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REGULATIONS ON PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (the “Production Safety Law”) promulgated by the Standing Committee of the National People’s Congress on June 29, 2002, implemented on November 1, 2002 and amended on August 27, 2009, all entities engaged in production and business operation activities within the territory of the PRC shall observe the Production Safety Law and other relevant laws and regulations concerning production safety, strengthen the administration of production safety, establish and improve the system of responsibility for production safety, and perfect the condition for safe production to guarantee the work safety. The production and business operation entities shall have the conditions for safe production as prescribed in the Production Safety Law, other relevant laws and administrative regulations and national standard or industrial standard. Any production and business entities that do not have such conditions are not allowed to engage in production and business activities.

The department in charge of supervision and administration under the State Council shall exercise comprehensive supervision over and administration of the production safety nationwide, while the departments in charge of production safety of local people’s governments at or above the county level shall exercise overall supervision over and administration of production safety within their own administrative jurisdictions under the Production Safety Law.

In the event that any production or business entities fail to meet the requirements for safe production, the entities may be order to make correction within a prescribed time period, or suspend production or business for ratification if the entity fails to mend up within the prescribed time period and pay a fine. If a serious consequence is caused thereby, and constitutes a crime, the violator may assume criminal liabilities according to the relevant law.

In addition, the Standing Committee of the National People’s Congress adopted the Law of the PRC on the Prevention and Treatment of Occupational Diseases (the “Occupational Disease Prevention Law”) on October 27, 2001, which was amended on December 31, 2011. “Occupational Disease” under the Occupational Disease Prevention Law refers to any diseases caused by the exposure of employees to dust and radioactive substances and other toxic and harmful factors during occupational activities. The Occupational Disease Prevention Law further sets forth certain rights and interests to be enjoyed by employees and the obligations of employers with respect to the management of occupational disease prevention.

Further, the government has established stringent requirement in antimony smelting/refinery industries. Pursuant to the Access Conditions of Antimony Industry (銻行業准入條件) (the “Access Conditions”) issued by the NDRC on December 22, 2006 and implemented on January 1, 2007, the entities engaged in antimony melting shall comply with the Production Safety Law, Occupation Disease Prevention Law and other applicable rules and regulations, and shall implement the national standards and industrial standards for protection of production safety. However, the Access Conditions are applicable to those entities whose primary business is antimony melting, and antimony is only one of the by-products of Longtianyong Nonferrous Metals. Therefore, the Access Conditions are not applicable to Longtianyong Nonferrous Metals.

REGULATIONS ON ADMINISTRATION OF SILVER

Pursuant to the Regulations of the PRC on the Control of Gold and Silver (中華人民共和國金銀管理條例) promulgated by the State Council and effective on June 15, 1983, The

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PBOC is in charge of the purchase and sale of gold and silver, no entity or individual may purchase gold and silver unless authorized or entrusted to do so by the PBOC. The state encouraged the entities to recover the gold and silver from associated mineral ores, residual liquid and solid wastes. All the gold and silver recovered by these entities must be sold to the PBOC and shall not sell, exchange or keep any of the aforesaid gold and silver.

October 18, 1999, the PBOC issued the Notice of PBOC on the Silver Management Reform (中國人民銀行關於白銀管理改革有關問題的通知), which abrogated the exclusive operation policy of “centralized purchase and allocation of silver”, opened the Chinese silver market, allowed the silver production enterprise to directly sell the silver products to the customer, terminated the license management system for the processing, wholesale and retail business of silver products (excluding the silver coin), and further provided that the production and operation activities of silver shall be subject to the relevant rules and regulations on the general goods.

REGULATIONS ON OPERATION OF DANGEROUS WASTES

On May 30, 2004, the State Council issued the Measures for the Administration of Permit for Operation of Dangerous Wastes (危險廢物經營許可證管理辦法), which became effective on July 1, 2004. The dangerous wastes in this Measure refers to the hazardous wastes that are listed in the list of national dangerous wastes, or deemed as dangerous wastes according to the national identification standard and method for dangerous wastes.

Under this Measure, any entity engaged in the business activities of collection, storage and disposal of dangerous wastes within the territory of the PRC shall obtain the Permit for Operation of Dangerous Wastes (危險廢物經營許可證).

In accordance with the mode of business operation, the Permit for Operation of Dangerous Wastes is divided into the Permit for Comprehensive Operation of Dangerous Wastes (危險廢物綜合經營許可證) and the Permit for Operation of Collection of Dangerous Wastes (危險廢物收集經營許可證). The entity obtained the Permit for Comprehensive Operation of Dangerous Wastes may undertake the business activities of collection, storage and disposal of various dangerous wastes, while the entity obtained the Permit for Operation of Collection of Dangerous Wastes can only undertake the activities of collecting dangerous wastes as waste mineral oil produced in the activity of motor vehicle maintenance, and the waste cadmium and nickel batteries produced from the daily life of residents. The period of validity of the Permit for Comprehensive Operation of Dangerous Wastes is five years, while the Permit for Operation of Collection of Dangerous Wastes is three years.

The competent departments of environmental protection of the people’s governments at or above the county level is responsible for the examination, approval and issuance of Permit for Operation of Dangerous Wastes, and the supervision over and administration of such permit.

If any entity without permit undertakes any business activities of collection, storage and disposal of dangerous wastes, or fails to undertake such activities according to the permit, the violator is subject to the penalties according to the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法).

REGULATIONS ON IMPORTATION AND EXPORTATION OF GOODS

In accordance with the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) adopted by the Standing Committee of the National People’s Congress on April 6, 2004 and effective as of

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July 1, 2004, the foreign trade dealer engaged in import and export of goods or technologies shall register with the authority responsible for the foreign trade. If foreign trade dealers fail to register as required, the customs authority shall not process the procedures of declaration, examination and release for the imported and exported goods.

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Entities by the PRC Customs Authorities (中華人民共和國海關對報關單位註冊登記管理規定) promulgated by the General Administration of Customs on March 31, 2005 and implemented on June 1, 2005, the “consignor or consignee of export or import goods” refers to any legal person, other organization or individual that directly import or export goods within the territory of PRC. The customs authorities of PRC are responsible for the registration of declarations entities. The consignors or consignees of import and export goods shall go through the declaration entities registration formalities with their local customs authorities. After going through such registration formalities, consignors or consignees of import and export goods may handle their own declaration at any customs port or locality where customs supervisory affairs are concentrated within the territory of the PRC. A PRC Customs Declaration Registration Certificate for Consignors/Consignees of Import and Export Goods (中華人民共和國海關進出口貨物收發貨人報關注冊登記證書) shall be valid for a period of three years.

REGULATIONS ON LABOR AND EMPLOYMENT

Effective as at January 1, 2008, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers under the Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the “Labor Contract Law”).

According to the Labor Law of the PRC effective as at January 1, 1995, enterprises and institutions are forbidden to force the laborers to work beyond the time limit and the employers shall pay laborers for overtime work in accordance with national regulations. In addition, the labor wages shall not be lower than local standards on minimum wages and shall be paid to the laborers timely. Enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by national rules and standards on work place safety and sanitation, educate laborers of work place safety and sanitation.

According to the Production Safety Law, enterprises and institutions shall be equipped with the measures for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards under the PRC Production Safety Law. Any entity that is not equipped with the measures for safe production is not allowed to engage in production and business operation activities. Enterprises and institutions shall offer education and training programs to the employees thereof regarding production safety.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) effective as at July 1, 2011, the Regulations on Work-Related Injury Insurance (工傷保險條例) effective as at January 1, 2004, the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) effective as at January 1, 1995, the Interim Regulations concerning the Levy of Social Insurance (社會保險費征繳暫行條例) effective as at January 22, 1999, the Interim Measures concerning the Management of the Registration of Social Insurance (社會保險登記管理暫行辦法) effective as at March 19, 1999 and the Regulations concerning Housing Fund (住房公積金管理條例) effective as at April 3, 1999 and amended on March 24, 2002, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension

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insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance, as well as housing fund.

REGULATIONS ON ENVIRONMENTAL PROTECTION

The Environmental Protection Law of PRC (中華人民共和國環境保護法) (the “Environmental Protection Law”) was promulgated in 1989. The State Administration for Environmental Protection is responsible for the implementation of uniform supervision and administration of environmental protection work in China and formulation of the national waste discharge standards. Local environmental protection bureaus at county level or above are responsible for the environmental protection in their respective jurisdictions.

Enterprises that cause environmental pollution and other public hazards shall incorporate environmental protection work into their plans, establish an environmental protection responsibility system, and adopt effective measures to prevent and control pollution and other harm caused to the environment, and those discharging pollutants need to apply for registration as required by the environmental protection administration authority. If the discharging pollutants exceed the state or local discharge standards, enterprises shall be levied fees for excessive discharge and be responsible for eliminating such pollution.

In addition, the state enacted further laws and regulations to protect environment, including but not limited to the Law of PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) (promulgated on May 11, 1984, revised on February 28, 2008), the Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) (promulgated on September 5, 1987, revised on April 29, 2000), the Law of the PRC on Prevention and Control of Environmental Pollution by Noise (中華人民共和國環境噪聲污染防治法) (promulgated on October 29, 1996), and the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes (promulgated on October 30, 1995, revised on December 29, 2004).

Under the current PRC laws and regulations, various penalties can be imposed on persons or enterprises in violation of relevant environmental laws and regulations, including warnings, fines, orders for rectification within a specified period of time, orders for cessation of production, orders for re-installation of pollution prevention and control facilities which have been removed without approval or have not been used, imposition of administrative sanctions against the responsible persons and the liability to compensate the victims. In respect of serious violations, the competent governmental authority may order the enterprise to close down its operation and the responsible persons may have criminal liability.

To prevent the construction project from generating new pollution and damaging the ecological environment, the State Council promulgated the Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例) which became effective on November 29, 1998. The State practices the construction project environmental impact evaluation system. The construction unit shall prepare the construction project environmental impact report, environmental impact statement or environmental impact registration form according to the extent of environmental impact of the construction project, and submit to the competent departments of environmental protection for approval.

Further, the facilities for environmental protection of a construction project must be designed, constructed, accepted and put into use simultaneously with the major part of the project. Upon the completion of the construction project, the construction unit shall file an application

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with the competent department of environmental protection that examined and approved the construction project environmental impact report, statement or registration form for acceptance upon the completion of facilities for environmental protection required for the construction project.

The MEP issued the Notice on Preventing Pollution from the Lead-Acid Battery and Recycled Lead Industries (關於加強鉛蓄電池及再生鉛行業污染防治工作的通知) on May 18, 2011, which provides stringent environmental requirements on enterprises engaged in lead-acid battery and recycled lead industries, including but not limited to, requiring the enterprises to take effective measures to improve the pollution control and management, make internal rules and regulations on environmental protection and emergency plan, and obtain approval from competent environmental protection departments at or above the provincial level for environmental impact assessment of any construction project. Pursuant to the confirmation letter issued by the County EPB, Longtianyong Nonferrous Metals does not belong to the lead-acid battery and recycled lead industries and therefore is not subject to the aforesaid requirements.

REGULATIONS ON INTELLECTUAL PROPERTY

On October 27, 2001, the Standing Committee of the National People's Congress amended the Law of the PRC on Trademark (中華人民共和國商標法) (the "Trademark Law"), which came into force on December 1, 2001. Under the Trademark Law, any individual, legal person or other organizations, to acquire the exclusive rights to use the trademark for the goods it produced or the services it provided, shall file an application for the registration for the trademark with the Trade Office. The period of validity of a registered trademark shall be ten years starting from the date of approval of the registration.

Under the Law of the PRC on Patent (中華人民共和國專利法) issued by the Standing Committee of the National People's Congress on March 12, 1984, amended on December 27, 2008 and implemented on October 1, 2009, the patent rights can be assigned. The parties shall enter into a written agreement and go through the register formalities in the department for patent under the State Council. The assignment of patent right shall take effect from the date of the registration.

REGULATIONS ON LAND

On August 28, 2004, the Standing Committee of the National People's Congress amended the Land Administration Law of the PRC (中華人民共和國土地管理法) (the "Land Administration Law"). According to the Land Administration Law, all units and individuals that are in need of land for construction purposes shall, in accordance with law, apply for the use of state-owned land. Where land for agriculture is to be used for construction purposes, the formalities of examination and approval shall be gone through for the conversion of land into construction land. If a construction unit needs to use state-owned land for construction of an approved project, it shall apply to the land administration department of the people's government at or above the county level that has the approval authority by presenting the relevant documents as required by laws and regulations. The said department shall examine the application before submitting it to the said people's government for approval. A construction unit that plans to use state-owned land shall obtain it by means of compensation for assignment. A construction unit that obtains land use right of state-owned land shall pay premium for the use of land, in accordance with the rates and measures prescribed by the State Council.

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REGULATIONS ON TAX

On March 16, 2007, the PRC National People's Congress adopted the new EIT Law, which, together with its implementation rules promulgated by the PRC State Council on December 6, 2007, came into effect on January 1, 2008 replaced the previous two separate tax legal regimes for foreign invested enterprises ("FIEs") and Chinese domestic companies. Before the promulgation of the EIT Law, both domestic and foreign-invested PRC enterprises were generally subject to an enterprise income tax rate of 33% under the relevant tax laws then effective before January 1, 2008, but there were various tax exemptions, reductions and preferential treatments. The EIT Law adopts a uniform tax rate of 25% for all enterprises, including FIEs, and revokes many of the previous tax exemption, reduction and preferential treatments which were applicable to FIEs.

Under the EIT Law, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC territory are considered resident enterprises and will generally be subject to the enterprise income tax at the rate of 25% on its global income. "De facto management body" refers to a managing body that exercises, in substance, overall management and control over the production and business, personnel, accounting and assets of an enterprise.

Moreover, the EIT Law provides that a withholding income tax rate of 10% will be applicable to dividends payable to foreign investors that are "non-resident enterprises" to the extent such dividends have their source within China unless the jurisdiction of such foreign investor has a tax treaty with China that provides a different withholding arrangement. However, according to the Notice of the State Administration of Taxation on Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued on February 20, 2009, the Administrative Measures for Non-resident to Enjoy Treatments under Tax Treaties (trial implementation) (非居民享受稅收協定待遇管理辦法 (試行)) promulgated on August 24, 2009 and the Notice of the State Administration of Taxation on How to Understand and Identify the Owner of Benefits in Tax Arrangement (國家稅務總局關於如何理解和認定稅收協定中 "受益所有人" 的通知) issued on October 27, 2009, a "non-resident enterprise" is required to obtain approval from the competent tax authority for enjoying the treatments under the tax arrangement. If such "non-resident enterprise" is deemed as a pass-through entity other than a qualified "owner of benefits", it cannot enjoy the preferential withholding tax rate.

In respect of the VAT, according to the Provisional Regulation of the PRC on VAT (中華人民共和國增值稅暫行條例) revised on November 5, 2008 and implemented on January 1, 2009, all units and individuals engaged in the sale of goods, provision of processing, repair and replacement service and the importation of goods within the territory of the PRC shall pay VAT as required. The VAT tax rate applies to the PRC enterprises is 17%. Further, Pursuant to the Notice of State Administration of Taxation on VAT Imposed on Silver Production (國家稅務總局關於白銀生產環節徵收增值稅的通知) issued by the State Administration of Taxation on March 17, 2000, as of January 1, 2000, the enterprises engaged in the production and sales of silver contained in silver concentrates or other non-ferrous metal concentrates, and silver generating through melting intermediate products, and the finished silver products were not exempt from the VAT.

REGULATIONS ON FOREIGN CURRENCY EXCHANGE

The principal regulations governing foreign currency exchange in China are the Regulations of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例) enacted in 1996, as

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amended in 2008, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) promulgated in 1996.

Under the Regulations of the PRC on Foreign Exchange Administration, the Renminbi is freely convertible for current account items, including the distribution of dividends payments, interest payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loans, securities investment and repatriation of investment, however, is still generally subject to the approval or verification of the SAFE or its local counterparts.

Under the Regulations of Settlement, Sale and Payment of Foreign Exchange, foreign-invested enterprises may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from the SAFE.

On August 29, 2008, the SAFE promulgated the Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (the “SAFE Circular”), regulating the conversion by a foreign-invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The SAFE Circular stipulates that the registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within China. Violations of the SAFE Circular will result in severe penalties, including monetary fines.

In addition, any foreign loans to an operating subsidiary in China that is a foreign invested enterprise, cannot, in the aggregate, exceed the difference between its respective approved total investment amount and its respective approved registered capital amount. Furthermore, any foreign loan must be registered with SAFE or its local counterparts for the loan to be effective.

REGULATIONS ON DIVIDENDS DISTRIBUTION

The principal regulations governing the distribution of dividends paid by FIEs in China include the Foreign Investment Enterprise Law (中華人民共和國外資企業法) promulgated on April 12, 1986 and amended on October 31, 2000, and the Implementing Rules of the Foreign Investment Enterprise Law (中華人民共和國外資企業法實施細則) promulgated on December 12, 1990 and amended on April 12, 2001.

Under these regulations, FIEs in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, in accordance with the PRC Company Law, FIEs like other PRC companies are required to allocate at least 10% of their after-tax profits each year, if any, to fund certain reserve funds until the cumulative total of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends to equity owners except in accordance with applicable laws and regulations.

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REGULATIONS ON FOREIGN EXCHANGE IN CERTAIN ONSHORE AND OFFSHORE TRANSACTIONS

According to the Circular 75, and the Circular of the State Administration of Foreign Exchange on Printing and Distributing on the Operating Rules for the Administration of Foreign Exchange with Respect to the Financing and Round-tripping Investment of Domestic Resident via Overseas Special Purpose Companies (國家外匯管理局關於印發《境內居民通過境外特殊目的公司融資及返程投資外匯管理操作規程》的通知) (the “Circular 19”) issued on May 20, 2011 and effective from July 1, 2011, a PRC domestic resident legal person or a PRC domestic resident natural person is required to effect foreign exchange registration with the local foreign exchange bureau, when such domestic residents use its/his/her enterprise assets or interests in the PRC to establish or take control of a special purpose company abroad, and its/his/her domestic enterprises receive round-trip investments from funds raised by an overseas special purpose company controlled by domestic residents. “Control” as mentioned in the Circular 75 refers to the behavior that a domestic resident obtains the rights to carry out business operation of, to gain proceeds from or to make decisions on a special purpose company or a domestic enterprise by means of acquisition, trusteeship, holding shares on behalf of others, voting rights, repurchase, convertible bonds, etc.

Under the Circular 75 and Circular 19, PRC residents are required to complete the registration of change with the local SAFE branch upon:

- Where a special purpose company has any change in financing, such alteration shall be registered within 30 working days after receiving the financed fund for the first time,
- Where a registered special purpose company directly establishes or indirectly controls an enterprise overseas, such alteration shall be registered within 30 working days after the establishment or control date of the enterprise, or
- When a domestic individual resident obtains capital change income from a special purpose company, such alteration shall be registered before transferring the income domestically.

If a special purpose company has other changes, the individual resident may go through the registration formalities in a centralized manner with the foreign exchange administration where the special purpose company is registered on the strength of relevant evidentiary materials on authenticity during the annual examination period of foreign-invested enterprises.

If the domestic individual residents have directly or indirectly controlled the special purpose companies before the date of application and a substantial capital or equity changes such as foreign financing, equity change, round-tripping investment, etc. have occurred in the special purpose companies, the residents shall apply for the making-up registration under the principle of “first imposing punishment and then making-up the registrations”.

REGULATIONS ON OVERSEAS LISTINGS

The New M&A Rule, among other things, includes provisions that purport to require that an offshore special purpose vehicle formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals obtain the approval of CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

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On September 21, 2006, CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. The CSRC approval procedures require the filing of a number of documents with the CSRC and it would take several months to complete the approval process. The application of this new PRC regulation remains unclear with no consensus currently existing among leading PRC law firms regarding the scope of the applicability of the CSRC approval requirement.