

### OVERVIEW OF PRC LAWS AND REGULATIONS

In addition to the laws and regulations generally applicable to businesses in China, enterprises engaging in the production and sales of lead-acid rechargeable batteries are also required to comply with the rules in the following areas:

1. Production operations;
2. Environmental protection; and
3. Occupational health and safety.

### Laws and Regulations Related to Production Operations

#### 1. *Production Licenses*

Pursuant to the Regulations of the PRC for the Administration of Production Licenses for Industrial Products\* (《中華人民共和國工業產品生產許可證管理條例》) and the Measures for the Implementation of Regulations of the PRC for the Administration of Production Licenses for Industrial Products\* (《中華人民共和國工業產品生產許可證管理條例實施辦法》) that came into effect on 1 September 2005 and 1 November 2005, respectively, important industrial products in connection with public safety, human health and well-being, and the protection of property are subject to the system of production licenses imposed by the PRC central government. The catalogue of industrial products subject to the production licensing regime implemented by the State is made by the competent department of the State Council in charge of the production license for the industrial products together with the other relevant departments of the State Council, and promulgated to the public after the same has been approved by the State Council. Any enterprise that fails to obtain a production license shall not produce the products listed in the said Catalogue, and no entity or individual is allowed to sell or use during its operation any products listed in the said Catalogue without the relevant production license, otherwise an administrative sanction by the competent department of industrial product production licenses will be imposed on such entity or individual. Moreover, criminal liability may also be imposed on such entity or individual.

According to the Announcement of the Catalogue of Products Subject to the Production Licensing Regime\* (《關於公佈實行生產許可證制度管理的產品目錄的公告》) (no. 174, 2007) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC\* (國家質量監督檢驗檢疫總局) on 5 December 2007, rechargeable batteries are listed in the Catalogue of Products Subject to the Production Licensing Regime\* (《實行生產許可證制度管理的產品目錄》). With the Detailed Rules of the Implementation of Production Licenses for Lead-acid Rechargeable Batteries\* (《鉛酸蓄電池產品生產許可證實施細則》) coming into effect on 20 May 2007, enterprises engaged in the production of the following lead-acid rechargeable batteries are required to complete

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the formalities to obtain the relevant National Production License for Industrial Product\* (《全國工業產品生產許可證》) in accordance with the laws of the PRC:

Serial No.	Product Items	Product Specifications	Enterprise Categories
1	Lead-acid rechargeable batteries for push-starts	All series for starting an automobile All series for starting a vessel	Manufacturing or Assembling
2	Lead-acid traction rechargeable batteries	All series	Manufacturing or Assembling
3	Lead-acid rechargeable batteries for diesel cars	All series with gas exhaust passages All series of the valve-regulated type	Manufacturing or Assembling Manufacturing or Assembling
4	Lead-acid rechargeable batteries for passenger trains	All series	Manufacturing or Assembling
5	Stationary lead-acid rechargeable batteries	All series with gas exhaust passages All series of the valve-regulated type	Manufacturing or Assembling Manufacturing or Assembling
6	Small-sized valve-regulated lead-acid rechargeable batteries	All series	Manufacturing or Assembling
7	Lead-acid rechargeable batteries for motorcycles	All series	Manufacturing or Assembling
8	Lead-acid rechargeable batteries for mining explosion-proof electrical source devices	All series	Manufacturing or Assembling
9	Storage rechargeable batteries	All series	Manufacturing or Assembling
10	Sealed lead-acid rechargeable batteries for electrically powered vehicles	All series	Manufacturing or Assembling
11	Electrode plates for lead-acid rechargeable batteries	All series of positive plates All series of negative plates	– –

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As we are principally engaged in the production activities of sealed lead-acid rechargeable batteries for electrically powered vehicles, its domestic subsidiaries are required to obtain the National Production Licenses for Industrial Products\* (《全國工業產品生產許可證》) in accordance with the relevant rules. Chaowei Power, Changxing Zhongcheng, Henan Chaowei, Shandong Chaowei, Jiangsu Chaowei and Anhui Chaowei have obtained the National Production Licenses for Industrial Products\* (《全國工業產品生產許可證》) in accordance with the laws of the PRC.

The table below provides the terms of validity of the National Production Licenses for Industrial Product\* (《全國工業產品生產許可證》) of our PRC subsidiaries:

<b>Company Name</b>	<b>Expiration Date of the National Production Licenses for Industrial Product* (《全國工業產品生產許可證》)</b>
Chaowei Power	27 May 2015
Changxing Zhongcheng	17 April 2012
Henan Chaowei	17 April 2012
Shandong Chaowei	28 January 2012
Jiangsu Chaowei	17 April 2012
Anhui Chaowei	5 January 2014

### 2. *Product Quality*

Pursuant to the Law of the People's Republic of China on Product Quality\* (《中華人民共和國產品質量法》) which came into effect on 8 July 2000, products that may endanger human health, the human body or the safety of assets shall be in compliance with the relevant national and industrial standards. Where no such standards have been formulated, the necessary requirements for the protection of human health, the human body and the safety of assets shall be met. Any industrial products that fail to meet such standards or requirements shall not be manufactured or sold. Such relevant national and industrial standards include the standards numbered GB/T 18332.1-2009, GB/T 22199-2008, GB/T 19639.1-2005, JB/T 6457.2-2004 and QB/T 2947.1-2008, which are applicable to ordinary lead-acid motive batteries, and the standard numbered QC/T 742-2006 which is applicable to lead-acid motive batteries for electric cars. As of the Latest Practicable Date, all five models of our motive batteries for electric cars have passed the quality tests prescribed by the China North Vehicle Quality Supervision and Testing Laboratory\* (中國北方汽車質量監督檢驗鑒定試驗所), a national-level quality testing institute recognized by the China National Accreditation Service for Conformity Assessment\* (中國合格評定國家認可委員會) and the Certification and Accreditation Administration of the PRC\* (中國國家認證認可監督管理委員會).

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### 3. Production Safety

Enterprises engaged in the production of lead-acid rechargeable batteries in China shall go through the following procedures in accordance with the laws of the PRC.

#### (1) Production Safety Licenses

Pursuant to the Regulations on Production Safety Licenses\* (《安全生產許可證條例》) and Measures for Implementation of the System of Production Safety Licenses of Hazardous Chemicals Production Enterprises\* (《危險化學品生產企業安全生產許可證實施辦法》) which were promulgated and came into effect on 13 January 2004 and 17 May 2004, respectively, the PRC central government has implemented a licensing system for production safety of mining enterprises, construction companies and enterprises producing hazardous chemical products, fireworks and civil explosive materials. No enterprise producing hazardous chemical products may engage in production activities without holding a production safety license. While the Regulatory Authorities for Production Safety of the State Council is responsible for the issuance and administration of production safety licenses for hazardous chemical production enterprises (group companies, head offices or listed companies) under the administration of the central government, the regulatory authorities for production safety of the people's governments of provinces, autonomous regions and municipalities directly under the PRC Central Government will be responsible for the issuance and administration of production safety licenses for other hazardous chemical production enterprises.

Chaowei Power and its branch company located at Xiaopu town, Changxing county, Zhejiang province (“**Xiaopu Branch**”), Changxing Zhongcheng, Henan Chaowei, Shandong Chaowei, Jiangsu Chaowei and Anhui Chaowei have completed the formalities and obtained the Production Safety Licenses\* (《安全生產許可證》) in accordance with the laws of the PRC.

The table below provides the terms of validity of the Production Safety Licenses\* (《安全生產許可證》) of our PRC subsidiaries:

<b>Company Name</b>	<b>Expiration Date of the Production Safety Licenses* (《安全生產許可證》)</b>
Chaowei Power	2012/2/6
Xiaopu Branch	2012/5/18
Changxing Zhongcheng	2012/9/21
Henan Chaowei	2012/2/19
Shandong Chaowei	2010/6/27 <sup>Note</sup>
Jiangsu Chaowei	2010/11/5
Anhui Chaowei	2012/10/21

*Note:* Shandong Chaowei has submitted application to the relevant local authority for the renewal of this license in April 2010. As advised by Zong Heng Law Firm, our legal adviser on the PRC laws, there is no legal impediment for obtaining the renewed license on time.

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### (2) Registration of Dangerous Chemicals

Pursuant to the Regulations on the Administration of the Safety of Hazardous Chemicals\* (《危險化學品安全管理條例》), the Measures for the Administration of Registration of Hazardous Chemicals\* (《危險化學品登記管理辦法》) and their implementation opinions that came into effect on 15 March 2002 and 15 November 2002, respectively, any entities engaged in the production, storage of hazardous chemicals or usage of virulent chemicals or the other hazardous chemicals in a quantity that could be a potential source of serious accidents shall register with the competent offices for chemicals in accordance with the laws of the PRC. The PRC Central Government has established the National Registration Center for Chemicals (國家化學品登記註冊中心) to take charge of activities and administrative matters of the national registration of hazardous chemicals, while the people's governments of provinces, autonomous regions and municipalities directly under the PRC Central Government have set up chemical registration offices to handle the local activities and administrative matters related to hazardous chemical registration.

Chaowei Power and its Xiaopu Branch, Changxing Zhongcheng, Henan Chaowei, Shandong Chaowei, Jiangsu Chaowei and Anhui Chaowei have obtained their Registration Certificates for Production Units of Hazardous Chemicals\* (《危險化學品生產單位登記證》) in accordance with the laws of the PRC.

### (3) Permission of Construction Projects with regard to Safety Issues

Pursuant to the Production Safety Law of the PRC\* (《中華人民共和國安全生產法》), Safety Regulations for Hazardous Chemicals\* (《危險化學品安全管理條例》) and Measures for the Implementation of Safety Permission on Hazardous Chemicals Construction Projects\* (《危險化學品建設項目安全許可實施辦法》), when an entity has any plans of new construction, extension and reconstruction of production, storage devices and facilities for hazardous chemicals in China, or has any plans of construction projects of production devices and facilities in China involving the generation of hazardous chemicals, it shall engage a qualified safety assessment institution to evaluate the safety of such constructions (going through the processes of examination, approval and record keeping), and request for the launching of a safety investigation from the competent department in charge of the safety permission on construction projects. After the design of all of the safety facilities for such construction project has been completed, the entity shall submit the design to that competent department for review of the safety facilities design of the construction project. Following the completion of the safety facilities of the construction project, the entity shall examine and test those facilities in accordance with the laws, regulations, and standards concerned with production safety, so that it can be ensured that those facilities satisfy the safety requirements in the production and storage of hazardous chemicals and are in good operating conditions. Prior to the commencement of production or use of such construction projects, the entity shall request for the inspection of the safety facilities for completion of work from the competent authority in charge of the safety permission on construction projects, and the projects may only be put into production or use after the safety facilities have

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passed the relevant tests. The entity shall go through the review procedures on the safety of construction projects before their establishment and the design of the safety facilities, and also the inspection procedures after the completions of the safety facilities in accordance with the laws of the PRC.

The construction projects of Chaowei Power and its Xiaopu Branch, Changxing Zhongcheng, Henan Chaowei, Shandong Chaowei, Jiangsu Chaowei and Anhui Chaowei have all gone through those safety assessment procedures for construction projects and review and inspection procedures for safety facilities.

### **Laws and Regulations Relating to Environmental Protection**

The primary components of lead-acid rechargeable batteries, namely lead (and/or lead compounds) and sulphuric acid, are inherently dangerous and can be harmful to the environment if they are improperly handled. In particular, lead is toxic which can contaminate soil, water and air and accumulate in human bodies.

The PRC government has formulated a comprehensive set of environmental protection laws and regulations that cover areas such as land rehabilitation, sewage discharge and waste disposal. The Ministry of Environmental Protection of the PRC\* (中華人民共和國環境保護部) is responsible for the supervision and formulation of the national standards on environmental quality. The competent authorities departments of environmental protection under the local people's government at or above the county level are responsible for the supervision of matters on environmental protection within their own jurisdictions.

Pursuant to the Administrative Regulations on Environmental Protection for Construction Projects\* (《建設項目環境保護管理條例》), Environmental Impact Assessment Laws of the PRC\* (《中華人民共和國環境影響評價法》) and Administrative Measures for the Examination and Approval of Environmental Protection Facilities for Completion of Construction Projects\* (《建設項目竣工環境保護驗收管理辦法》), an enterprise is required to compile an environmental impact report or environmental impact registration form with regard to the specific impacts on the environment prior to the commencement of any construction project. The enterprise shall engage an institution with the relevant environmental impact assessment qualification to perform the environmental impact assessment services. The completed environmental impact report or environmental impacts registration form shall be submitted to the authorized competent department of environmental protection for approval. Following the completion of the construction project, the enterprise or entity shall request for the inspection on the completed essential auxiliary environmental protection facilities for the construction project from the relevant competent departments of environmental protection, and the construction project may only be put into production or used after the environmental protection facilities have passed the relevant tests.

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Pursuant to the Environment Protection Law of the PRC\* (《中華人民共和國環境保護法》), the Water Pollution Prevention Law of the PRC\* (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention Law of the PRC\* (《中華人民共和國大氣污染防治法》) and the “Rules on the Administration and Registration of Discharge of Pollutants\* (《排放污染物申報登記管理規定》), all entities, directly or indirectly, discharge pollutants shall register for pollutants discharge with the relevant competent departments of environmental protection and obtain Pollutants Discharge Permits or Temporary Pollutants Discharge Permits from those departments before commencing operation. Those entities which have obtained Pollutants Discharge Permits shall strictly conform to the discharge standards stipulated in the Pollutants Discharge Permits when discharging waste. Registration Form of Discharge of Pollutants\* (《排污申報登記表》) shall be submitted to the relevant competent departments of environmental protection under the local people’s government at or above the county level within one month after receiving the approval of environmental inspection and acceptance of facilities for the prevention of pollution to proceed the registration. Entities which fail to report matters relating to pollutant emission will receive warning from or be fined by the relevant competent departments of environmental protection. Entities which discharge pollutants exceeding the emission limits set by the central and local government will be ordered to take remedial measures within a time limit and fined by the competent departments of environmental protection of the local people’s government at or above the county level. If they fail to accomplish the remedial task within the time limit, apart from being charged for drainage surcharge in accordance with the stipulation set by the central government, their business may be suspended and the entities may be closed down on account of the severity of the danger and damages caused.

Pursuant to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes\* (《中華人民共和國固體廢物污染環境防治法》), it is prohibited to discharge solid waste into or pile them up at rivers, lakes, canals, ditches, reservoirs, bottomlands, banks or slopes under the highest waterline or other places where waste is not allowed to be discharged into or piled up according to laws and regulations. The PRC Central Government institutes a system of registration for industrial solid wastes. The entities discharging industrial solid wastes shall provide information about the generation, storage, disposal and other materials concerning industrial solid wastes to the relevant competent departments in charge of environmental protection of the local people’s government at or above the county level. Failure to comply with the requirements of registration of the industrial solid wastes or hazardous wastes will be ordered to take remedial measures within a time limit and fined by the competent departments of environmental protection of the local people’s government at or above the county level.

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The competent departments of environmental protection of the State Council jointly with other relevant departments of the State Council, formulated a national catalog of hazardous wastes, and unified criteria and methods for identifying hazardous wastes and their identification labels. An enterprise discharging hazardous wastes shall, pursuant to the state provisions, work out a plan for managing hazardous wastes, and report the types, production quantity, flow direction, storage, disposal treatment and other relevant materials to the competent departments of environmental protection of their local people's government at or above the county level. An entity that discharges hazardous wastes shall dispose hazardous wastes according to relevant provisions of the State, and shall not dump or dispose such waste without approval; those that fail to dispose of hazardous wastes shall be ordered to rectify the same within the time limit by the competent departments of environmental protection of its people's government at or above the county level. If an entity fails to dispose the waste within the time limit or in accordance with relevant provisions of the State, another entity shall be commissioned to dispose the waste by the competent departments of environmental protection of their local people's government at or above the county level, and the expenses incurred therefrom shall be undertaken by the entity that generates hazardous wastes. Where the disposal of hazardous wastes into landfill does not comply with the provisions set by the competent departments of environmental protection of the State Council, it shall pay discharging fees for hazardous wastes discharging. The entities generating, collecting, storing, transporting, using or discharging hazardous wastes shall formulate preventive measures and emergency plans against accidents and report those measures and plans to the competent departments of environmental protection of their local people's government at or above the county level for filing.

Under the Standards for Pollution Control on Hazardous Waste Storage\* (《危險廢物貯存污染控制標準》) (GB18597-2001), containers with abandoned batteries shall have labels indicating their category as required by the laws and regulations; or specialized facilities shall be constructed in accordance with the Standards for Pollution Control on Hazardous Waste Storage\* (《危險廢物貯存污染控制標準》) (GB18597-2001) for the storage of abandoned batteries, in which the abandoned batteries will be placed inside plastic containers. The plastic containers should be corrosion and pressure-resistant, and properly sealed. The disposal of used batteries into landfill should also fulfill the stringent requirements on landfill.

Anyone who violates the above mentioned laws and regulations may be subject to warnings, fines or administrative sanctions, depending on the nature and the severity of the environmental damage caused. Any entity engaged in construction or manufacturing activities without complying with the relevant environmental protection requirements may be ordered to suspend production or operations and may be fined. If the violation of above laws and regulations result in significant loss of property, personal injuries or deaths, the responsible person of the entity may have criminal liability for constitution of criminal offences.



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According to the relevant laws, regulations and standards in China, the following are environmental quality standards and pollutant discharge standards applicable to our operation:

### A. *Environmental Quality Standards*

#### (1) Air Quality in a Specific Environment

The daily average concentration of lead in the air has to conform to the maximum concentration limit of the toxic materials in the atmosphere in a residential zone permitted under the Hygiene Standards for Industrial Enterprises\* (《工業企業設計衛生標準》) (TJ36-79); while the average annual and quarterly concentration in the air of the environment has to meet the concentration limits as set out under the Air Quality Standards in a Specific Environment\* (《環境空氣質量標準》) (GB3095-1996). Details of the concentration limits are set out as follows:

Period	Lead	
	(Unit: $\mu\text{g}/\text{m}^3$ )	Standards
Daily average	0.70	TJ36-79
Quarterly average	1.50	GB3095-1996
Annual average	1.00	GB3095-1996

#### (2) Ground Surface Water Condition

Depending on the water usage category, water discharge has to conform to the relevant standards of Category III specified under the Ground Surface Water Quality Standards\* (《地表水環境質量標準》) (GB3838-2002), which refers to an indicative lead value of  $\leq 0.05\text{mg/L}$ .

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### (3) Underground Water Condition

Quality of underground water has to conform to the Underground Water Quality Standards\* (《地下水質量標準》) (GB/T14848-93) as detailed below:

Categories	Category I	Category II	Category III	Category IV	Category V
pH	6.5 ~ 8.5	6.5 ~ 8.5	6.5 ~ 8.5	5.5 ~ 6.5 8.5 ~ 9	< 5.5 >9
Maximum permitted lead concentration (Unit: mg/L)	≤0.005	≤0.01	≤0.05	≤0.1	>0.1

### (4) Soil Condition

Soil condition has to conform to Soil Quality Standards\* (《土壤環境質量標準》) (GB15168-1995). Specific parameters are listed as follows:

Soil Class	First Class	Second Class			Third Class
pH	Natural background	<6.5	6.5~7.5	>7.5	>6.5
Maximum permitted lead concentration (Unit: mg/L)	≤35	≤250	≤300	≤350	≤500

### (5) Other Water Condition

Water for fishing industry has to conform to the prescribed lead content of ≤0.05mg/L as set out under the Water Quality Standards for Fishing\* (《漁業水質標準》) (GB11607-89). Water for agricultural irrigation has to conform to the prescribed lead content of ≤0.1mg/L as set out under the Water Quality Standards for Agricultural Irrigation\* (《農用灌溉水質標準》) (GB5084-92). Water for daily use has to conform to the prescribed lead content of ≤0.05mg/L as set out under the Water Hygiene Standards for Daily Consumption\* (《生活飲用水衛生標準》) (GB5749-85).

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### B. Pollutant Discharge Standards

#### (1) Exhaust gas

The emission of lead and its chemical compounds in the industrial exhaust gas has to conform to the Second Class Emission Standard as set out under the Comprehensive Air Emission Standards\* (《大氣污染物綜合排放標準》) (GB16297-1996). The details are set out as below:

Pollutants	Maximum permitted emission concentration (mg/m <sup>3</sup> )	Height of air chimney (m)		Non-organized emission supervisory concentration limit	
		0.004	0.006	Supervisory threshold	Concentration (mg/m <sup>3</sup> )
		0.027	0.047		
		Maximum permitted emission rate (kg/h)			
Lead and its chemical compounds	0.7			Maximum concentration outside the perimeter	0.0060

The concentration of lead and its chemical compounds discharged from factories has to conform to the supervisory concentration limit for non-organized emission as set out under the Comprehensive Air Pollutant Emission Standards\* (《大氣污染物綜合排放標準》) (GB16297-1996), in which the maximum concentration limit of lead and its chemical compounds outside the perimeter is 0.0075mg/m<sup>3</sup>.

The emission of exhaust gas from metal melting furnaces has to conform to the Second Class Standard under Emission Standards for Air Pollutants of Industrial Furnaces\* (《工業爐窯大氣污染物排放標準》) (GB9078-1996), relevant measurements are set out as follows:

Category of furnace	Organized emission limit				Maximum permitted non-organized soot emission (mg/m <sup>3</sup> )
	Concentration of soot (mg/m <sup>3</sup> )	Darkness of smoke (Ringelmann number)	Lead (mg/m <sup>3</sup> )		
Metal melting furnaces					
≥15m	850	150	1	0.1	5
<15m	425	75	1	0.05	

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### (2) Waste Water

The discharge of waste water has to conform to Category I of the First Class Standard of Pollutants as set out under the Integrated Waste Water Discharge Standards\* (《污水綜合排放標準》) (GB8978-1996). The details are set out as below:

<b>Pollutants</b>	<b>First Class Standard</b>	<b>Maximum permitted emission concentration of category I pollutants</b>
pH of waste water	6~9	–
Total lead (Unit: mg/L)	–	1.0

### (3) Noise Pollution

Noise generated from factories is assessed according to the Category II Standard under Noise Standard for Industrial Enterprise Factories\* (《工業企業廠界噪聲排放標準》) (GB12348-2008), the relevant standards are set out as below:

<b>Category</b>	<b>Unit: equivalent acoustics Leq dB(A)</b>	
	<b>Daytime</b>	<b>Nighttime</b>
II	60	50

### (4) Solid waste

Solid waste is handled in accordance with the relevant standards under Solid Waste Environmental Management Manual of Zhejiang Province\* (《浙江省固體廢物環境管理工作手冊》). The toxic leakage of solid waste is assessed in accordance with the Hazardous Waste Identification Standard – Identification of toxic leaking\* (《危險廢物鑒別標準 – 浸出毒性鑒別》) (GB5085.3-1996). The permitted maximum concentration of lead is 3mg/L.

### (5) Discharge Conduit

The installation of discharge conduit has to conform to the standards of Environmental Protection Graphic Logo – Discharge Conduit (Yuan)\* (《環境保護圖形標誌 – 排放口(源)》) (GB15562.1-1995).

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### Laws and Regulations on Prevention and Control of Occupational Diseases

According to the PRC Law on Occupational Disease Prevention\* (《中華人民共和國職業病防治法》) which came into effect on 1 May 2002, employers in the PRC shall create workplaces and conditions which conform with the State occupational-health standards and requirements, take appropriate measures to ensure occupational health, formulate well-structured responsibility systems for occupational disease prevention, strengthen the management on the occupational disease prevention, enhance occupational disease prevention standards and take responsibility to deal with the loss resulted from occupational diseases.

Employers engaged in businesses that are likely to cause occupational diseases included in the state catalogue of occupational diseases should register with the competent departments of public health and accept their supervision. For any new construction, extension, reconstruction projects, technical modification projects and technology introduction projects which may give rise to occupational diseases, the entities who are responsible for such projects should submit reports for pre-assessment to the competent department of public health, which, within thirty (30) days after the receipt of the said reports, shall notify its decisions to the said entities in written notices. The expense of the occupational-disease-prevention facilities for any construction project shall be included in the engineering budget of the construction project, and the occupational-disease-prevention facilities should be designed, engineered and put into operation concurrently with the subjects of the project. Construction projects with very high occupational disease exposure may not commence until the competent department of public health has certified that the construction project conforms to the state standards and requirements on occupational health. The entity who takes charge of the project should carry out the assessment of the occupational-disease-prevention measures before the final acceptance of the construction project. No construction project shall be put into operation without having its occupational-disease-prevention facilities accepted by the competent department of public health upon the acceptance of the construction project.

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According to the Diagnostic Criteria of Occupational Chronic Lead Poisoning\* (《職業性慢性鉛中毒診斷標準》) (GBZ37 – 2002), which became effective on 1 June 2002, a person who possesses the following symptoms is considered to have occupational chronic lead poisoning:

	<b>Lead poisoning of low degree</b>	<b>Lead poisoning of medium degree</b>	<b>Lead poisoning of high degree</b>
Symptoms	<p>Blood lead level is equal to or more than 600 µg/L or urine lead level is equal to or more than 120 µg/L with one of the following symptoms:</p> <p>a) δ-amino-r-levulin acid is equal to or more than 8,000 µg/L;</p> <p>b) free erythrocyte protoporphyrin (EP) is equal to or more than 2,000 µg/L;</p> <p>c) zinc protoporphyrin (ZPP) is equal to or more than 13.0 µg/gHb;</p> <p>d) abdominal pain, abdominal swelling or constipation, etc.</p> <p>According to the diagnostic lead-removal test, urine lead level is equal to or more than 800 µg/L or 1,200 µg/24h</p>	<p>Symptoms of lead poisoning of low degree with one of the following symptoms:</p> <p>a) acute abdominal pain;</p> <p>b) anaemia;</p> <p>c) mild toxic peripheral neuropathy</p>	<p>Either one of the following symptoms:</p> <p>a) lead paralysis;</p> <p>b) toxic encephalopathy</p>

Poisoned patients should be treated by lead detoxication of metal complexants, for instance, injection of calcium disodium ethylenediamine-tetraacetate or sodium dimercaptosuccinate or oral intake of dimercaptosuccinic, etc. acid, subject to their specific conditions, complemented by symptomatic treatment. Suspected poisoned patients can also be treated by lead detoxication as appropriate.

Lead poisoned patients of low and medium degree are allowed to work at the original locations which are exposed to lead after complete recovery. Lead poisoned patients of high degree must avoid lead exposure work and be offered treatment and rest subjected to their conditions.

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Save for the above, the following administrative provisions and national standards relating to new-energy automobile, electric bikes and electric motorcycles may have direct or indirect impacts on the business development of the Group.

### *1. Administrative Provisions for the Entry of New-energy Automobile Manufacturing Industry*

According to the Administrative Provisions for the Entry of New-energy Automobile Manufacturers and Products\* (《新能源汽車生產企業及產品准入管理規則》) which were promulgated by the Ministry of Industry and Information Technology of the PRC on 17 June 2009 and which came into effect on 1 July 2009, new-energy automobiles with lead-acid rechargeable battery (including hybrid passenger vehicles, hybrid commercial vehicles, pure electric passenger vehicles and pure electric commercial vehicles, etc.) as power source are currently at the developing or mature technological stage, allowed for mass production (but their sales and use are restricted in and to approved areas, certain scopes, duration and conditions, and at least 20% of the sold products must be under real-time monitoring on running status) or under ordinary production management.

### *2. National Standards for Electric Bikes and Electric Motorcycles*

Announcement of Newly Approved National Standards, 2009 No. 8 (Total No. 148) of the PRC\* (《國家標準批准發佈公告》總第148號) was issued by the Standardization Administration of the PRC\* (國家標準化管理委員會) on 25 June 2009, providing four sets of standards on electric motorcycles and electric mopeds, namely the Safety Requirements on Electric Motorcycles and Electric Mopeds\* (《電動摩托車和電動輕便摩托車安全要求》) (GB 24155-2009), the Methods to Test the Power Performance of Electric Motorcycles and Electric Mopeds\* (《電動摩托車和電動輕便摩托車動力性能試驗方法》) (GB/T 24156-2009), the Methods to Test the Energy Consumption Rate and Rate Distance of Electric Motorcycles and Electric Mopeds\* (《電動摩托車和電動輕便摩托車能量消耗率和續駛里程試驗方法》) (GB/T 24157-2009) and General Specifications for Electric Motorcycles and Electric Mopeds\* (《電動摩托車和電動輕便摩托車通用技術條件》) (GB/T 24158-2009) (hereinafter the “General Specifications”). The General Specifications define an electric two-wheel moped as a two-wheel vehicle driven by electricity with “a maximum designed speed of over 20 km/h and less than 50 km/h” or with “a whole-vehicle mass above 40 kg and a maximum designed speed of less than 50 km/h”.

## REGULATORY OVERVIEW

According to the relevant regulations of the Road Traffic Safety Law of the PRC (《道路交通安全法》) and its implementation regulations, as a motorcycle is classified as a motor vehicle, it shall be registered with the traffic administrative department of the public security bureau and the motor vehicle registration certificate, the plate and the driving permit shall be obtained in accordance with the relevant rules prior to being driven on any road.

Pursuant to the Notice on Implementation of Relevant Standards for Motorcycles\* (《關於電動摩托車相關標準實施事項的通知》) issued by the Standardization Administration of the PRC on 15 December 2009, the implementation of the requirements relating to electric motorcycles specified in the General Specifications shall be suspended and the amendments to the national standards on the General Specifications for Electric Bikes\* (《電動自行車通用技術條件》) (GB17761-1999) shall be implemented on an expedited basis.

### 3. *Home Appliance Subsidy Program in Rural Areas of the PRC*

The Chinese government started the Home Appliance Subsidy Program in Rural Areas on December 1, 2007 in Shandong province, Henan province and Sichuan province for trial implementation, and then popularized this program to the entire country as from February 1, 2009. The Home Appliance Subsidy Program in Rural Areas applies to the peasants and employees of State-owned farm and State-owned forest farm. The temporary period of this program is 4 years (at latest January 31, 2013), and 9 types of products are specified in the catalogue of the Home Appliance Subsidy Program in Rural Areas of which colorcast, refrigerator and ice chest, cellphone, washing-machine, computer, air conditioner, water heater (including electric heater, gas water heater, solar water heater), microwave oven and induction cooker are included. And each household can purchase 2 products in each type of products at the most.

On March 23, 2010, the Ministry of Finance, the Ministry of Commerce and the Ministry of Industry and Information Technology of the PRC issued the Notice on Relevant Issues regarding Implementation Plan of Enlarging the Products Catalogue under Home Appliance Subsidy Program in Rural Areas\* (《關於印發〈新增家電下鄉補貼品種實施方案〉及確認新增補貼品種等有關問題的通知》) pursuant to which 10 provinces of the PRC including but not limited to Shandong province, Jiangsu province and Hebei province can choose electric bike as the additional product in addition to the current 9 types of products in the catalogue of the Home Appliance Subsidy Program in Rural Areas, and each household who purchases electric bike in these 10 provinces can enjoy a subsidy of RMB260 at the most.