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### OVERVIEW

The governments of the PRC, the Russian Federation and India have promulgated laws, regulations and policies specifically applicable to the coal mining industry. Many of such laws, regulations and policies have a significant impact on the coal mining equipment industry, given the interconnected nature of the two industries. In addition, in the PRC, we are subject to the supervision and regulations of the SACMS, which sets certain standards for coal mining and excavating equipment, in addition to other governmental authorities in various aspects of our business, such as taxes, environmental protection and foreign exchange.

### PRINCIPAL COAL MINING EQUIPMENT INDUSTRY LAWS AND REGULATIONS OF THE PRC

The NDRC issued the *Coal Industry Policy* (煤炭產業政策) (the “Policy”) on November 23, 2007 to promote the adoption of integrated and mechanized coal mining technologies as well as the use of longwall coal mining methods. In addition, the *Policy* encourages the development of the mining technology and roof supports used in small-scale coal mines and the development of safe and efficient conveying technology and equipment.

The State Council promulgated *Several Opinions on Promoting the Healthy Development of the Coal Industry* (國務院關於促進煤炭工業健康發展的若干意見) (the “Opinions”) on June 7, 2005, which sets forth the PRC government’s policies with respect to the development and restructuring of the PRC coal industry. The Opinions reiterates the PRC government’s policies with respect to the administration of coal reserves, enhancement of coal mine safety, encouragement of industry consolidation among coal producers, acceleration of the construction of large coal production bases, improvement of mining techniques and equipment for coal production and the organization and regulation of small coal mines. The Policy and the Opinions, which are advisory in nature, encourage the development of, and innovation in, mining technology as well as the development and restructuring of the coal industry.

### Patent Law

According to the *Patent Law of the PRC* (中華人民共和國專利法) (the “Patent Law”), a company can apply for an invention, utility or design patent based on the nature of the technical achievement. The duration of a patent is 20 years for inventions and ten years for utility models and designs and, in each case, valid from the date of filing. An invention of an employee that is made during the performance of any task for an employer or through the means or resources of the employer will be classified as a service invention, and the employer will be entitled to apply for the patent. Upon approval of the patent application, the patent rights for service inventions will belong to the employer, provided that there are no prior agreements to the contrary between the employer and the employee. As of the Latest Practicable Date, we held 163 patents, 129 of which are utility model patents, 13 of which are innovation patents and 21 of which are design patents. In addition, we had 218 patent applications pending the approval from the relevant intellectual property authorities in the PRC as of the Latest Practicable Date. See “Business — Intellectual Property.”

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### Quality Control

The *Product Quality Law of the PRC* (中華人民共和國產品質量法) sets forth the responsibilities of manufacturers and sellers with respect to product quality guarantees and stipulates the legal liability that producers are subject to pursuant to the *Product Quality Law*. In addition, the *Standardization Law of the PRC* (中華人民共和國標準化法) and the *Implementing Rules on the Standardization Law of the PRC* (中華人民共和國標準化法實施條例) stipulate that manufacturing enterprises which implement certain national, industrial, local or enterprise standards must indicate the code names, serial numbers and names of the relevant standards on their products and related instructions and/or packaging.

### Foreign Investment by PRC Entities

The MOFCOM promulgated the *Measures for Overseas Investment Management* (境外投資管理辦法) on March 16, 2009, which became effective as of May 1, 2009, pursuant to which any PRC enterprise investing overseas must receive approval from the MOFCOM or its provincial departments. According to the *Interim Measures for the Administration of Examination and Approval of Overseas Investment Projects* (境外投資項目核准暫行管理辦法), which was promulgated by the NDRC on and became effective from October 9, 2004, any investment project using a significant amount of foreign exchange must be examined and approved by the NDRC or the State Council. Any change with respect to an investor of, or the equity holding in, such an approved overseas project must be approved by the NDRC.

According to the *Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions* (境內機構境外直接投資外匯管理規定) which was promulgated by the SAFE and became effective on August 1, 2009, upon obtaining approval from the relevant overseas investment authority, a PRC enterprise may apply for foreign exchange registration for its overseas direct investments.

### Environmental Protection

The *Environmental Protection Law of the PRC* (中華人民共和國環境保護法) promulgated on and effective from December 26, 1989 (the “Environmental Protection Law”), is the basic law for environmental protection in the PRC and applies to anyone engaged in manufacturing operations. Under the *Environmental Protection Law*, the State Administration for Environmental Protection is required to establish the national standards for environmental protection. The provincial governments, autonomous regions and municipalities directly under the PRC Central Government may establish local standards for environmental protection.

The Environmental Protection Law requires each company that discharges environmental pollutants or other hazardous materials to incorporate environmental protection measures into its operations and establish an environmental protection responsibility system. According to this law, each company must adopt effective measures to prevent and control the pollution and harm to the environment by waste gases, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated during the course of production and related activities. In addition, a project operator must provide an assessment of the potential pollution and environmental impact of the project, as well as the prevention and control measures to the environmental protection authorities. The environmental protection authorities will not issue the approval to commence a construction project until they have reviewed and are satisfied with the pollution prevention and control measures.

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According to the *Ordinance of Environmental Protection Administration for the Construction Project* (建設項目環境保護管理條例) promulgated on and effective from November 29, 1998 and the *Law on Environmental Impact Appraisal of the PRC* (中華人民共和國環境影響評價法) promulgated on October 2, 2002 and effective from September 1, 2003, the PRC government has established a system to appraise the environmental impact of a construction project and administer an environmental impact appraisal based on the environmental impact. Construction enterprises must submit the environmental impact reports to the relevant environmental protection authorities for approval. No enterprise may commence its construction project without the approval of the relevant environmental protection authorities.

The *Law of the PRC on Prevention and Control of Water Pollution* (中華人民共和國水污染防治法) effective from June 1, 2008 provides that each new construction, expansion, reconstruction or other related project, which directly or indirectly discharges pollutants into a water source, is subject to the state regulations on environmental protection of construction projects. Each enterprise that discharges pollutants directly or indirectly into a water source must register its facility with, and submit relevant information to, the local environmental protection authorities. Such information may include the categories, quantity and concentration of pollutants discharged during the ordinary course of the operations of the enterprise. Such an enterprise may also be required to submit information on its water pollution prevention and control measures to the local environmental protection authorities. In addition, the PRC government also requires that each enterprise obtain a permit for the direct or indirect discharge of pollutants into the water, and pay a pollutant discharge fee.

The *Prevention and Control of Atmospheric Pollution Law of the PRC* (中華人民共和國大氣污染防治法) effective from September 1, 2000 provides that each new construction, expansion, reconstruction or other related project that discharges atmospheric pollutants is subject to state regulations on environmental protection of construction projects. Each enterprise that discharges atmospheric pollutants must register its facilities with, and submit relevant information to, the local environmental protection authorities. Such information may include the categories, quantity and concentration of pollutants during the ordinary course of the operations of the enterprise. Such an enterprise may also be required to provide certain technological information associated with atmospheric pollution to the local environmental protection authorities. In addition, the PRC government has implemented a system to collect fees from enterprises that discharge pollutants based on the categories and quantities of atmospheric pollutants discharged. The relevant environmental protection authorities have established standards for collecting fees that take into consideration the relevant atmospheric pollution regulations and the national economic and technological development level.

According to the amended *Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC* (中華人民共和國固體廢物污染環境防治法) effective from April 1, 2005, manufacturers, vendors, importers and users must seek to prevent and control the discharge of solid wastes.

According to the *Prevention and Control of Environmental Pollution by Noise Law of the PRC* (中華人民共和國環境噪聲污染防治法) promulgated on October 29, 1996 and effective from March 1, 1997, each new construction, expansion, or reconstruction project which discharges noise pollution is subject to the state regulations on environmental protection of construction projects. Industrial enterprises that emit noise pollution during industrial manufacturing at their facilities must report to the local environmental protection authorities certain information regarding the categories, quantity and volume of emitted noise pollution. Enterprises may also be required to provide certain prevention and control information for noise pollution to the local environmental protection authorities. If the noise pollutant emission of an

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enterprise exceeds the limits set by national or local pollution standards, such enterprise will be required to pay an additional fee for the excessive emission.

### Labor Regulations

The *PRC Labor Law* (中華人民共和國勞動法) promulgated on July 5, 1994 and effective January 1, 1995, and the *PRC Labor Contract Law* (中華人民共和國勞動合同法) promulgated on June 29, 2007 and effective from January 1, 2008, require that each employer and employee execute a valid labor contract to legally establish an employment relationship. Employers may not require their employees to work in excess of the prescribed time limits and must timely pay wages that meet certain minimum wage standards. Each employer must establish a labor safety and sanitation system, and must strictly abide by labor safety and sanitation standards set by the state authorities. Each employer must provide its employees with safe and sanitary working conditions and protective clothing and in the case of employees working in hazardous conditions, regular health examinations.

According to the *Interim Regulations on the Collection and Payment of Social Insurance Premiums* (社會保險費徵繳暫行條例), the *Interim Measures Concerning the Administration of the Registration of Social Insurance* (社會保險登記管理暫行辦法) and *Social Insurance Law* (社會保險法), Each PRC enterprise must register with the relevant authorities for social insurance purposes and make contributions to basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and occupational injury insurance for its employees.

The *Regulations on the Administration of Housing Fund* (住房公積金管理條例) stipulates that each PRC enterprise must register with the relevant housing fund management center and maintain a special housing fund account with a designated bank. Each enterprise and its employees must make monthly contributions to this housing fund in the amount of no less than 5% of such employees' monthly average wage during the preceding year.

### Occupational Safety

The *Production Safety Law of the PRC* (中華人民共和國安全生產法) and the *Prevention and Treatment of Occupational Diseases Law of the PRC* (中華人民共和國職業病防治法) require each enterprise to provide its employees with safe production conditions. An enterprise without safe production conditions is not permitted to operate, and employees of manufacturing enterprises for certain specified operations including welding may not commence work until they have received and passed safety operations training courses and obtained qualification certificates for special operations in accordance with relevant regulations.

In addition, the *Measures for Administrative Penalties against Illegal Acts Concerning Work Safety* (安全生產違法行為行政處罰辦法) provide that the relevant production safety departments may impose administrative penalties such as warnings, fines, cancellation of licenses and related measures on the enterprises that violate the *Production Safety Law of the PRC*.

### Taxation

According to the *Enterprise Income Taxation Law of the PRC* (中華人民共和國企業所得稅法) effective from January 1, 2008 and its implementation rules, a unified enterprise income tax rate of 25% is applied equally to both domestic enterprises and foreign invested enterprises.

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According to the *Measures for the Administration of the Recognition of Hi-tech Enterprises* (高新技術企業認定管理辦法) promulgated on April 14, 2008 and effective from January 1, 2008, an enterprise recognized as a hi-tech enterprise may apply for the favorable tax treatment at the rate of 15% pursuant to the *EIT Law* and its implementing rules and other relevant laws and regulations.

### **PRC Regulations on Reduction of State-owned Shares**

Please see “Share Capital — Transfer of State-owned Shares to NSSF” for information on the relevant PRC regulations on reduction of state-owned shares.

### **PRINCIPAL COAL MINING EQUIPMENT INDUSTRY LAWS AND REGULATIONS OF THE RUSSIAN FEDERATION**

There is no specific regulatory regime relating to either the provision of aftermarket coal mining equipment services or the development and manufacturing of coal mining equipment and coal mining transport equipment under Russian law. However, certain federal laws and regulations contain general requirements applicable to these industries, key aspects of which are summarized below.

#### **Licensing**

Federal Law “*On Licensing of Certain Types of Activities*” dated May 4, 2011 (the “Licensing Law”), establishes a list of activities that can only be performed on the basis of licenses issued by the relevant Russian authorities. These include licenses for the operation of hazardous fire and explosion production facilities (the “Fire and Explosion Licenses”) which may be required for the development, manufacturing and aftermarket servicing of coal mining and coal mining transport equipment.

The Fire and Explosion Licenses are issued pursuant to the Licensing Law, Federal Law “*On Industrial Safety of Hazardous Industrial Facilities*” dated July 21, 1997 (the “Industrial Safety Law”) and *Regulation on Licensing of Operation of Fire and Explosion Dangerous Production Facilities* approved by Decree of the Government No. 454, dated May 5, 2012. The Fire and Explosion Licenses are granted by the Federal Service for Ecological, Technical and Atomic Supervision (the “Rostekhnadzor”) for an indefinite term. Conditions for the issuance of Fire and Explosion Licenses include, *inter alia*, documentary proof of third-party liability insurance in the event of an accident at the relevant production facility. Licenses are granted on a non-competitive basis and are issued upon the relevant filing by an applicant provided that the following conditions are met, among others: (i) correct and complete documents have been filed; and (ii) the applicant or facilities owned or used by the applicant comply with applicable licensing and certification requirements, including, for example, obtaining certain permits provided by the Industrial Safety Law and compliance with industrial safety regulations. Rostekhnadzor carries out regular monitoring to ensure the licensees’ compliance with licensing terms and applicable laws and regulations. The frequency of announced inspections is established by Rostekhnadzor based on an analysis of industrial safety conditions relevant to the licensee’s activity. Unannounced inspections may also be carried out.

In addition, the development, manufacturing and aftermarket servicing of coal mining and coal mining transport equipment may be organized in a way that requires, among others, licenses for the collection, use, operations with and transportation of hazardous waste and for the use of water.

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### **Industrial Safety**

The principal law regulating the safety of employees at industrial workplaces is the *Industrial Safety Law*. Any construction, reconstruction, liquidation or other activities in relation to regulated industrial sites is subject to a state industrial safety review. Any deviation from project documentation in the process of construction, reconstruction and liquidation of industrial sites is prohibited unless reviewed by a licensed expert and approved by Rostekhnadzor.

Companies that operate such industrial facilities and sites have a wide range of obligations under the *Industrial Safety Law* and the *Labour Code of Russia*. In particular, they must limit access to such sites to qualified specialists, maintain industrial safety controls and carry insurance for third-party liability for injuries caused in the course of operating industrial sites. The *Industrial Safety Law* also requires these companies to enter into contracts with professional wrecking companies or to create their own wrecking services in certain cases, conduct personnel training programs, create systems to respond to and inform Rostekhnadzor of accidents and maintain these systems in good working order.

In certain cases, companies operating industrial sites must also prepare declarations of industrial safety which summarize the risks associated with operating a particular industrial site and measures the company has taken and will take to mitigate such risks and use the site in accordance with applicable industrial safety requirements. Such declarations must be adopted by the chief executive officer of the company, who is personally responsible for the completeness and accuracy of the data contained therein.

Rostekhnadzor has broad authority in the field of industrial safety. In case of an accident, a special commission led by a representative of Rostekhnadzor will conduct a technical investigation of the cause. The company operating the hazardous industrial facility where the accident took place will bear all costs of this investigation. The officials of Rostekhnadzor have the right to access industrial sites and may inspect documents to ensure a company's compliance with safety rules. Rostekhnadzor may suspend or terminate operations or impose administrative liability.

Any company or individual violating industrial safety rules may incur administrative and/or civil liability, and individuals may also incur criminal liability. A company that violates safety rules in a way that negatively impacts the health of an individual may also be obligated to compensate the individual for lost earnings, as well as health-related damages.

### **Quality Control Laws**

The Russian companies as well as products produced and facilities located in Russia are subject to various technical regulations enacted under the *Federal Law of the Russian Federation* (the "Federal Law") "*On Technical Regulation*" dated December 27, 2002, which sets forth requirements for production, manufacturing, storage, transportation, sales and certain other operations and processes, as well as quality of products. This law contains provisions on technical regulations, standardization, certification, accreditation of certification agencies and test laboratories, state control over compliance with the requirements of technical regulations, penalties for violations of technical regulations, product withdrawals and other related issues. Once manufacturing of coal mining equipment and coal mining transport equipment is commenced in Russia, the respective manufacturer will need to pass the relevant product certification procedures.

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### **Environmental Protection Laws**

Russian manufacturing companies are subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, flora and fauna protection and wildlife protection. Issues of environmental protection in Russia are regulated primarily by the Federal Law “*On Environmental Protection*”, dated January 10, 2002, as amended (the “*Environmental Protection Law*”) as well as by a number of other federal and local legal acts.

### ***Pay-to-Pollute***

The Environmental Protection Law has established a “pay-to-pollute” regime administered by federal and local authorities. The Russian Government has established standards relating to the permissible impact of pollution on the environment and, in particular, has established rules for approving limits for emissions, waste disposal and resource extraction. An applicant may obtain approval to exceed these statutory limits from the federal or regional authorities, depending on the type and scale of the potential environmental impact. As a condition to such approval, a plan for the reduction of the emissions or disposals must be developed by an applicant and cleared with the appropriate governmental authority, and an applicant must apply the best technologies available as well as conduct various activities aimed at achieving statutory limits. Fees, as set forth in Decree of the Government No. 632, dated August 28, 1992 and Decree of the Government No. 344 dated June 12, 2003, as amended, are assessed on a sliding scale for both the statutory or individually approved limits on emissions and effluents and for pollution in excess of these limits: (i) the lowest fees are imposed for pollution within the statutory limits; (ii) intermediate fees are imposed for pollution within individually approved limits; and (iii) the highest fees are imposed for pollution exceeding such limits. Payments of such fees do not relieve a company from its responsibility to take environmental protection measures and undertake restoration and clean-up activities.

### ***Ecological Approval***

Activities that may negatively affect the environment are subject to ecological approval by the competent authorities in accordance with the Federal Law “*On Ecological Expert Examination*” dated November 23, 1995, as amended. Conducting operations that may cause damage to the environment without state ecological approval may result in the negative consequences described in “— Environmental Liability” below.

### ***Enforcement Authorities***

The Federal Service for the Supervision of the Use of Natural Resources and Rostekhnadzor are involved in environmental protection, and together with the Federal Agency on Subsoil Use and the Federal Agency on Water Resources (along with their regional branches), are responsible for the implementation and enforcement of relevant laws and regulations. The Russian government, including the Ministry of Natural Resources and Ecology, is responsible for coordinating the activities of the regulatory authorities in this area. Such regulatory authorities, along with other state authorities, individuals and public and non-profit organizations, also have the right to initiate lawsuits seeking compensation for damage caused to the environment. The period of limitation for such lawsuits is 20 years.

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### ***Environmental Liability***

If the operations of a company violate environmental requirements or cause harm to the environment, environmental authorities may suspend these operations or a court action may be brought to limit or ban those operations and require the company to remedy the effects of the violation. Any company or employees that fail to comply with environmental regulations may be subject to administrative and/or civil liability, and individuals may be criminally liable. Courts may also impose clean-up obligations on violators in lieu of or in addition to imposing fines.

### **Foreign Investment Legislation**

Foreign investments are regulated by the Federal Law “*On Foreign Investments in the Russian Federation*”, dated July 9, 1999 (the “Law on Foreign Investments”). The Law on Foreign Investments guarantees foreign investors the right to invest and to receive revenues and profits from such investments, and sets forth the terms for foreign investors’ business activity in Russia.

Federal Law “*On the Procedures for Foreign Investments in Companies of Strategic Significance for National Defense and Security*” dated April 29, 2008 (the “Law on Strategic Companies”) imposes certain restrictions on foreign investments in Russian companies of “strategic importance.” Pursuant to the Law on Strategic Companies, companies engaged in certain activities in the area of aviation, space exploration and technology, cryptography, certain activities involving use of subsoil resources, transportation, TV and radio broadcasting, certain telecommunication services, as well as certain military-related industries, are considered to be strategically important and foreign investments in such companies in excess of certain thresholds are subject to prior approval by the Governmental Commission for Control over Foreign Investments in Russia. As of the date of this prospectus, companies engaged in the provision of aftermarket coal mining equipment services or the development and manufacturing of coal mining equipment and coal mining transport equipment are not subject to restrictions on foreign investments as set forth in the Law on Strategic Companies.

### **Export Regulations**

Customs legislation in Russia is based on the unified rules of the Customs Union (i.e., Russia, Belarus and Kazakhstan) created on January 1, 2010, the main legislative framework of which came into force on July 1, 2010.

Russian legislation, in particular, Law “*On the Customs Tariff*” dated May 21, 1993 and “*Regulation on Rates of Customs Duties Applicable to Goods Exported from the Russian Federation outside of the Member-Countries of the Customs Union*” approved by Decree of the Government No. 756 dated July 21, 2012, which sets forth the rates of export customs duties for certain types of goods, does not establish a rate of customs duty in relation to exports of coal mining and coal mining transport equipment. Therefore, export of such equipment is not subject to export customs duties.

According to the Russian *Tax Code*, the export of goods is subject to 0% VAT. In order to claim a refund of input VAT paid in relation to goods that subsequently were exported and subject to 0% VAT, the taxpayer is required to file various supporting documents with the Russian tax authorities. The VAT refund is granted only following a chamber tax audit of the respective VAT return and documents (except where the accelerated VAT procedure is used but this is rarely available).

### PRINCIPAL COAL MINING EQUIPMENT INDUSTRY LAWS AND REGULATIONS OF INDIA

#### Overview

The following description is a summary of the relevant regulations as prescribed by the Government of India and the respective bye-laws framed by the local bodies incorporated under the laws in the state of West Bengal, India, where we propose to establish our production facility for hydraulic roof supports. The information detailed in this chapter has been obtained from the various local legislation and the bye-laws of the respective local authorities that are available in the public domain.

#### Regulation of Foreign Investment in India

Foreign investment in Indian securities is governed by the provisions of the *Foreign Exchange Management Act, 1999*, as amended (“FEMA”) read with the applicable FEMA regulations. *Foreign Direct Investment (“FDI”) Policy* issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India (“DIPP”) by circular 1 of 2012, effective from April 10, 2012 (“Circular 1 of 2012”), consolidates and supersedes all previous press notes, press releases and clarifications on FDI issued by the DIPP. The Indian government proposes to update the consolidated circular on FDI Policy once every year and therefore, Circular 1 of 2012 will be valid until the DIPP issues an updated circular (expected to be on April 10, 2013 and effective from April 10, 2013).

Foreign investment is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, where approval from the Government of India or the Reserve Bank of India (“RBI”) is required, depending upon the sector in which foreign investment is sought to be made.

Under the automatic route, the foreign investor or the Indian company does not require any approval from the RBI or the Indian government for investments. 100% FDI is allowed under the automatic route in the manufacturing of coal mining equipment. Under the approval route, prior approval of the Indian government through the Foreign Investment Promotion Board (“FIPB”) is required. Where FDI is allowed on an automatic basis without the approval of the FIPB, the RBI will continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

#### Labor Legislations

We will be required to comply from time to time with certain laws in relation to the employment of labor for our proposed manufacturing facility in India. A brief description of certain labor legislations which are applicable to our operations is set forth below:

##### *Industrial Disputes Act, 1947, as amended (the “ID Act”)*

The ID Act provides the procedure for investigation and settlement of industrial disputes. When a dispute exists or is apprehended, the appropriate government authorities may refer the dispute to a labor court, tribunal or arbitrator, to prevent the occurrence or continuance of the dispute, or a strike or lock-out while a proceeding is pending. The labor court and tribunal may grant appropriate relief including ordering modification of contracts of employment or reinstatement of workmen. The Industrial Disputes (Amendment) Bill 2010 passed by the Rajya Sabha on August 3, 2010, proposes to, among other things, provide direct access for workmen to labor courts or tribunals in case of individual disputes, expand the

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scope of qualifications of presiding officers of labor courts or tribunals, constitute grievance settlement machineries in any establishment having 20 or more workmen, and vest industrial tribunals-cum-labor courts with the powers of a civil court in respect of enforcement of their decrees.

### *Factories Act, 1948, as amended (the “Factories Act”)*

The Factories Act defines a “factory” to be any premises on which on any day in the previous 12 months, 10 or more workers are or were working and in which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or where at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the “occupier” of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers’ health and safety, clean and safe working conditions. If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment or a fine.

### *Minimum Wages Act, 1948, as amended (the “Wages Act”)*

The Wages Act, as amended, provides a framework for state governments to stipulate the minimum wage applicable to a particular industry. The minimum wage may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment for a term of up to six months or a fine of up to Rs. 500 or both.

### *Payment of Bonus Act, 1965 as amended (the “Bonus Act”)*

Pursuant to the Bonus Act, an employee in a factory or in any establishment where 20 or more persons are employed on any day during an accounting year, who has worked for at least 30 working days in a year is eligible to be paid a bonus. Contravention of the provisions of the Bonus Act by a company is punishable with imprisonment or a fine, against persons in charge of, and responsible to the company for the conduct of the business of the company at the time of contravention.

### *Payment of Gratuity Act, 1972, as amended (the “Gratuity Act”)*

Under the Gratuity Act, as amended, an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement, resignation, superannuation, death or disablement due to accident or disease. The entitlement to gratuity in the event of death or disablement is not contingent upon an employee having completed five years of continuous service.

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### ***Employees State Insurance Act, 1948, as amended (the “ESI Act”)***

The ESI Act provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

### ***Contract Labor (Regulation and Abolition) Act, 1970, as amended (the “CLRA”)***

The CLRA requires establishments that employ, or have employed on any day in the previous 12 months, 20 or more workmen as contract labor to be registered and prescribes certain obligations with respect to the welfare and health of contract labor. The CLRA requires the principal employer of an establishment to which it applies to make an application to the registering officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labor cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a license and not to undertake or execute any work through contract labor except under and in accordance with the license issued. To ensure the welfare and health of contract labor, the CLRA imposes certain obligations on the contractor including the establishment of canteens, restrooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be imposed for contravention of the provisions of the CLRA.

### ***Employees Provident Fund and Miscellaneous Provisions Act, 1952, as amended (the “EPF Act”)***

The EPF Act provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. Both the employer and the employee are required to make certain contributions to such funds.

### ***Apprentices Act, 1961, as amended (the “Apprentices Act”)***

The Apprentices Act was enacted in 1961 for imparting training to apprentices (i.e., persons who are undergoing apprenticeship training in pursuance of contracts of apprenticeship). Every employer may make suitable arrangements in his workshop for imparting a course of practical training to every apprentice engaged by him in accordance with the program approved by the apprenticeship adviser. The central apprenticeship adviser or any other person not below the rank of an assistant apprenticeship adviser may be given all reasonable facilities for access to each apprentice with a view to test his work and to ensure that the practical training is being imparted in accordance with the approved program.

### ***The Building and Other Construction Workers Act, 1996, as amended (the “BOCW Act”)***

The BOCW Act provides for regulations on the employment and conditions of service of building and other construction workers and also provides for their safety, health and welfare measures and other matters connected therewith or incidental thereto.

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### ***Industrial Employment (Standing Orders) Act, 1946, as amended (the “Standing Orders Act”)***

The Standing Orders Act requires employers in any industrial establishment which employs 100 or more workmen to define the conditions of employment of workmen employed and to make them known to such workmen. The Standing Orders Act requires every employer to which the Standing Orders Act applies to certify and register the draft standing orders proposed by such employer in the prescribed manner, until which time the model standing orders under the Standing Orders Act must be followed.

### **Environmental Legislation**

Our proposed manufacturing facility in India will be subject to various environmental laws and regulations. Compliance with relevant environmental laws and regulations is the responsibility of the occupier or operator of the facilities.

Our proposed operations in India will require various environmental and other permits covering, among other things, water use and discharges, stream diversions, solid waste disposal and air and other emissions. Major environmental laws applicable to the business operations include:

### ***The Environment (Protection) Act, 1986, as amended (the “EPA”)***

The EPA is umbrella legislation in respect of the various environmental protection laws in India. The EPA vests the Indian government with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution. This includes rules for, *inter alia*, laying down the quality of environment, standards for emission of discharge of environment pollutants from various sources as given under the Environment (Protection) Rules, 1986, inspection of any premises, plant, equipment, machinery, examination of manufacturing processes and materials likely to cause pollution. Penalties for violation of the EPA include fines of up to Rs. 100,000 or imprisonment of up to five years, or both. The imprisonment can extend up to seven years if the violation of the EPA continues.

The EPA also contains provisions with respect to certain compliances by persons handling hazardous substances, furnishing of information to the authorities in certain cases, establishment of environment laboratories and appointment of Government analysts.

### ***Air (Prevention and Control of Pollution) Act, 1981, as amended, (the “Air Act”)***

Under the provisions of the Air Act, under which any individual, industry or institution responsible for emitting smoke or gases by way of use as fuel or chemical reactions must apply in a prescribed form and obtain consent from the state pollution control board. The state pollution control board is required to grant consent within four months of receipt of the application. The consent may contain conditions relating to specifications of pollution control equipment to be installed.

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## REGULATION

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### *Water (Prevention and Control of Pollution) Act, 1974, as amended (the “Water Act”)*

The Water Act aims at the prevention and control of water pollution as well as restoration of water quality through the establishment of state pollution control boards. Under the provisions of the Water Act, any individual, company or institution discharging industrial or domestic wastewater is required to obtain consent of the state pollution control board. The consent to operate is granted for a specific period after which the conditions stipulated at the time of granting consent are reviewed by the state pollution control board. Even before the expiry of the consent period, the state pollution control board is authorized to carry out periodic checks on any industry to verify if the standards prescribed are being complied with by the concerned person/company. If the standards are not being complied with, the state pollution control board is authorized to serve a notice to the concerned person/company.

### *Environment Impact Assessment Notifications*

The *Environment Impact Assessment Notification S.O.60(E)*, issued on January 27, 1994 (the “1994 Notification”) under the provisions of the EPA, prescribes that for the construction of certain power projects specified in the 1994 Notification, in the case of a new project, if the investment is more than Rs. 1,000 million and in the case of an expansion or modernization project, if the investment is more than Rs. 500 million, the prior environmental clearance of the Ministry of Environment and Forests, Government of India (“MoEF”) is required. The environmental clearance must be obtained from the MoEF according to the procedure specified in the 1994 Notification. No construction work, preliminary or other, relating to the setting up of a project can be undertaken until such clearance is obtained.

The application to the MoEF is required to be accompanied by a project report which should include, *inter alia*, an Environmental Impact Assessment Report and an Environment Management Plan.

The Impact Assessment Authority evaluates the report and plan submitted. Such assessment is required to be completed within a period of 90 days from receipt of the requisite documents from the project developer/manager. Thereafter, a public hearing has to be completed and a decision must be conveyed within 30 days.

The clearance granted is valid for a period of five years from the commencement of the construction or operation of the project. The project developer/manager concerned is required to submit a report to the Impact Assessment Authority every six months to enable it to effectively monitor the implementation of the recommendations and conditions subject to which the environmental clearance has been given.

If no comments from the Impact Assessment Authority are received within the time limits specified above, the project will be deemed to have been approved by the project developer/manager. On September 14, 2006, the *Environmental Impact Assessment Notification S.O.1533* (the “2006 Notification”) superseded the 1994 Notification.

Under the 2006 Notification, the environmental clearance process for new projects consists of four stages — screening, scoping, public consultation and appraisal. After completion of public consultation, the applicant is required to make appropriate changes in the draft Environment Impact Assessment Report and the Environment Management Plan. The final Environment Impact Assessment Report has to be submitted to the concerned regulatory authority for appraisal. The regulatory authority is required to give its decision within 105 days of the receipt of the final Environment Impact Assessment Report.

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### ***The Noise Pollution (Regulation & Control) Rules 2000 (“Noise Regulation Rules”)***

The Noise Regulation Rules regulate noise levels in industrial (75 decibels), commercial (65 decibels) and residential zones (55 decibels). The Noise Regulation Rules also establish zones of silence of not less than 100 meters near schools, courts, hospitals, etc. The rules also assign a regulatory authority for administering these standards to the local district courts. Penalty for non-compliance with the Noise Regulation Rules is provided for by the EPA.

### ***Hazardous Waste (Management and Handling) Rules, 1989, as amended (the “Hazardous Waste Rules”)***

The Hazardous Waste Rules impose an obligation on each occupier and operator of any facility generating hazardous waste to dispose of such hazardous wastes properly and also imposes obligations in respect of the collection, treatment and storage of hazardous wastes. Each occupier and operator of any facility generating hazardous waste is required to obtain an approval from the relevant state pollution control board for collecting, storing and treating the hazardous waste.

### ***Public Liability Insurance Act, 1991, as amended (the “Public Liability Act”)***

The Public Liability Act imposes liabilities on the owners or controllers of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of “hazardous substances” covered by the legislation has been enumerated by the Indian government by way of a notification. The owner or handler of hazardous substances is required to take out an insurance policy insuring against liability under the legislation. The rules made under the Public Liability Act mandate that each employer handling hazardous substances must contribute towards the Environment Relief Fund a sum equal to the premium paid on the insurance policies. This amount is payable to the insurer.

### **Other Applicable Legislation**

#### ***The Legal Metrology Act, 2009 (the “Legal Metrology Act”)***

The *Standards of Weights & Measures Act, 1976* & the *Standards of Weights & Measures (Enforcement) Act, 1985* have been repealed with the implementation of the Legal Metrology Act. The Legal Metrology Act provides for establishing uniform standards of weights and measures, regulates trade in weights and other goods which are sold or distributed by weight, measure or number. Use of non-standard weights and measures is punishable with imprisonment and penalties which are prescribed under the Legal Metrology Act. The Legal Metrology Enforcement Rules is the tool by which the state authorities enforce various provisions of the Legal Metrology Act and rules made thereunder.

#### ***West Bengal State Tax on Professions, Trade, Calling and Employment Act, 1979***

The objective of this Act is to levy tax on every person engaged in professions, trades, callings and employments. The Act requires tax to be levied on both salaried employees as well as self-employed persons. The Act provides directions for taxpayers to apply for tax registration/ enrollment. Registered employers are required to file returns with receipted challan showing payment of tax. Enrolled persons are required to pay tax only once every financial year. Failure to do the same is penalized by payment of interest on the overdue amount. The Act also provides for prosecution for certain offences such as failure to pay taxes and failure to furnish tax returns.

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## REGULATION

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### *Approvals from Local Authorities*

Setting up of a factory or manufacturing/housing unit entails the requisite planning approvals to be obtained from the relevant local panchayat(s) outside the city limits and appropriate Metropolitan Development Authority within the city limits. Consents from the state pollution control board(s), the relevant state electricity board(s), the state excise authorities and sales tax authorities, among others, are required to be obtained before commencing the building of a factory or the start of manufacturing operations.

### *The Shops and Establishments Legislations*

Under the provisions of local shops and establishments legislations applicable in the states in which establishments are set up, establishments are required to be registered. Such legislations regulate the working and employment conditions of the workers employed in shops and establishments including commercial establishments and provide for fixation of working hours, rest intervals, overtime, holidays, leave, termination of service, maintenance of shops and establishments and other rights and obligations of the employers and employees.