

A summary of Laws and regulations in respect of taxation and foreign exchange in Hong Kong and the PRC

Taxation of Security Holders

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of H Shares by an investor that purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets. 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 the tax laws of the PRC as in effect on the date hereof which are subject to change (or changes in interpretation), possibly with retroactive effect.

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

PRC Taxation

Taxation of Dividends

Individual Investors

Pursuant to the Provisional Regulations Concerning Questions of Taxation on Enterprise Experimenting with the Share System (中華人民共和國股份制試點企業有關稅收問題的暫行規定) and the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) which was amended on 29 December 2007 and became effective on 1 March 2008 (the “New Individual Income Tax Law”), dividends paid by PRC companies are generally subject to a PRC withholding tax levied at a rate of 20%. For a foreign individual who is not resident of the PRC, the receipt of dividends from a company in the PRC is subject to a withholding tax of 20% unless reduced by an applicable tax treaty or specially exempted by the tax authority of the State Council.

On 21 July 1993, SAT issued a Notice of the PRC State Administration of Taxation Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (《國家稅務總局關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知》) (the “Tax Notice”) which states that dividends paid by a PRC company to foreign individuals with respect to shares listed on an overseas stock exchange (“Overseas Shares”), such as H Shares, are temporarily not subject to PRC withholding tax. In the letter dated 26 July 1994 to the former State Commission for Restructuring the Economic Systems of the PRC, the former Securities Commission of the State Council and CSRC, the SAT reiterated the temporary tax exemption set out in the Tax Notice for dividends received from a PRC company listed overseas.

The Tax Notice was abolished by SAT on 4 January 2011. On 28 June 2011, the SAT issued a Notice of the PRC State Administration of Taxation Concerning the Collection and Management of Individual Income Tax after the Abolition of the Circular SAT No.[1993]045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (the “New Tax Notice”). Pursuant to the New Tax Notice, after the abolition of the Tax Notice, dividends paid by a PRC company listed in Hong Kong to foreign individuals are subject to PRC withholding tax according to the Individual Income Tax Law of the PRC and its implementation rules, and such withholding tax may be reduced or exempted pursuant to an applicable double taxation treaty. Generally, a convenient tax rate of 10% shall apply to the dividends paid by the company listed in Hong Kong to foreign individuals without application according to the treaties. When a tax rate of 10% is not applicable, the withholding company shall: (1) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%, (2) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is

between 10% and 20%, and (3) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

Enterprise

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident including natural person and legal entity from a PRC company, but such tax shall not exceed 10% of the total sum of the dividends payable. If a Hong Kong resident holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total sum of dividends payable by that PRC company.

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) enforced from 1 January 2008 (the “New Enterprise Income Tax Law”) and Regulation on the Implementation of the Enterprise Income Tax Law of PRC (中華人民共和國企業所得稅法實施條例), a non-resident enterprise, which did not establish representative office or other facilities or its established representative office or facility has no actual connections with the dividends and bonus received, shall be subject to a 10% enterprise income tax on its revenues sourced in China. Such withholding tax may be reduced or exempted pursuant to an applicable double taxation treaty.

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H share Holders Which Are Overseas Non-resident Enterprises (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) (GuoShuiHan [2008] No. 897) which was promulgated by the State Administration of Taxation and became effective on 6 November 2008, a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards, shall be subject to the enterprise income tax withheld at a uniform rate of 10%. Such withholding tax may be reduced or exempted pursuant to an applicable double taxation treaty.

Tax Treaties

Investors who are not PRC residents but either reside in countries which have entered into double-taxation treaties with the PRC or reside in Hong Kong SAR or Macau SAR, may be entitled to a reduction of the withholding tax imposed on the dividends paid to such investors by a PRC company. The PRC currently has signed double-taxation avoidance arrangements with Hong Kong SAR and Macau SAR respectively, and has double-taxation avoidance treaties with a number of other countries, which include but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Under each of such double taxation avoidance treaties or arrangements, the rate of withholding tax imposed by PRC’s taxation authorities may be generally reduced.

Taxation of Capital Gains

Individual Investors

According to the New Individual Tax Law and the Implementation Rules of the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例) as amended on 18 February 2008, gains realised on the sale of equity interests shall be subject to individual income tax at a rate of 20%.

Pursuant to the Notice on Continuing the Income Tax-Free Policy on the Share Transfer of Individual Holders (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) jointly issued by the Ministry of Finance and the SAT dated 30 March 1998, in respect of suspending the enforcement of the collection of the individual Income tax on gains realised in connection with sales of shares, gains on sales of shares by individuals are temporarily exempted from individual income tax. Individual holders of H shares shall be subject to income tax at a rate of 20% on capital gains, unless such tax is reduced or eliminated by an applicable double taxation treaty.

Enterprise

Pursuant to the New Enterprise Income Tax Law and Regulation on the Implementation of the Enterprise Income Tax Law of PRC (中華人民共和國企業所得稅法實施條例), a non-resident enterprise, which did not establish representative office or other facilities or its established representative office or facility has no actual connections with the dividends and bonus received, shall be subject to a 10% enterprise income tax on its revenues sourced in China. Such withholding tax may be reduced or exempted pursuant to an applicable double taxation treaty.

Stamp Duty

PRC stamp duty imposed on the transfer of shares of PRC publicly traded companies should not apply to the acquisition and disposal by non-PRC investors of H shares outside of the PRC by virtue of the Provisional Regulations of China Concerning Stamp Duty (中華人民共和國印花稅暫行條例), which became effective on 1 October 1988 and which provide that PRC stamp duty is imposed only on documents, executed or received within the PRC that are legally binding in the PRC and are protected under PRC law.

Estate Duty

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

Income Tax

On the Company.

Pursuant to the New Enterprise Income Tax Law, enterprises incorporated in the PRC will pay enterprise income tax at a rate of 25% on income earned from production and operations, and on other income, with tax concessions available where laws and regulations have provided for tax exemption or reduction.

Business Tax

Pursuant to the PRC Provisional Regulations on Business Tax (中華人民共和國營業稅暫行條例) that became effective on 1 January 1994 and was amended in November 2008 and the relevant rules for implementation of this law, the enterprises (including foreign investment enterprises) and individuals that provide various labour services and that assign intangible assets or sell immovable property in the PRC shall be subject to the business tax. The tax rate on the provision of taxable labour services, assignment of intangible assets or sale of immovable property shall be 3%-20%.

Hong Kong Taxation

Tax on Dividends 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.

Capital gains and profit tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the H shares. Trading gains from the sale of H 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. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at a rate of 15.0%. 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 H shares effected on the Hong Kong Stock Exchange realised 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 the H shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H 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 H shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required). Where a sale or purchase of H shares is effected by a person who is not a resident of Hong Kong and the 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 stamp duty otherwise chargeable thereon, and the transferee shall be liable to pay the stamp duty on the instrument.

Estate Duty

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 and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H shares whose deaths occur on or after 11 February 2006.

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. 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.

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

On 28 December 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the People's Bank of China Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進一步改革外匯管理體制的公告) (the "Notice"), effective from 1 January 1994. The Notice announces the abolition of the system of foreign exchange quotas, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign

exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On 26 March 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯暫行管理規定) (the “Provisional Regulations”). The Provisional Regulations set out detailed provisions regulating the sale and purchase of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply. The PBOC sets and publishes daily the Renminbi-US Dollar base exchange rate. This exchange rate is determined with reference to the transaction price for Renminbi-US Dollar in the interbank foreign exchange market on the previous day. The PBOC will also, with reference to exchange rates in the international foreign exchange market, announce the exchange rates of Renminbi against other major currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the exchange rate announced by the PBOC.

On 29 January 1996, the State Council promulgated new Regulations of the People’s Republic of China for the Control of Foreign Exchange (中華人民共和國外匯管理條例) (“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 no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations were subsequently amended on 14 January 1997 and on 1 August 2008 respectively, and became effective on 5 August 2008. The latest amendments affirmatively states 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 (結匯、售匯及付匯管理規定) (the “Settlement Regulations”) which became effective on 1 July 1996. The Settlement Regulations supersede the Provisional Regulations and 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. 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-invested Enterprises (關於對外商投資企業實行銀行結售匯的公告) (the “Announcement”). The Announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange along with specialised accounts for capital account receipts and payments at designated foreign exchange banks.

On 25 October 1998, the PBOC and the SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (關於停辦外匯調劑業務的通知) which became effective on 1 December 1998. According to the Notice, all foreign exchange swapping business in the PRC targeted on the foreign-invested enterprises shall be discontinued, while the trading of foreign exchanges by foreign-invested enterprises shall be carried out under the banking system for the settlement and sale of foreign exchange.

On 21 July 2005 the PBOC announced that, beginning from that date, it would implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies in the PRC. 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 interbank foreign exchange market after the closing of the market on each business day, setting the central parity of Renminbi exchange rates on the following business day.

Starting from 4 January 2006, the PBOC introduced Over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the way of matching shall be kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. After the introduction of Over-the-counter transactions, the formation mechanism of the central parity of Renminbi exchange rates is improved to be a mechanism where the China Foreign Exchange Trade Center would determine the central parity of Renminbi exchange rates based on the Over-the-counter transactions and announce the central parity of Renminbi against US Dollar at 9:15 AM on each business day under the authorization of the PBOC.

Receipts over the current account items may be retained or sold to financial institutions in the business of foreign exchange sale and purchase in accordance with the relevant PRC regulations. Unless otherwise provided by the PRC regulations, approvals by the foreign exchange regulatory authorities shall be obtained for retaining or selling of receipts over the capital account items to financial institutions in the business of foreign exchange sale and purchase.

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 account or 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 our Company), may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE and/or the relevant branch must be sought.

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