

*Set out below is a summary of*

- certain Hong Kong and Cayman Islands tax consequences of ownership of Shares;
- taxation of our Company in the PRC, Hong Kong and the Cayman Islands; and
- foreign exchange regulations in the PRC.

*The summary of certain Hong Kong and Cayman Islands tax consequences of ownership of Shares does not purport to address all material tax consequences of the ownership of our Shares, and does not take into account the specific circumstances of any particular investors. This summary is based on the laws of Hong Kong and the Cayman Islands in effect on the date of this Prospectus, which are subject to change (or changes in interpretation), possibly with retroactive effect. The summary does not address any aspects of Hong Kong or Cayman Islands taxation other than income taxation, capital taxation, stamp duty and estate taxation. Prospective investors are urged to consult their tax advisers regarding the tax consequences of owning and disposing of our Shares.*

## **TAXATION**

### **Taxation of Shareholders**

#### ***Taxation of dividends***

##### *Hong Kong*

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

##### *Cayman Islands*

The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

#### ***Taxation of capital gains***

##### *Hong Kong*

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 sourced in Hong Kong and arise from such business, 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%. Gains from sales of Shares effected on the Hong Kong Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would therefore arise in respect of trading gains from sales of our Shares realised by person carrying on a business of trading or dealing in securities in Hong Kong.

##### *Cayman Islands*

The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

**Stamp duty***Hong Kong*

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of our 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 the 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. 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 notes is paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable on the instrument of transfer and the transferee will be liable to pay such duty. No stamp duty will be levied on the transfer of Shares that are registered on a share register outside Hong Kong.

*Cayman Islands*

No stamp duty is payable in the Cayman Islands on the transfers of our Shares.

**Estate duty***Hong Kong*

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

*Cayman Islands*

The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

**Taxation of Our Company*****Taxation of the Company in PRC****Income tax*

Income tax payable by foreign-invested enterprises established in PRC is governed by the Enterprise Income Tax Law of the PRC (“PRC Enterprise Income Tax Law”) and its implementing rules, which provide for an income tax rate of 25% unless a lower rate is provided by law, administrative regulations or State Council regulations. Pursuant to the PRC Enterprise Income Tax Law and its implementing rules, foreign-invested enterprises established in the PRC are liable to pay income tax on their income derived from sources both in and outside the PRC, and foreign enterprises which have establishments in the PRC and engage in production or business operations and which, though without establishments in the PRC, have income derived from sources in the PRC are liable to pay income tax on their income derived from sources in the PRC. Accordingly, we will be subject to enterprise income tax on our income derived from sources in the PRC, if any. Two of our subsidiaries in the PRC receive tax reduction treatment and are subject to enterprise income tax at a rate of 12.5% on their income derived from sources both within and outside the PRC. Our other subsidiaries are subject to enterprise income tax at the rate of 25% on their income derived from sources both within and outside the PRC.

*Dividends from our PRC operations*

Under the current PRC tax laws, regulations and rulings, dividends from our operations in the PRC paid to us by our operating subsidiaries established in the PRC are currently subject to a withholding tax at the rate of 5%.

*Taxation of our Company in Hong Kong*

We do not consider that any of our income or the income of our Group is derived from or arises in Hong Kong for the purposes of Hong Kong taxation. We will therefore not be subject to Hong Kong taxation.

*Taxation of our Company in the Cayman Islands*

Pursuant to section 6 of the Tax Concession Law (as amended) of the Cayman Islands, we have 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 our Company or operations; and
- 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 our Company:
  - on or in respect of the shares, debentures or other obligations of our 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 (as amended).

The undertaking is for a period of 20 years from the date of the undertaking, which is 2 May 2006.

- There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands other than 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.

**FOREIGN EXCHANGE**

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. 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 the amended Regulations of the People's Republic of China for the Control of Foreign Exchange ("Foreign Exchange Control Regulations"), which became effective on 1 April 1996. The Foreign Exchange Control Regulations classify all international payments and transfers into current account items and capital account items. Current account items are not subject to SAFE approval while capital account items are. The Foreign Exchange Control Regulations were subsequently amended on 14 January 1997 to affirmatively state the State shall not restrict international currency 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 of foreign exchange transactions in respect of capital account items.

On 1 January 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 set and published daily the RMB-U.S. dollar base exchange rate. This exchange rate was determined with reference to the transaction price for RMB-U.S. 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 markets, 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.

The PBOC announced in 2005 that, beginning from 21 July 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. 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.

All foreign exchange income (except such amount of foreign exchange income which is permitted to be retained and deposited into foreign exchange accounts at the designated foreign exchange banks) generated from current account transactions of Chinese enterprises (including foreign-invested enterprises) should be sold to designated foreign exchange banks.

Chinese 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 the Chinese enterprises which in accordance with regulations are required to pay dividends to shareholders in foreign exchange, 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, including direct investments and capital contributions, is still subject to restrictions, and prior approval from SAFE must be obtained.