

1. 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 law and practice, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, all of which are subject to change.

A. The People's Republic of China

Certain PRC tax provisions related to the ownership and disposal of H Shares purchased under the Global Offering and held by the investors as capital assets are summarized below. This summary does not purport to address all material tax consequences of the ownership of H Shares and does not take into account the specific circumstances of any particular investors. This summary is based on various PRC tax laws as in effect on the date of this prospectus, as well as on the Agreement between U.S. and the PRC for the Avoidance of Double Taxation (the Treaty), all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

Taxation of Dividends

Individual Investors. According to the Provisional Regulations of the People's Republic of China Concerning Questions of Taxation on Enterprises Experimenting with the Share System and the Individual Income Tax Law of the People's Republic of China (the "**IIT Law**"), as amended on October 31, 1993, August 30, 1999, October 27, 2005, June 29, 2007 and further amended and come into effect on December 29, 2007, dividends paid by PRC companies are subject to a PRC withholding 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 company in the PRC is subject to a withholding tax of 20% unless specially exempted by the tax authorities of the State Council or reduced in accordance with a relevant taxation agreement. However, on July 21, 1993, the SAT issued a Notice of the State Administration of Taxation of the People's Republic of China Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (the "**Tax Notice**"), which provides that dividends paid to foreign individuals by a PRC company on its shares listed on an overseas stock exchange ("**Overseas Shares**"), such as H Shares, are temporarily not subject to PRC withholding tax. In its letter dated July 26, 1994 to the former State Commission for Restructuring the Economic System, the former State Council Securities Commission and the China Securities Regulatory Commission, the SAT reiterated the temporary tax exemption stated in the Tax Notice for the dividends received from a PRC company listed overseas. In the event that this tax exemption is withdrawn, a 20% tax may be withheld on such dividends in accordance with the Individual Income Tax Law and the Regulations on Implementation of the Individual Income Tax Law of the People's Republic of China (the "**Implementation Regulations**"). The withholding tax may be reduced under a relevant double taxation treaty. To date, the relevant tax authorities have not levied any withholding taxes on any dividend payments on Overseas Shares.

Non-individual Investors. According to the Enterprise Income Tax Law of the People's Republic of China (the "**EIT Law**") which was passed at the Fifth Session of the Tenth National People's Congress of the PRC on March 16, 2007 and became effective on January 1, 2008, nonresident enterprises that have not established offices or premises in the PRC or, if established, the dividends they obtained are not actually associated to such offices and premises, are subject to an enterprise

income tax at a rate of 20% of their income generated within the PRC. Such withholding tax can be reduced under a relevant double taxation treaty.

According to the Arrangement Between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income entered into on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident provided that such tax shall not exceed 10% of the total dividends payable; and in the case where a Hong Kong resident holds 25% or more of the equity interest in a PRC company, such tax shall not exceed 5% of the total dividends payable by the PRC company.

In accordance with the Notice of Withholding and Payment of Enterprise Income Tax Regarding PRC Resident Enterprise Paying Dividend to Overseas Non-Resident Enterprise Shareholders of H Shares (Guoshuihan [2008] No. 897) issued by the SAT on November 6, 2008, PRC resident enterprises shall withhold and remit the enterprise income tax at a flat rate of 10% for distribution of annual dividends for the year 2008 and thereafter to their overseas nonresident enterprise shareholders of H Shares; and upon the receipt of the dividends, a nonresident enterprise shareholder may apply to the tax authorities for enjoying the treatment under the taxation treaties (arrangement) in person or through an agent or a withholding obligator and provide evidence in support of his/her status as a beneficial owner as defined in the taxation treaties (arrangement). Upon verification by the tax authority, the difference between the tax levied and the amount of tax payable calculated at the tax rate under the taxation treaties (arrangement) will be refunded.

Tax Treaties. Investors who are not PRC residents and reside in countries which have entered into avoidance of double taxation treaties with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has avoidance of double taxation treaties with a number of countries including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Under each of such avoidance of double taxation treaties, the rates of withholding tax imposed by the PRC tax authorities are generally reduced.

Taxation of Capital Gains

Individual Investors. According to the IIT Law and the Implementation Regulations, gains realized on the sale of equity interests are subject to the income tax at a rate of 20%. The MOF is authorized by the Implementation Regulations to formulate specific implementing measures for levying the individual income tax on any gains realized on the sale of shares in PRC companies. However, to date, no such implementing measures have been promulgated by the MOF, and no individual income tax on gains realized on the sale of shares has been levied.

Pursuant to the notice jointly issued by the MOF and the SAT dated March 30, 1998, in respect of provisional suspension of the levy of the individual income tax on gains realized on the sale of shares, gains on the sale of shares by individuals are temporarily exempted from individual income tax. In addition, the Tax Notice provides that gains realized by foreign individuals on the sale of Overseas Shares, such as H Shares, are temporarily not subject to PRC income tax. In the event that such temporary exemption ceases to be effective, individual holders of H Shares may be subject to income tax at a rate of 20% on capital gains, unless such tax is reduced or exempted under relevant double taxation treaties.

Non-individual Investors. The State Council promulgated the State Council Notice Regarding Issues on Income Tax Reductions of Interests Incurred within the PRC and Received by Foreign Enterprises on November 18, 2000. Pursuant to the notice, with effect from January 1, 2001, foreign enterprises which have not established offices or premises in the PRC but obtain interests, rentals, royalties and other income, within the PRC or, if established, the income mentioned above are not actually associated with such offices or premises, are entitled to a preferential reduced rate of 10% of enterprise income tax, unless otherwise provided under relevant international treaties.

As stipulated under the EIT Law, non-PRC resident enterprises are subject to enterprise income tax at a rate of 20% for their income generated within the PRC, unless such tax is reduced or exempted under relevant double taxation treaties.

Stamp Duty

Pursuant to the Provisional Regulations of the People's Republic of China Concerning Stamp Duty effective on October 1, 1988, 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 the PRC. The regulation provides that the PRC stamp duty is only applicable to such documents as executed or received within the PRC and having legally binding force in the PRC and protected under the PRC laws.

Estate Duty

Non-PRC holders of H Shares are not subject to any estate duty according to the PRC laws.

B. Hong Kong

Tax treaties

There is no relevant tax treaty in effect between Hong Kong and the United States.

Tax on dividends

Under current practice, no tax is payable in Hong Kong in respect of dividends paid by us.

Tax on gains from sale

No tax is imposed in Hong Kong in respect of capital gains. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers could prove that the investment securities are held for long-term investment purpose.

Trading gains from sales of 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 gains 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.

Stamp duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% 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 0.2% 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.

Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

2. TAXATION OF OUR GROUP BY THE PRC

Corporate Income Tax

As stipulated under the EIT Law, enterprises and other organizations which generate income within the PRC are enterprise income taxpayers and shall pay enterprise income tax according to stipulations of the EIT Law. The EIT Law and the Regulations on Implementation of the Enterprise Income Tax Law of the People's Republic of China has come into effect on January 1, 2008, while the former Income Tax Law of the People's Republic of China Concerning Foreign Investment Enterprises and Foreign Enterprises and Provisional Regulations of the People's Republic of China on Enterprise Income Tax were abrogated on the same date.

Pursuant to the EIT Law, the income tax rate for PRC enterprises is reduced from the original 33% to 25%, same as the rate applied to foreign investment enterprises and foreign enterprises. Non-PRC resident enterprises (i.e. enterprises established under foreign laws with their actual management entities outside the PRC and without offices or premises established in the PRC or, if established, generating income within the PRC) which have not established offices or premises within the PRC, or if established, the income generated is not actually associated with such offices and premises, are subject to enterprise income tax at a rate of 20% for their income generated within the PRC.

Value-add Tax

The Provisional Regulations of the People's Republic of China on Value-added Tax (the "**VAT Regulations**") were promulgated on December 13, 1993 and became effective on January 1, 1994, subsequently amended on November 5, 2008 and implemented on January 1, 2009. The VAT Regulations apply to domestic and foreign investment enterprises that sell goods or provide processing, repair and replacement labor services and import goods to the PRC. Except for the nil tax rate applicable to export of goods and a value added tax rate of 13% for the sale or import of certain specified categories of goods, the tax rate for sale or import of goods and provision of processing and repair and replacement labor services is 17%. The amount of tax payable on sale of goods or provision of taxable labor services is the balance of the output tax amount for the current period offsetting or deducting the input tax amount for the current period.

Business Tax

Pursuant to the Provisional Regulations of the People's Republic of China on Business Tax, which became effective on January 1, 1994, subsequently amended on November 5, 2008 and implemented on January 1, 2009, enterprises (including foreign investment enterprises) and individuals that provide various labor services and transfer intangible assets or sell real estates within the PRC are subject to the business tax at a rate of 3% or 5% of the amount of taxable services or other transactions, except for the entertainment sector, the turnover of which is subject to the business tax at a rate of 5% to 20%.

3. TAXATION OF OUR GROUP BY HONG KONG

Our Directors do not consider that any of our Group's income is derived from or arises in Hong Kong for the purpose of Hong Kong taxation. our Group will therefore not be subject to Hong Kong taxation.

4. FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the PBOC, is responsible to administer all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was adopted for the management of foreign currencies. Any enterprise in need of foreign currencies was required to obtain a quota from a local SAFE office before it could convert Renminbi into foreign currencies through the PBOC or other designated banks. Such conversion had to be effected at the official rate fixed by the SAFE on a daily basis. Moreover, Renminbi could also be converted into foreign currencies at swap centers. The exchange rates fixed by swap centers were largely determined based on the supply of and demand for foreign currencies and the demand for Renminbi by enterprises in the PRC. Any enterprise that intended to buy or sell foreign currencies at a swap center had first to obtain an approval from the SAFE.

On December 28, 1993, the PBOC, under the State Council, promulgated the Notice of the People's Bank of China Concerning Further Reforming of the Foreign Exchange Control System (the "**Foreign Exchange Notice**"), effective from January 1, 1994. The Foreign Exchange Notice announced that the abolishment of the foreign exchange quota system was abolished, the implementation of conditional convertibility of Renminbi under current accounts, the establishment of a system of settlement and payment of foreign exchange by banks, and the unification of the official exchange rate for Renminbi with the market rate for the same fixed by swap centers.

On March 26, 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the "**Provisional Regulations**"). The Provisional Regulations set out specific provisions regulating the sale and purchase of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply. The PBOC sets and publishes Renminbi-US dollar basic exchange rate on a daily basis with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. The PBOC would also, with reference to the exchange rates in the international foreign exchange market, publish the exchange rates for Renminbi against other major currencies. When conducting foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rates in accordance with the rates published by the PBOC.

The PBOC announced that, beginning from July 21, 2005, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. The PBOC will publish the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, and will fix the central parity for Renminbi transaction on the following business day.

On January 29, 1996, the State Council promulgated new Regulations of the People's Republic of China for Foreign Exchange Control (the "**Foreign Exchange Control Regulations**") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to SAFE's approval while capital account items still are. The Foreign Exchange Control Regulations was subsequently amended on January 14, 1997 and August 1, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states

that the State will not impose any restriction on international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the "**Settlement Regulations**") which became effective on July 1, 1996. The Settlement Regulations supersede the Provisional Regulations and abolish the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items. On the basis of the Settlement Regulations, the PBOC also published the Announcement on the Implementation of Foreign Exchange Settlement and Sale at Banks by Foreign Investment Enterprises (the "**Announcement**"). The Announcement permits foreign investment enterprises to open, if necessary, foreign exchange settlement accounts for the receipt and payment of foreign exchange under the current accounts and designated accounts for the receipt and payment under the capital accounts at designated foreign exchange banks.

On October 25, 1998, the PBOC and the SAFE jointly promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (the "**Discontinuance Notice**") which became effective on December 1, 1998. Pursuant to the Discontinuance Notice, all foreign exchange swapping business in the PRC for the foreign investment enterprises was discontinued, and foreign exchange trading activities by foreign investment enterprises must be carried out under the banking system for the settlement and sale of foreign exchange.

Save for the foreign investment enterprises or other exempted enterprises under relevant regulations, all entities in the PRC (except for some foreign trading companies and manufacturers with rights to import and export, which are allowed to retain part of their foreign exchange income earned from their existing current account transactions and to make payments with such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell all of their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans granted by overseas entities or from the issuance of bonds and shares (such as foreign exchange income our Group obtained from the sale of shares overseas) is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment from their foreign exchange accounts or at the designated foreign exchange banks, 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 any regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Group) may, on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

Conversion of foreign exchange under capital account items, such as direct investment and capital contribution, is still subject to restrictions, and prior approvals from SAFE and/or its relevant branches must be obtained.

Dividends to holders of H Shares are declared in Renminbi but must be paid in Hong Kong dollars.