CAYMAN ISLANDS TAXATION

Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor in Cabinet:

- that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

- in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  - on or in respect of the shares, debentures or other obligations of the Company; or

  - by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking for our Company is for a period of twenty years from November 21, 2006.

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 the 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.

Exchange control

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

PRC TAXATION

Enterprise Income Tax

Currently, in compliance with the New EIT Law effective on January 1, 2008 and the Circular on the Implementation of Preferential Policies concerning the Enterprise Income Tax Transition issued on December 26, 2007, all PRC resident enterprises, including foreign-invested enterprises, may generally be subject to the 25% corporate income tax since January 1, 2008. However, there will be a transitional period for enterprises that currently receive preferential tax treatments granted by relevant tax authorities. Enterprises that were subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually transition to the new tax rate within five years after implementation of the New EIT Law.

Business Tax

Under the Provisional Regulations of the PRC on Business Tax of 1994, which was amended by the State Council and took effect on January 1, 2009 and the implementation rules, a business tax is levied on all units and individuals engaged in taxable services, the transfer of intangible assets or the sale of immovable properties within the territory of the PRC. The tax rates range from 3% to 20% depending on the type of services provided.

Value-added Tax

In accordance with the Provisional Regulations of the People's Republic of China on Value-added Tax of 1994, which was amended by the State Council and took effect on January 1, 2009 and the implementation rules, all units and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC are taxpayers of Value-Added Tax, and shall pay value-added tax in accordance with these Regulations. Our sales are subject to value-added tax and the applicable tax rate is 13% or 17%.

Dividends from our China operations

Our wholly owned subsidiaries Dragon Talent and Well Power are Hong Kong incorporated companies and each holds 100% interest, respectively, in PCD Real Estate (Xiamen) and Zhongshan PCD Stores (Xiamen), which in turn hold the equity interests in our PRC subsidiaries. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between China and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the foreign invested enterprise).

Dividends paid by the Company to its overseas investors

The Company is not incorporated in the PRC. Under the New EIT Law, dividends payable by the Company to its overseas investors will be subject to a 10% withholding tax (unless the jurisdiction of incorporation of the oversea investor has a tax treaty with the PRC that provides for a reduced rate of withholding tax). However, if you are a PRC mainland citizen, you shall be subject to the PRC individual income tax at a rate of 20% as you are liable for PRC tax for your global income under the current PRC law.

Transfer or disposition of our Shares

Under the New EIT Law, any gains on transfers or disposition of our Shares by an overseas investor will be subject to a 10% withholding tax (unless the jurisdiction of incorporation of the oversea investor has a tax treaty with the PRC that provides for a reduced rate of withholding tax).

HONG KONG TAXATION

Dividends

Under the current practice of the Inland Revenue Department, 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 17.5% and on individuals at a maximum rate of 16.0%. 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 branch register. 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 branch register 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.