

The following discussion is a summary of certain anticipated tax consequences of the operations of the Group and of an investment in the Shares under Hong Kong tax laws, Cayman Islands tax laws and PRC income tax laws. The discussion does not deal with all possible tax consequences relating to our operations or to an investment in the Shares. In particular, the discussion does not address the tax consequences under state, local and other (e.g. non-Hong Kong, non-Cayman Islands and non-Chinese) tax laws. Accordingly, each prospective investor should consult his or her tax advisor regarding the tax consequences of an investment in the Shares. The discussion is based upon law and relevant interpretations thereof, all of which are subject to change.

1. TAXATION OF OUR SHAREHOLDERS

(a) Taxation of Dividends

(i) Hong Kong

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us. Dividends distributed to our shareholders are free of withholding taxes in Hong Kong.

(ii) Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits or income.

(b) Profits Tax

(i) Hong Kong

Hong Kong does not currently levy any tax on capital gains. However, trading gains from the sale of shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such 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 shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Thus, trading gains from sales of shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong will be chargeable to Hong Kong profits tax.

(ii) Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon capital gains or appreciations.

(c) Stamp Duty

(i) 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. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, our Shares transferred on each sale and purchase. In other words, a total of 0.2% of stamp duty is currently payable on a typical sale and purchase transaction of our 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 our Shares is effected by a non-Hong Kong resident and any stamp duty payable on the contract notes is not paid, the relevant instrument of transfer (if any) will be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee will be liable to pay such duty.

(ii) Cayman Islands

No stamp duty is payable in the Cayman Islands on the transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands and where documents are brought into the Cayman Islands for execution or enforcement.

(d) Estate Duty**(i) Hong Kong**

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable in respect of holders of the shares whose deaths occur on or after 11 February 2006.

(ii) Cayman Islands

There is no taxation in the nature of inheritance tax or estate duty in the Cayman Islands.

2. TAXATION OF THE GROUP**(a) Taxation of the Group in the PRC****(i) PRC Enterprise Income Tax**

PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles. In accordance with the former Income Tax Law of the PRC for Foreign Invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) (the “Former Income Tax Law”) and its implementing rules which were annulled as of 1 January 2008, foreign invested enterprises incorporated in the PRC were generally subject to an enterprise income tax rate of 33.0% (30.0% of state income tax plus 3.0% local income tax) prior to 1 January 2008. The Former Income Tax Law and the related implementing rules provide certain favorable tax treatments to foreign invested enterprises. Production-oriented foreign invested enterprises, which are scheduled to operate for a period of ten years or more, are entitled to exemption from income tax for two years commencing from the first profit-making year and 50% reduction of income tax for the subsequent three years. In certain special areas such as coastal open economic areas, special economic zones and economic and technology development zones, foreign invested enterprises were entitled to reduced tax rates, namely: (1) in coastal open economic zones and old urban districts of Special Economic Zones and economic and technology development zones, the tax rate applicable to production-oriented foreign invested enterprises was 24%; (2) the tax rate applicable to foreign invested enterprises located in Special Economic Zones and production-oriented foreign invested enterprises located in economic and technology development zones was 15%; and (3) in coastal open economic zones, old urban districts of Special Economic Zones and economic and technology development zones or other areas stipulated by the State Council, the tax rate applicable to foreign invested enterprises fall within the encouraged industries, such as energy, transportation, port and quay, may be 15%, determining by the State Council.

On 16 March 2007, the National People’s Congress adopted the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “Income Tax Law”). The implementing rules for the Income Tax Law were issued by the State Council on 6 December 2007. The implementing rules and the Income Tax Law became effective on 1 January 2008. The Income Tax Law adopts a uniform tax rate of 25% for all enterprises (including foreign invested enterprises) and revokes the former tax exemption, reduction and preferential treatments applicable to foreign invested enterprises. The Income Tax Law also provides for transitional measures for enterprises established prior to the promulgation of the Income Tax Law and eligible for lower tax rate preferential treatment in accordance with the then prevailing tax laws, and administrative regulations. These enterprises will gradually become subject to the new, unified tax rate over a five-year period from 1 January 2008;

enterprises eligible for periodic tax reductions or exemptions may continue to enjoy tax preferential treatments after the implementation of the Income Tax Law and until their preferential treatments expire. The preferential treatment period for enterprises which have not enjoyed any preferential treatments for the reason of not having made any profits, however, shall be deemed as starting from 1 January 2008. In addition, under the Income Tax Law, the exemption to the 20% income tax on dividends distributed by foreign invested enterprises to their foreign investors under the former tax laws may no longer be available. Generally, if a foreign company has no institution or establishment inside China, or if its income has no actual connection to its institution or establishment inside the territory of China, it shall pay tax on the incomes derived from inside China at a tax rate of 20%.

The State Council issued a Notice on Implementing Transitional Measures for Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (the “Notice”) on 26 December 2007. The Notice sets out the detailed implementing rules for Article 57 of the Income Tax Law. In accordance with the Notice, the enterprises that have been approved to enjoy a low tax rate prior to the promulgation of the Income Tax Law will be eligible for a five-year transition period beginning on 1 January 2008, during which the tax rate will be increased incrementally to the 25% unified tax rate set out in the Income Tax Law. From 1 January 2008, for the enterprises whose applicable tax rate was 15% before the promulgation of the Income Tax Law, their tax rate will be increased to 18% for the year of 2008, 20% for 2009, 22% for 2010, 24% for 2011, and 25% for 2012. For the enterprises whose applicable tax rate was 24%, their tax rate will be changed to 25% from 1 January 2008.

(ii) PRC Value-Added Tax (VAT)

Pursuant to the Provisional Regulation of the PRC on VAT (中華人民共和國增值稅暫行條例) and its implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay VAT at a rate of 17% of the gross sales proceeds received except for certain designated goods with VAT at a rate of 13%, less any deductible VAT already paid or borne by the taxpayer. Furthermore, when exporting goods, the exporter is entitled to refund all of VAT that it has already paid or borne.

(iii) Business Tax

Under the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例) which took effect on 1 January 1994 and has been amended on 10 November 2008 and the provisional implementation rules (中華人民共和國營業稅暫行條例實施細則) which took effect on 25 December 1993, and newly amended on 15 December 2008 with effectiveness as of 1 January 2009, business tax is levied on all enterprises that provide “taxable services”, the assignment or transfer of intangible assets, the sale of immovable property and leasing of immovable properties in the PRC. The rates range from 3% to 20% depending on the type of services provided. The assignment of intangible assets, the sale of immovables and leasing of immovables property attract a tax rate of 5% of gross revenue generated from the relevant transactions of the enterprise. Enterprises are required to pay the business tax to the relevant local tax authorities.

(b) Dividends from Our PRC Operations

The principal regulations governing distribution of dividends of foreign holding companies include the Foreign-funded Enterprises Law of the PRC (中華人民共和國外資企業法) as amended in 2000 and the Foreign-funded Implementation Rules Enterprises Law of the PRC (中華人民共和國外資企業法實施細則) as amended in 2001, and the Company Law of the PRC (中華人民共和國公司法) as amended in 2005.

Under these regulations, foreign-funded enterprises in China may pay dividends only after its deficit of previous years have been made up; if any, determined in accordance with PRC Accounting Standards and Accounting Regulations. In addition, foreign-funded enterprises in China are required to

allocate at least 10% of their respective after tax profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Under the previous PRC tax laws, regulations and rulings, dividends from our operations in the PRC paid to us by our operating subsidiaries established in the PRC were exempt from any PRC withholding or income tax prior to 1 January 2008. Nevertheless, according to the Income Tax Law, such dividends may be subject to the PRC Enterprise Income Tax.

(c) Taxation of the Group in Hong Kong

We do not consider that any of our income or the income of the 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.

(d) Taxation of the Group in the Cayman Islands

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

- (i) 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
- (ii) 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:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) 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 is for a period of twenty years from 13 October 2009.

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.

3. PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

The foreign exchange control system of China has experienced a number of reforms and the current system contains two major regulations since 1993.

The Regulations of the People's Republic of China on the Management of Foreign Exchanges (中華人民共和國外匯管理條例) promulgated by the State Council, implemented on 1 April 1996 and currently amended on 5 August 2008, applies to the receipts, payments or business activities in China that are transacted in foreign currencies by domestic institutions, individuals, foreign representative offices and individuals visiting China. The Regulation on Control of Foreign Exchange Settlements, Sales and Payments (結匯、售匯及付匯管理規定) issued by PBOC on 20 June 1996 and implemented on 1 July 1996 governs the foreign exchange settlements, purchases, foreign exchange account openings and payments to foreign countries that are incurred in China by domestic institutions, individual residents, foreign representative offices in China and individuals visiting China.

PBOC publicizes the exchange rates between RMB and other major foreign currencies on each business day. The exchange rates are determined by reference to the preceding day's trading prices of RMB against major foreign currencies on the inter-bank foreign exchange market. In general and unless special immunity is obtained, all organizations and individuals in China shall sell their exchange income to designated banks, but foreign-funded enterprises are permitted to retain a certain percentage of their exchange income, to be deposited in a foreign exchange bank account opened in designated banks. In addition, exchange income arising from loans from foreign institutions or from issuance of shares or bonds valued in foreign currencies need not be sold to designated banks but shall be deposited in designated foreign exchange accounts with designated banks. Capital foreign exchange must be deposited in foreign exchange accounts opened with designated banks. Beginning from 21 July 2005, China implemented a regulated and managed floating exchange rate system based on market supply and demand by reference to a basket of currencies.

At present, the PRC Government is gradually loosening its control over foreign exchange purchases. Any Chinese enterprise (including foreign-funded enterprises) in need of foreign currencies in their day-to-day business activities, trade and non-trade operations, import business and payment of foreign debts may purchase foreign currencies from designated banks, provided that they submit the required appropriate supporting documents.

In addition, if foreign-funded enterprises are in need of foreign currencies for distributing dividends, capital bonuses or profits to foreign investors, the amount so needed after payment of the appropriate dividend tax may be drawn from the enterprises' foreign exchange accounts maintained with designated banks. If the foreign currency in such an account is insufficient, the foreign-funded enterprise may apply to the government authority in charge for purchasing the necessary amount of foreign currency from a designated bank to cover the deficiency.

Although the foreign exchange control over transactions under current accounts has decreased, enterprises shall obtain approval from SAFE before they accept foreign-currency loans, provide foreign currency guarantees, make investments in foreign countries or carry out any other capital account transactions involving the purchase of foreign currencies.

In foreign exchange transactions, designated banks may freely determine applicable exchange rates based on the rates publicized by PBOC and subject to certain governmental restrictions.

On 21 October 2005, the SAFE issued the SAFE Notice No. 75, which became effective as of 1 November 2005. According to the SAFE Notice No. 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

Moreover, the SAFE Notice No. 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant registration procedures with the local SAFE branch by 31 March 2006. Under the relevant rules, failure to comply with the registration procedures set forth in the SAFE Notice No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control the Group from time to time are required to register with the SAFE in connection with their investments in us.