Taxation of Security Holders

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of the Company's H Shares by an investor that purchases such H Shares in connection with the International Placing and holds these H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of our H Shares, and does not take into account the specific circumstances of any particular investors such as tax exempt entities, certain insurance companies, maker-dealer, investors liable for alternative minimum tax, investors that actually or constructively own 10% or more of the voting shares of the Company, investors that hold H Shares as part of a straddle or a hedging or conversion transaction whose functional currency is not U.S. dollars, some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong 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 advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of our H Shares.

Taxation of Dividends

PRC Taxation

Individual Investors. Pursuant to the "Individual Income Tax Law of the People's Republic of China" promulgated in 1980, as amended on October 31, 1993, August 30, 1999 and October 27, 2005, dividends paid by PRC companies to individuals are ordinarily subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, his receipt of dividends from a company in the PRC is ordinarily subject to an individual income tax of 20%, unless reduced by an applicable tax treaty or specifically exempted by the tax authority of the State Council. However, on July 21, 1993, the PRC State Administration of Taxation ("SAT") issued a "Notice of the 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" ("the Tax Notice"), which states that dividends received by foreign individuals and paid by a PRC company with respect to shares listed on an overseas stock exchange ("Overseas Shares"), such as H Shares, are temporarily not subject to PRC individual income tax.

"The Amendment to the Individual Income Tax Law of the People's Republic of China by the Standing Committee of the National People's Congress" ("The Amendment") was enacted on October 31, 1993 and became effective on January 1, 1994, and rules that the effect of any past provision of any past law contradicting the Amendment with respect to individual income tax ceases on the same date. Pursuant to the Amendment, the amended "Individual Income Tax Law" and the "Provisions for Implementation of Individual Income Tax Law of the PRC", a foreign individual receiving dividends from a PRC company is subject to an Individual Income Tax of 20%, unless reduced by an applicable tax treaty or specifically exempted by the tax authority of the State Council. However, in a letter dated

July 26, 1994 to the State Economic Restructuring Commission, the Securities Commission and the CSRC, the SAT reiterated the temporary tax exemption stated in the Tax Notice for dividends received from a PRC company listed overseas. In the event of the withdrawal of this exemption, a 20% tax should be levied on dividends pursuant to the amended Individual Income Tax Law and the Provisions for Implementation of Individual Income Tax Law of the PRC. Such tax levy may be reduced pursuant to applicable agreements for avoidance of double taxation. The relevant tax authority has not levied any withholding tax on Overseas Shares dividends to the present.

Enterprises. According to the Income Tax Law of the PRC Concerning Foreign Investment 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), dividends paid by PRC companies to foreign enterprises with no permanent establishment in the PRC (including foreign companies and other economic entities) are ordinarily subject to a PRC withholding tax levied at a flat rate of 20%. However, according to the Tax Notice, a foreign enterprise (including foreign companies and other economic entities) with no permanent establishment in the PRC receiving dividends with respect to a PRC company's Overseas Shares will temporarily not be subject to the 20% withholding tax. If such withholding tax becomes applicable in the future, the rate is subject to reduction pursuant to an applicable double taxation treaty.

Tax Treaties. Investors who do not reside in the PRC and reside in countries that have entered into double taxation treaties with the PRC may be entitled to a reduction of the withholding tax imposed on the payment of dividends to investors of the Company who do not reside in the PRC. The PRC currently has double taxation treaties with a number of countries, including without limitation Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Hong Kong Taxation

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.

Taxation of Capital Gains

PRC Taxation

The Tax Notice provides that gains realized by foreign enterprises that are holders of Overseas Shares (which would include the H Shares) would, temporarily, not be subject to capital gains taxes. As to individual holders of our H Shares, the Provisions for Implementation of Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例) (the "Provisions"), issued on January 28, 1994, generally stipulated that gains derived from sale of equity shares shall be subject to income tax at a rate of 20%. In addition, the Provisions stipulated that measures for the levying of individual income tax on gains derived from the sale of equity securities shall be formulated separately by the Ministry of Finance and shall be implemented following approval of the State Council. However, no income tax on gains realized on the sale of equity shares has been collected. Gains on the sale of shares by individuals were temporarily exempted from individual income tax pursuant to notices issued jointly by the MOF and SAT dated March 30, 1998. In the event this temporary exemption is withdrawn or ceases to be effective, individual holders of our H Shares may be subject to capital gains tax at the rate of 20% unless such tax is reduced or eliminated by an applicable double taxation treaty.

On November 18, 2000, the State Council issued a notice entitled "State Council Notice on the Income Tax Reduction for Interest and Other Income that Foreign Enterprises Derive in the PRC" (關於外國企業來源於我國境內的利息等所得減徵所得稅問題的通知) (the "Tax Reduction Notice"). Under the Tax Reduction Notice, beginning January 1, 2000, for foreign enterprises which have no institutions and premises in China or have set up institutions and premises but having no practical connection with its above income, a business income tax will be levied upon their interest, rent, royalties and other income at a 10% reduced tax rate. Therefore, if the exemption as described in the preceding paragraph does not apply or is not renewed, and if the Tax Reduction Notice is found not to apply, a foreign corporate shareholder of our H shares may be subject to a 20% tax on capital gains, unless reduced in accordance with an applicable double taxation treaty.

Hong Kong Taxation

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as H shares. 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 such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 17.5% on corporations and at a maximum rate of 16% on individuals. Gains from sales of our H shares effected on the Stock Exchange will be considered to be derived from or to have arisen in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of our H shares realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

PRC Stamp Duty

PRC stamp duty is imposed on the transfer of shares of PRC publicly traded companies under the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例) (the "Stamp Duty Regulations") which became effective on October 1, 1988. The Stamp Duty Regulations and the implementation rules thereof provide that PRC stamp duty is imposed on documents that are legally binding in the PRC and protected under PRC law.

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 our H shares. With effect from September 1, 2001, the duty is charged at the ad valorem rate of HK$1 per HK$1,000 or part thereof of the consideration for, or (if greater) the value of, the H Shares transferred (i.e. a total of HK$2 per HK$1,000 or part thereof is payable on a typical sale and purchase transaction of H Shares). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

If one of the parties to the sale is a non-resident of Hong Kong and does not pay the required stamp duty, the unpaid duty will be assessed on the instrument of transfer (if any), and the transferee will be liable for payment of such duty.

Estate Duty

PRC Estate Tax

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

Hong Kong Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006. In addition, estate duty in respect of deaths occurring on or after July 15, 2005 but before February 11, 2006 has been reduced to nominal duty of HK$100 in respect of estates whose assessed value exceeds HK$7.5 million. No estate duty is payable where the assessed value of the dutiable estate does not exceed HK$7.5 million.

Taxation of the Company in the PRC

Income Tax

From January 1, 1994, income tax payable by PRC domestic enterprises, including state-owned enterprises and joint stock enterprises, is governed by the PRC Enterprise Income Tax Provisional Regulations (中華人民共和國企業所得稅暫行條例) (the "EIT Regulations") which provide for a corporate income tax rate of 33% unless a lower rate is provided by law, administrative regulations or State Council regulations. The Company is generally subject to a corporate income tax at a rate of 33% pursuant to the EIT Regulations.

Value-added Tax

The PRC Provisional Regulations on Value-added Tax ("the VAT Regulations") were promulgated on December 13, 1993 and became effective on January 1, 1994. The VAT Regulations apply to domestic and foreign investment enterprises that sell goods, provide processing or repair services or import goods in the PRC. Except for certain specified categories of goods sold or imported, the value-added tax rate for the sale or import of which is 13%, the tax rate for the provision of processing and repair services is 17%.

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) promulgated on December 13, 1993 and the provisional implementation rules thereof which took effect on January 1, 1994, business tax is levied on all enterprises that provide "taxable services", assignment of intangible assets and sale of immovable property in the PRC. The rates range from 3% to 20% depending on the type of taxable items.

Taxation of the Company by Hong Kong

The Company does not believe that any of its income is derived from or arises in Hong Kong for the purpose of Hong Kong taxation. The Company will therefore not be subject to Hong Kong taxation.