions on the use and foreign exchange settlement of foreign investors' security deposits. Eligible enterprises in the pilot area are also allowed to use receipts under capital accounts, such as capital funds, foreign debts and proceeds from overseas listing for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (Hui Fa [2020] No. 8) issued by the SAFE on April 10, 2020 and came into effect on June 1, 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 the need to provide the evidential materials concerning authenticity of such capital to banks in advance, 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 conduct spot checks in accordance with the relevant requirements.