Taxation

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 adviser 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.

The PRC

The following is a summary of certain PRC tax provisions relating to the ownership and disposition of H shares purchased in connection with the Global Offering. This summary does not purport to address all material tax consequences of the ownership and disposition of H shares, and does not take into account the specific circumstances of any particular investor. This summary is based on the tax laws of the PRC as in effect on the date of this prospectus, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This discussion does not address any aspect of PRC taxation other than income taxation, capital gains taxation, stamp taxation and estate taxation. Prospective investors are urged to consult their tax advisors regarding the PRC tax consequences of owning and disposing of H shares.

Taxation of dividends

Individual investors. According to the Individual Income Tax Law of the PRC, as amended, and its implementing rules, an individual is generally subject to a 20% individual income tax on PRC-sourced income, such as dividends received from a PRC-resident enterprise.

However, the PRC State Administration of Taxation, or the SAT, issued, on 21 July 1993, the Notice Concerning the Taxation of Gains on Transfer of Shares (Equities) and Dividends Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Nationals, or the Tax Notice, which states that dividends received by foreign Nationals from a PRC company with respect to shares offered and listed overseas, or overseas shares, such as H shares, are temporarily exempt from individual income tax. In the event that this temporary exemption is withdrawn or ceases to be effective, a 20% tax may be payable on dividends received by individual holders of our H shares who are foreign nationals in accordance with the Individual Income Tax Law. The tax may be reduced or exempted under an applicable treaty for the avoidance of double taxation. To date, the relevant tax authorities have not collected withholding tax on dividend payments to foreign nationals with respect to overseas shares.

Enterprises. According to the Enterprise Income Tax Law of the PRC, or the Enterprise Income Tax Law, and its implementing rules, both effective on 1 January 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but the PRC-sourced income is not connected with such establishment or premise in the PRC. The Notice on Several Issues Relating to the Withholding of Enterprise Income Tax by PRC-Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise H Share Shareholders (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), issued by the SAT on 6 November 2008, further clarified that a PRC-resident enterprise shall withhold enterprise income tax at the rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H shares with respect to the year 2008 and subsequent years. Such withholding tax may be reduced pursuant to an applicable tax treaty.

Tax treaties. Investors who do not reside in the PRC but reside in countries that have entered into treaties for the avoidance of double taxation with the PRC may be entitled to a reduction or exemption of the withholding tax imposed on dividends received from a PRC-resident enterprise. The PRC currently has treaties for the avoidance of double taxation with a number of other countries, which include Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Mainland China also has an arrangement for the avoidance of double taxation with Hong Kong.

Taxation of capital gains

Individual investors. According to the PRC Individual Income Tax Law, as amended, and its implementing rules, an individual is generally subject to a 20% PRC individual income tax on PRC-sourced income, including gains derived from dispositions of securities and equity interests in PRC companies. The procedures for the collection of individual income tax on gains from transfer of shares shall be formulated by the Ministry of Finance and implemented after approval by the State Council. However, the Tax Notice provides that gains realized from transfer of overseas shares issued by companies within the territory of the PRC held by foreign nationals would temporarily be exempt from income taxes. In the event this temporary exemption is withdrawn or ceases to be effective, individual holders of our H shares who are foreign nationals may be subject to individual income tax on gains from transfer of our H shares at the rate of 20% unless such tax is reduced or exempted by an applicable tax treaty.

Enterprises. Under the Enterprise Income Tax Law and its implementing rules, a non-resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposition of equity interests in a PRC company, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premise in the PRC.

Additional PRC tax considerations

PRC stamp duty. Under the Provisional Regulations of the PRC Concerning Stamp Duty and its implementing rules, both effective on 1 October 1988, PRC stamp duty should not apply to acquisitions or dispositions of our H shares outside of the PRC, as PRC stamp duty is imposed on documents executed or received within the PRC that are legally binding in the PRC and protected under PRC law.

Estate tax. No liability for estate tax under PRC law will arise from non-PRC nationals holding H shares.

Hong Kong

Tax on dividends

Under the current practice of the Inland Revenue Department 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. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from the trade, profession or business, will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate of 15% on unincorporated businesses.

Trading gains from sales of the 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 the 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 H shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of 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 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 payable by the transferee.

Estate duty

There is no longer taxation in the nature of estate duty in Hong Kong.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In 1994, the conditional convertibility of Renminbi in current account items was implemented and the official Renminbi exchange rate and the market rate for Renminbi was unified. On 29 January 1996, the State Council promulgated new Regulations of the People's Republic of China for the Control of Foreign Exchange (**"Control of Foreign Exchange Regulations"**) which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are. The Control of Foreign Exchange Regulations were subsequently amended on 14 January 1997, to affirmatively state that the State shall not restrict international current account payments and transfers.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the **"Settlement Regulations"**') which became effective on 1 July 1996. The Settlement Regulations abolish the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

Since 1 January 1994, the former dual exchange rate system for Renminbi has been abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply. The PBOC set and published daily the Renminbi-US dollar base exchange rate. This exchange rate was determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. The PBOC also, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major currencies. In foreign exchange transactions, designated foreign exchange banks could, within a specified range, freely determine the applicable exchange rate in accordance with the exchange rate announced by the PBOC.

On 21 July 2005, the PBOC announced that effective on the same date, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, setting the central parity for trading of the Renminbi on the following working day.

On 5 August 2008, the State Council promulgated the revised Regulations of the People's Republic of China for the Control of Foreign Exchange, or the Revised Foreign Exchange Control

Regulations, which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control 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 foreign exchange 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 Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enforce its supervisory and administrative powers.

All foreign exchange income generated from current account transactions of PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange pursuant to relevant rules and regulations of the State. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example foreign exchange income received by us from the sale of shares overseas) is not required to be sold to designated foreign exchange banks, but may be deposited into foreign exchange accounts at the designated foreign exchange banks.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-invested 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 shareholders in foreign exchange (like us), may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, such as direct investments and capital contributions, is still subject to restriction.

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