CAYMAN ISLANDS TAXATION

Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made to or by our Company.

There are no exchange control regulations or currency restrictions in the Cayman Islands.

PRC TAXATION

Income Tax

The Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), or the EIT Law, was enacted by National People's Congress, or the NPC, in March 2007 and became effective as of January 1, 2008. According to the EIT Law, both PRC domestic companies and foreign-invested enterprises, or the FIEs, are subject to an enterprise income tax at the unified rate of 25%.

In addition, according to the EIT Law and its implementation rules, an enterprise incorporated under the laws of foreign jurisdictions but whose "de facto management body" is located in China is treated as "resident enterprise" for PRC tax purposes, and will be subject to PRC enterprise income tax rate of 25% on its global income. Under the implementation rules of the EIT Law, "de facto management body" is defined as a management body that exercises overall or substantial management and control over the business, personnel, accounting and assets of an enterprise. The SAT issued the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore incorporated enterprise is located in China, which include all of the following conditions: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decision are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meeting are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. Although Circular 82 explicitly provides that the above standards apply to enterprises which are registered outside the PRC and funded by PRC enterprises or PRC enterprise groups as controlling investors, the determining criteria set forth in Circular 82 may reflect SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals. We currently do not believe that we or our Hong Kong subsidiary meet all of the conditions above thus we do not believe that we are, or our Hong Kong subsidiary is, a PRC resident enterprise but there can be no assurance in this regard. If we and/or our Hong Kong subsidiary were considered to be a PRC tax resident enterprise, we and/or our Hong Kong

subsidiary would be subject to a PRC enterprise income tax on our and/or our Hong Kong subsidiary's worldwide taxable income at a tax rate of 25% and to certain reporting obligations.

The EIT Law and its implementation rules provide that a 10% PRC withholding tax will be applicable to dividends payable by Chinese companies to non-resident enterprise shareholders unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions. Under the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵稅的安排), or Double Tax Avoidance Arrangement, dividends paid by a foreign-invested enterprise in the PRC to its direct holding company, which is considered a Hong Kong tax resident and is determined by the competent PRC tax authority to have satisfied relevant requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws, will be subject to withholding tax at the rate of 5%. Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is subject to approval of the relevant tax authority.

The SAT issued the Notice on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (關於執行税收協定股息條款有關問題的通知), effective on February 20, 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, PRC tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity.

The SAT promulgated the Circular on How to Interpret and Recognize the "Beneficial Owners" in Tax Treaties (關於如何理解和認定税收協定中"受益所有人"的通知), or Circular 601, on October 27, 2009 which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under the PRC's tax treaties and tax arrangements. According to Circular 601, a beneficial owner generally must be engaged in substantive business activities. A "conduit company" will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. A ''conduit company'' normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits.

In order to better implement Circular 601, the SAT released the Announcement on the Determination of "Beneficial Owners" under the Tax Treaties (關於認定税收協定中"受益所有人"的公告), or Announcement 30, on June 29, 2012, which provides for the treatment and procedure on determination of the "beneficial owners".

Announcement 30 emphasizes the importance of reviewing various legal and financial supporting documents for the determination of "beneficial owners", including without limitation, articles of association, financial statements, minutes of the board meeting, resolutions of the board of directors, allocation of manpower and resources, related expenses, risk sharing, loan contracts, royalty contracts, patent certificates, copyright certificates and agency contracts.

According to the Announcement 30, the non-resident applicant for the treaty benefits who derives dividend income within China, the identity of the "beneficial owners" can be determined directly if (1) the applicant is a company that is listed in the signatory party to the relevant tax treaty, or the applicants is 100% directly or indirectly owned by company that is listed in, and also the residents of, the signatory party to the relevant tax treaty (excluding situations where shares of the applicants are indirectly held through entities in a third country or region which are not signatory parties to the relevant tax treaty); and (2) the dividends are derived from the shares held by such listed company.

It is unclear whether our Company and Grand Forever would be treated as Hong Kong tax residents and whether our Hong Kong subsidiary could be directly determined as the "beneficial owners" by the tax authorities according to Announcement 30. Therefore, it is uncertain whether any dividends distributed by our PRC subsidiaries to us will be entitled to the benefits under the Double Tax Avoidance Arrangement and other applicable PRC laws and whether our Hong Kong Subsidiary will be entitled to the 5% reduced tax rate.

In connection with the EIT Law, the Ministry of Finance and the SAT jointly issued, on April 30, 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (關於企業重組業務企業所得稅處理若干問題的通知), or Circular 59. On December 10, 2009, SAT issued the Notice on Strengthening the Management on the Enterprise Income Tax for Non-resident Enterprises Equity Transfer (關於加強非居民企業股權轉讓所得企業所得稅管理的通知), or Circular 698. Both Circular 59 and Circular 698 became effective retrospectively on January 1, 2008. Pursuant to Circular 59 and Circular 698, where a non-PRC resident enterprise transfers the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-PRC resident enterprise, being the transferor, must report to the relevant tax authority of the PRC resident enterprise such indirect transfer. Under a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10%. Although it appears that Circular 698 was not intended to apply to stock transfers of publicly traded companies, there is uncertainty as to the application of Circular 698. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

Business Tax

According to the PRC Provisional Regulations on Business Tax (中華人民共和國營業稅暫行條例) and the relevant implementation rules, effective as of January 1, 2009, enterprises and individuals that provide various services, assign intangible assets, or sell real property in the PRC are subject to business tax at a rate ranging from 3% to 20%.

Value-Added Tax

The Provisional Regulations on Value Added Tax of the PRC (中華人民共和國增值稅暫行條例) and the relevant implementation rules, effective as of January 1, 2009, apply to domestic and foreign-invested enterprises that sell goods, provide processing or repair services, or import goods into the PRC. VAT payable is calculated as the amount of VAT liability in excess of VAT credit. A company incurs a VAT credit when it makes an eligible purchase and a VAT liability when it makes an eligible sale. The rate for VAT is 17%, while a rate of 13% applies to certain specified categories of goods sold or imported.

HONG KONG TAXATION

Dividends

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

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are arising in or derived from Hong Kong, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Gains from sales of the Shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of Shares registered on the Hong Kong register of members. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5.00. Where a sale or purchase of Shares registered on the Hong Kong register of members is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon and the transferee shall be liable to pay such duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after February 11, 2006.