

## APPENDIX III

## TAXATION AND FOREIGN EXCHANGE

### PRC TAXATION

#### 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 investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an [REDACTED] in H Shares. The discussion is based upon PRC laws and relevant interpretations in effect as of the date of this document, all of which are subject to change and may have retrospective effect. [REDACTED] are urged to consult their financial adviser regarding the PRC and other tax consequences of owning and disposing of H Shares.

#### Taxation on dividends

##### *Individual* [REDACTED]

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 last amended on 31 August 2018 by the NPC Standing Committee and came into effect on 1 January 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 last amended on 18 December 2018 by the State Council and came into effect on 1 January 2019, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus are deemed as derived from the PRC whether the payment place is in the PRC. 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》) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

##### *Enterprise* [REDACTED]

According to the EIT Law, which was latest amended by the NPC Standing Committee and implemented on 29 December 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 6 December 2007 by the State Council and became effective on 1 January 2008, and amended on 23 April 2019, the corporate income tax shall be at the rate of 25%. But, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if it does not have an establishment or premise in the PRC or has an establishment or premise in

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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 is 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 Notice 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 (Guo Shui Han [2008] No. 897) (《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)), which was issued and implemented by the STA on 6 November 2008, further clarifies 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 Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (Guo Shui Han [2009] No. 394) (《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》(財稅函[2009]394號)), which was issued by the STA and came into effect on 24 July 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 region, where applicable.

Pursuant to the Arrangement between the 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》) (the “**Arrangement**”), which was signed between the STA and the Hong Kong Government on 21 August 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% 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 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 6 December 2019, added a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the 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 STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [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*

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong, 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**

#### **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 30 March 1998, since 1 January 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 MOF, the STA and the CSRC which was implemented on 31 December 2009 stipulates that income derived by individuals from transfer of shares of listed companies issued to the public by the listed companies and transfer of shares of listed companies obtained from the market at the Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempted from 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 10 November 2010. As of 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.

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### *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 People’s Republic of China (《中華人民共和國印花稅法》) promulgated by the Standing Committee of the NPC on 10 June 2021 and came into effect on 1 July 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 subject to stamp duty.

### **Estate Duty**

As of the Latest Practicable Date, no estate duty was 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》), promulgated by the National People’s Congress on 16 March 2007, came into effect on 1 January 2008 and last amended on 29 December 2018, as well as the Implementation Rules of the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on 6 December 2007, came into force on 1 January 2008 and amended on 23 April 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. 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

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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 13 December 1993 by the State Council, came into effect on 1 January 1994, and last revised on 19 November 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 25 December 1993 by the MOF, came into effect on the same day and last revised on 28 October 2011, any entities and individuals engaged in the sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. Taxpayers of value added tax shall pay value-added tax according to the tax rates of 0%, 6%, 11% and 17% for different goods sold and services provided. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the STA issued the Notice of on Adjusting VAT Rates (Cai Shui [2018] No. 32) (《關於調整增值稅稅率的通知》(財稅[2018]32號)) on 4 April 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, and this adjustment became effect on 1 May 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 20 March 2019 to make a further adjustment, which came into effect on 1 April 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%.

### PRC FOREIGN EXCHANGE

SAFE, with the authorisation of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control 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 “**Foreign Exchange Control Regulations**”) which became effective on 1 April 1996. The Foreign Exchange Control Regulations classify all international payments and transfers into current items and capital items. The Foreign Exchange Control Regulations were subsequently amended on 14 January 1997 and 5 August 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that no restriction will be imposed on international current payments and transfers.



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According to the Announcement on Improving the Reform of the Renminbi (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 21 July 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 currencies.

Additionally, the revised Foreign Exchange Control Regulations of the PRC (2008 version), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the regulations 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 regulations 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 imbalance, 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 regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

The Decisions on Matters including Canceling 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 23 October 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.

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 26 December 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.

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 13 February 2015 and became effective on 1 June 2015, and partially repealed on 30 December 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.

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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 and became effective on 9 June 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 adjust of SAFE in due time in accordance with international revenue and expenditure situations.

According to the Notice on Optimising 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 10 April 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 utilised 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.