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POLICY ON FOREIGN INVESTMENT

According to the Catalog for Guiding Foreign Investment in Industries (2002) (《外商投資產業指導目錄 (2002) 》), promulgated by the Ministry of Commerce, and its amendments issued in 2004, 2007 and 2011 respectively, both WTE plants and the construction and operation of the facilities for environmental pollution control fall within the category of industries in which foreign investment is encouraged. Foreign investors may invest in WTE plants and the construction and operation of the related facilities for environmental pollution control in the PRC by means of establishing Sino-foreign Equity Joint Venture Enterprises (EJV) or Sino-foreign Contractual Joint Venture Enterprises (CJV) or Wholly Foreign Owned Enterprises (WFOE).

CONCESSION SYSTEM

According to the Measures for the Administration on the Concession of Municipal Public Utilities (Decree No.126 of the Ministry of Construction) (《市政公用事業特許經營管理辦法》(建設部令第126號)) promulgated by the former Ministry of Construction (now known as Ministry of Housing and Urban-Rural Development, as referred to hereinafter) on March 19, 2004 and implemented on May 1, 2004, and the Opinion of Ministry of Construction on Strengthening the Supervision of Municipal Public Utilities (Jiancheng [2005] No.154) (《建設部關於加強市政公用事業監管的意見》(建城 [2005] 154號)) promulgated and implemented by the former Ministry of Construction on September 10, 2005, provisions in relation to concession rights for municipal public utilities are applicable to waste treatment industries if such industries are operated under concessions. Government authorities should, in accordance with all relevant law, rules and regulations and through market competition mechanism, select investors or operators for waste treatment projects, with whom agreements for the concession are entered into and to whom respective concessions are granted.

Terms of the Concession Rights

The term of each concession right, the longest shall not exceed 30 years, is determined after taking into account all factors, including characteristics, scale and operation mode of the industry involved. Upon its expiration, competent authority shall, in accordance with the procedures stipulated, organize tender to re-select concessionaire.

Primary Regulatory Activities

Competent authority of concessions for municipal public utilities establishes a qualifying monitoring system on products and services of municipal public utilities, through which the authority monitors quality of designated products and services provided by enterprises regularly.

Restrictions on the Conduct of Enterprises to which Concession rights have been Granted

Where an enterprise to which a concession right has been granted intends to unilaterally terminate the concession agreement within the concession period, it shall apply to a competent authority in advance. Before the authority's approval for such termination is granted, the enterprise must maintain its normal operation and service.

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Without the approval of the municipality, prefecture or county, an enterprise to which a concession right has been granted shall not close or suspend its business.

Treatment of Violations

Where an enterprise to which a concession right has been granted is involved in any one of the following conducts during the concession period, a competent authority shall terminate the relevant concession agreement and cancel the relevant concession right according to law and may temporarily takeover the enterprise:

- (i) Transfer or lease the concession right without authorization;
- (ii) Dispose of or mortgage the assets operated by it without authorization;
- (iii) Occurrence of any material quality or production safety accident due to poor management;
- (iv) close or suspend business without permission, which seriously affects public interest and safety;
- (v) Other conduct prohibited by law and regulations.

PRICING POLICY OF WTE PLANTS

According to the Measures for the Administration on the Concession of Municipal Public Utilities (《市政公用事業特許經營管理辦法》) and the Opinion on Accelerating the Marketization of Municipal Public Utilities Industry (Jiancheng [2002] No. 272) (《關於加快市政公用行業市場化進程的意見》(建城 [2002] 272號)) promulgated and implemented by the former Ministry of Construction on December 27, 2002, the prices of products or services of municipal public utilities are approved and regulated by relevant departments of the People's Government of municipalities, prefecture-level cities and counties, and the respective standards of price (charge) of municipal public products or services are determined in compliance with the rules of market economy and in accordance with the average cost and reasonable profit to enterprises in the relevant industry, subject to the full consideration of a reasonable allocation of resources and the protection of public interest. Where the price of a product or service provided by an enterprise is lower than the cost for the purpose of satisfying needs from the general public, or where an enterprise undertakes a duty assigned by the government for the purpose of achieving a public welfare objective set by the government, the government shall subsidize the enterprise accordingly.

According to the NDRC's Notice in relation to the Optimization of Waste-to-Energy Power Tariff Policy (NDRC Prices [2012] No. 801) (《國家發展改革委關於完善垃圾焚燒發電價格政策的通知》(發改價格 [2012] 801號)) promulgated by the NDRC on March 28, 2012 and implemented on April 1, 2012, for WTE projects approved after January 1, 2006, among which, with respect to WTE projects using domestic waste as its raw material, the on-grid electricity is first calculated based on the waste treatment. Each ton of domestic waste received is temporarily set as 280kWh of on-grid electricity and is priced at nationally unified standard of WTE

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electricity price of RMB0.65/kWh. (Tax inclusive, applicable hereinafter); the remaining on-grid electricity is priced on the basis of on-grid tariff for local coal-fueled generators. If the on-grid electricity generated by waste treatment is less than 50% of the actual on-grid electricity, the relevant project will be taken as a conventional power generation project which is not entitled to WTE subsidies; whereas the converted on-grid electricity is higher than 50% of but below the actual on-grid electricity, the converted on-grid electricity will be treated as WTE on-grid electricity; when the converted on-grid electricity is higher than the actual on-grid electricity, actual on-grid electricity will be considered as WTE on-grid electricity.

INVESTMENT SYSTEM OF FIXED ASSETS

Approval System of Investment Projects

According to the Decision on Institutional Reform of Investment System (Guo Fa [2004] No. 20) (《國務院關於投資體制改革的決定》(國發〔2004〕20號)) and 2004 Catalog of Investment Projects Approved by the Government (《政府核准的投資項目目錄(2004年本)》) attached therein which is abolished and replaced by 2013 Catalog of Investment Projects Approved by the Government (《政府核准的投資項目目錄(2013年本)》) and relevant provisions promulgated by the related People's Government of provincial level, waste treatment projects and WTE projects are generally examined and approved by competent investment department at provincial level.

System of Capital Fund

According to the Notice of the State Council on Trial Implementation of Capital Fund System in Fixed Asset Investment Projects (Guo Fa [1996] No. 35) (《國務院關於固定資產投資項目試行資本金制度的通知》(國發〔1996年〕35號)) promulgated and implemented by the State Council on August 23, 1996, the Notice of the State Council on Adjusting the Proportions of Capital Fund in Fixed Asset Investment Projects (Guo Fa [2009] No. 27) (《國務院關於調整固定資產投資項目資本金比例的通知》(國發〔2009〕27號)) promulgated and implemented by the State Council on May 25, 2009 and the Notice on Issuing Opinion about Advancing Industrialization of Urban Sewage and Garbage Treatment (Ji Tou Zi [2002] No. 1591) (《國家計委、建設部、國家環保總局關於印發推進城市污水、垃圾處理產業化發展意見的通知》(計投資〔2002〕1591號)) promulgated and implemented by the former State Planning Commission, the former Ministry of Construction and the former State Environmental Protection Administration (currently the Ministry of Environmental Protection, as referred to hereinafter) on September 10, 2002, a system of capital fund is adopted for fixed asset investment projects. In addition to the debt funds raised from banks and fund market by a project legal entity, there must be a certain proportion of capital maintained in the total investment while the proportion of capital invested in waste treatment projects shall be no less than 20% of the total investment.

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PROCEDURES FOR THE CONSTRUCTION PROJECTS

Construction Land Planning Permit

According to the Urban and Rural Planning Law of the People's Republic of China (Presidential Decree No. 74) (《中華人民共和國城鄉規劃法》(主席令第74號)) (the “**Urban and Rural Planning Law**”) promulgated by the Standing Committee of the National People's Congress (the “**SCNPC**”) on October 28, 2007 and implemented on January 1, 2008, construction entity of project which has been provided with a state-owned land use right by way of allocation of land in city or town planning area, once the project has been authorized, approved, or recorded by relevant departments, shall apply to a competent urban and rural planning administrative department at the municipal or county level of the People's Government for permitting the land use for construction; and construction entity of project which has been granted with a state-owned land use right by way of assignment of land shall apply to a competent urban and rural planning administrative department at the municipal or county level of the People's Government for a Construction Land Use Planning Permit after entering into such state-owned land using right grant contract.

If a construction entity which was authorized to use the construction land fails to obtain a Construction Land Use Planning Permit, the People's Government at or above the county level shall cancel any relevant authorization document. If the land has already been occupied, it shall be returned promptly. Furthermore, the construction entity shall be obliged to compensate for any damage caused to any other relevant parties according to law.

Construction Work Planning Permit

According to the Urban and Rural Planning Law, where construction work is conducted in a city or town planning area, the relevant construction entity or individual shall apply to a competent urban and rural planning administrative department of the People's Government at the municipal or county level or to the People's Government of town as recognized by the People's Government of a province, autonomous region or municipality for a Construction Work Planning Permit.

For construction work that proceeds without the Construction Work Planning Permit or in violation of the provisions of the Construction Work Planning Permit, a competent urban and rural planning administrative department at or above the county level can order the termination of such construction; if the impact on the planning caused by such construction can be eliminated, the department shall order such construction entity to take remedial action within a prescribed time limit and pay a fine of not less than 5% of the construction cost but not exceeding 10% of such cost; if such impact cannot be eliminated by remedial action, the department shall order the construction entity to demolish such buildings or structures within a prescribed time limit. For construction work that cannot be demolished, the department shall confiscate such buildings or structures or seize any illegal income and may also impose a fine not more than 10% of the construction price.

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Construction Work Commencement Permit

According to the Construction Law of the People's Republic of China (Presidential Decree No. 46) (《中華人民共和國建築法》 (主席令第46號)) implemented on March 1, 1998 and its amendment formally issued on April 22, 2011, a construction entity shall, prior to the commencement of construction of a construction project, apply to a competent department of the construction administration of the People's Government at or above the county level of the place where the project is to be located for a Construction Work Commencement Permit pursuant to the relevant regulations of the State. However, small projects, as determined by the competent department of construction administration of the State Council and construction projects which have already obtained approvals for their construction commencement report pursuant to the terms of reference and procedures prescribed by the State Council, are subject to exception.

According to the Rules on the Administration of Construction Quality (Decree No. 279 of the State Council) (《建設工程質量管理條例》 (國務院令第279號)) promulgated and implemented by the State Council on January 30, 2000, a construction entity illegally commencing the project without obtaining the construction work commencement permit or approvals for its construction commencement report shall be ordered to stop the construction work and to carry out remedial actions within a prescribed time limit and pay a fine of not less than 1% of the construction price but not exceeding 2% of such price.

Inspection and Acceptance on Completion of Construction Projects

According to the Rules on the Administration of Construction Quality (《建設工程質量管理條例》) and Administrative Measures for Recording of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures (Decree No. 2 of the Ministry of Housing and Urban-Rural Development) (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》 (住房和城鄉建設部令第2號)), a construction project shall not be delivered for use unless it has passed the acceptance checks. The construction entity should file a record to a competent construction administrative department at or above the county level at the place where the project is located within 15 days from the day when the construction project passes the acceptance checks.

Where a construction entity illegally delivers the construction project for use without obtaining the acceptance checks or in circumstances where it failed to pass the acceptance checks, it shall be ordered to carry out remedial actions and also pay a fine of not less than 2% but not exceeding 4% of the contractual project price, and shall be obliged to pay compensation according to law if any losses have been caused. If the construction entity fails to file a record of passing the acceptance checking in respect of the project within 15 days from the day when the construction project passes the acceptance checks, it shall be ordered to carry out remedial actions within a prescribed time limit and shall be fined not less than RMB200,000 but not exceeding RMB500,000.

BUSINESS QUALIFICATIONS AND LICENSES

Qualifications for the Operation of Environmental and Pollution Treatment Facilities

According to the Measures for the License Administration of Qualification for Operation of Environmental Pollution Treatment Facilities (Decree No.20 of the Ministry of Environmental Protection)

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(《環境污染治理設施運營資質許可管理辦法》(環境保護部令第20號)) promulgated on April 30, 2012 and implemented on August 1, 2012 by the Ministry of Environmental Protection, the PRC has announced the implementation of qualifications and licenses for the operation of environmental and pollution treatment facilities; entities which are engaged in the operation of environmental and pollution treatment facilities shall apply for and obtain the qualifications for the operation of environmental and pollution treatment facilities as required and shall conduct their operation activities of environmental and pollution treatment facilities as stipulated in the qualification certificates. Qualifications for the operation of environmental and pollution treatment facilities are divided into different professional categories, such as domestic wastewater, industrial wastewater, dust-removal, desulfurization and denitrification, industrial exhaust gas, industrial solid waste (excluding hazardous waste), organic waste, household garbage and automatic and continuous monitoring. Except for the qualifications for the operation of automatic and continuous monitoring facilities which are divided into two classes, namely class B qualification and interim qualification; other qualifications for the operation of environmental and pollution treatment facilities are divided into three classes, namely, class A qualification, class B qualification and interim qualification. Class A and class B qualifications for the operation of environmental and pollution treatment facilities are valid for 5 years while interim qualifications are valid for 2 years. Certificate-holding entities may undertake businesses of operating environmental and pollution treatment facilities nationwide within the categories specified in the qualification certificates for the operation of environmental and pollution treatment facilities. Pursuant to the State Council's Decision on Abolishing and Delegating Certain Administrative Approval Items (GuoFa (2014) No. 5) 《國務院關於取消和下放一批行政審批項目的決定》(國發[2014]5號) promulgated and implemented by the State Council on January 28, 2014, the Class A qualification recognition of environmental protection and pollution treatment facilities operation entities by the Ministry of Environmental Protection has been abolished.

License for the Treatment of Domestic Waste

According to Management Rules on Municipal Domestic Waste(Decree No.157 of the Ministry of Construction) (《城市生活垃圾管理辦法》(建設部令第157號)) promulgated on April 28, 2007 and implemented on July 1, 2007 by the former Ministry of Construction, entities which are engaged in the treatment of domestic waste shall obtain the license for the treatment of domestic waste from the competent departments of construction (or environment and health) under the government at municipality, town and county level; whereas those who failed to obtain the license for the treatment of domestic waste are prohibited from conducting any activities in relation to the treatment of domestic waste.

The competent departments of construction (or environment and health) under the government at municipality, town and county level shall determine the issue of the license for the treatment of domestic waste through fair competition methods, such as tender, and issue such license to the winners accordingly. Upon the expiration of the license for the treatment of domestic waste, entities which continue to be engaged in the clearing, collection, transportation and treatment of domestic waste shall apply for extension with the authority which issued the original license within 30 days prior to the expiration of the valid term.

Electric Power Business License

According to the Regulations on Supervision of Electric Power (Decree No.432 of the State Council) (《電力監管條例》(國務院令第432號)) promulgated on February 15, 2005 and implemented on May 1, 2005 by

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the State Council and the Regulations on the Administration of Power Business Permit (Decree No.9 of the State Electricity Regulation Commission) 《電力業務許可證管理規定》 (國家電力監管委員會令第9號)) promulgated on October 13, 2005 and implemented on December 1, 2005 by the former Electricity Regulation Commission, anyone who wants to operate electric power business within the territory of PRC shall obtain the electric power business license from electricity regulatory authorities. Entities and individuals who failed to obtain the electric power business license are not allowed to conduct any electric power business.

Electric power business license is valid for 20 years. Upon the expiration of power business license, licensees who seek for renewals shall submit their applications to the electricity regulatory authorities within thirty days prior to the expiry.

Water Withdrawal License

According to the Water Law of the People's Republic of China (Decree No.74 of the President) 《中華人民共和國水法》 (主席令第74號)) promulgated by the Standing Committee of National People's Congress on August 29, 2002 and implemented on October 1, 2002, the Regulations on Administration of Water Withdrawal Licensing and Collection of Water Resources Charges 《取水許可和水資源費徵收管理條例》 (Decree No.460 of the State Council)(國務院令第460號)) promulgated on February 21, 2006 and implemented on April 15, 2006 by the State Council and the Measures on Administration of Water Withdrawal Licensing (Decree No.34 of the Ministry of Water Resources) 《取水許可管理辦法》 (水利部令第34號)) promulgated and implemented on April 9, 2008 by the Ministry of Water Resources, save for those who are not required to apply for water withdrawal license under the legal requirements, entities and individuals which obtain water resources from rivers, lakes and underground water and have water extradition works and facilities completed and conducted 30-day trial run, shall apply for water license with the competent departments of water administration or drainage management under the municipal government at county level or above in accordance with the requirements of the State water withdrawal licensing system and the system of compensated use of water resources, and obtain the water rights, subject to water resources fee. Water withdrawal entities or individuals shall extract water according to the approved annual water withdrawal plan. In the event that the water extraction exceeds the limit under the plan or a fixed amount, water resources fee shall be paid on the excess part.

Water license generally lasts for 5 years but not more than 10 years. Upon the expiration of the valid term, water withdrawal entities or individuals who seek for extension shall submit their applications to the former approval authorities within 45 days prior to the expiration of the valid term.

Pollutants Discharge License

According to Law of the People's Republic of China on the Prevention and Control of the Air Pollution (Presidential Decree No.32) 《中華人民共和國大氣污染防治法》) promulgated on April 29, 2000, implemented on September 1, 2000, the Law on Prevention of Water Pollution of the People's Republic of China (Presidential Decree No.87) 《中華人民共和國水污染防治法》 (主席令第87號)) promulgated on February 28, 2008 and implemented on June 1, 2008 by the Standing Committee of National People's Congress, the PRC announced the implementation of pollutants discharge licensing system. Certain local government regulations and local

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regulatory documents has set out the specific requirements for the approval criteria of pollutants discharge license, such as the Interim Measures for the Administration of Pollutants Discharge Licenses of Zhejiang Province (Decree No.272 of the people's government of Zhejiang Province) (《浙江省排污許可證管理暫行辦法》(浙江省人民政府令272號)) promulgated on May 14, 2010 and implemented on July 1, 2010 by the municipal government of Zhejiang Province, the Measures for the Administration of Water Pollutants Discharge Licenses of Jiangsu Province (Decree No.74 of the municipal government of Jiangsu Province) (《江蘇省排放水污染物許可證管理辦法》(江蘇省人民政府令74號)) promulgated on July 30, 2011, implemented on October 1, 2011 and amended in 2012 by the municipal government of Jiangsu Province, the Notice on the Issue of the Interim Measures on the Implementation of Pollutants Discharge License in Hubei Province (E Huan Ban [2008] No.159) (《關於印發〈湖北省實施排污許可證暫行辦法〉的通知》(鄂環辦[2008]159號)) promulgated and implemented on October 20, 2008 by the former Hubei Environmental Protection Bureau.

Pollutants discharge licenses, including interim licenses, shall be approved and issued by the competent environmental protection administration at county level or above. Pollutants discharge licenses are generally valid for three to five years; whereas interim pollutants discharge licenses are valid for one year, which is as long as the period for trial production and trial run as well as the prescribed period for remedial actions. Upon the expiration of the valid term, shall the pollutants discharge license need to be extended, applications shall be made to the authority for a new license.

Qualifications for General Contractors of Municipal Utilities Construction

According to the Guiding Opinion of the Ministry of Construction regarding Breeding and Developing Engineering General Contractor and Engineering Project Management Enterprises (Jian Shi [2003] No.30) (《建設部關於培育發展工程總承包和工程項目管理企業的指導意見》)(建市[2003]30號) promulgated and implemented on February 13, 2003 and the Measures for Construction Project Management (for Trial Implementation) (Jian Shi [2004] No.200) (《建設工程項目管理試行辦法》(建市[2004]200號)) promulgated on November 16, 2004 and implemented on December 1, 2004 by the former Ministry of Construction, enterprises which are engaged in construction projects management (“Project Management Enterprise”), if appointed by the landlord of the construction project, may provide professional management services in relation to the constructions for the whole period or at different stages. Projects management enterprises shall possess one or more qualifications of, including but not limited to, engineering survey, design, construction, supervision, cost consulting and tender agency. Construction projects management service fee shall be determined by the landlord and the project management enterprise in the entrusted project management contract based on the scale, coverage, content, difficulty and complexity of the entrusted project and shall be credited to the overall construction expenses.

Save for the companies and subsidiaries under the direct control of State-owned Assets Supervision and Administration Commission of the State Council, Class 2 qualification of general contractors shall be issued by the competent departments of construction under the government of the province, autonomous region and municipality in which the enterprise registered its business license, and the qualification certificate is valid for 5 years.

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ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (Decree No.22 of the President) (《中華人民共和國環境保護法》 (主席令第22號)) promulgated and implemented on December 26, 1989 by the Standing Committee of National People's Congress, entities which caused environmental pollution and other public hazards shall adopt effective measures to prevent and control the pollution and harm done to the environment during the process of production and construction or other activities. The design, construction and commission of facilities for the prevention and control of pollution shall be conducted at the same time with that of the main body of the construction project. No permission shall be given for a construction project to be commissioned or used until its facilities for the prevention and control of pollution are examined and accepted by the competent administrative department of environmental protection. The amended Environmental Protection Law of the PRC was promulgated on April 24, 2014, and will be implemented on January 1, 2015.

According to the Law of the PRC on Appraising Environmental Impact (Decree No.77 of the President) (《中華人民共和國環境影響評價法》 (主席令第77號)) promulgated on October 28, 2002 and implemented on September 1, 2003 by the Standing Committee of National People's Congress, the PRC has established a system to appraise the environmental impact of construction projects and classify the appraisal based on the degree of the environmental impact caused by the construction project. In the event of significant environmental impact, an environmental impact appraisal report shall be prepared to include a comprehensive appraisal on the possible environmental impact; in the event of slight environmental impact, an environmental impact report shall be prepared to include an analysis or appraisal on the environmental impact; and in the event of minimal environmental impact, no environmental impact appraisal is required but an environmental impact form shall be filed. Construction entities shall file the environmental impact appraisal document in relation to the construction project with the competent administrative department of environmental protection with approval rights for approval in accordance with the requirements of the State Council.

According to the Administrative Measures on Environmental Protection Inspection Acceptance for Completion of Construction Projects (Decree No.13 of the Ministry of Environmental Protection) (《建設項目竣工環境保護驗收管理辦法》 (國家環境保護總局令第13號)) promulgated on December 27, 2001 and implemented on February 1, 2002 by the former State Environmental Protection Administration and amended in 2010, a construction entity shall, before commencing the trial production of a construction project, submit an application for trial production to the competent administrative department of environmental protection with approval rights. A construction entity shall also, before the construction project being put into production or use, file an application with the competent administrative department of environmental protection with approval rights for acceptance checks on the completed construction project.

LABOR PROTECTION

The Labor Law of the People's Republic of China (Decree No.28 of the President) (《中華人民共和國勞動法》 (主席令第28號)) was promulgated on July 5, 1994 and implemented on January 1, 1995 to protect the legal rights and interests of labor, adjust the labor relationship between employers and employees and establish and maintain a labor system which is suitable for the market economy. The Labor

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Contract Law of the People's Republic of China (Decree No.73 of the President) (《中華人民共和國勞動合同法》(主席令第73號)) implemented on January 1, 2008 and amended on December 28, 2012 and the Regulation on the Implementation of the Employment Contract Law of the People's Republic of China (Decree No.535 of the State Council) (《中華人民共和國勞動合同法實施條例》(國務院令第535號)) promulgated and implemented on September 18, 2008 set forth further requirements for the relevant matters, such as the establishment of labor relationships and the execution, fulfilment, change and termination of labor contracts, and provide more protection for the legal rights and interests of the labor.

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Enterprise Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (Order No.63 of the President) (《中華人民共和國企業所得稅法》(主席令第63號)) promulgated on March 16, 2007 and implemented on January 1, 2008 and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (Decree No.512 of the State Council) (《中華人民共和國企業所得稅法實施條例》(國務院令第512號)) promulgated on December 6, 2007 and implemented on January 1, 2008 by the State Council, the Enterprise Income Tax rate is set at 25%.

According to the Notice on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guo Fa [2007] No.39) (《關於實施企業所得稅過渡優惠政策的通知》(國發[2007]39號)) promulgated and implemented on December 26, 2007 by the State Council, enterprises, which were established before the issue of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and previously enjoyed lower tax rate pursuant to the provisions of the then tax laws, administrative regulations or any equivalent documents, may gradually transit to the adoption of the legal tax rate within five years after the implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》). For enterprises which were established before the issue of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and were entitled to tax reduction or concession for a fixed term pursuant to the provisions of the then tax laws, administrative regulations or any equivalent documents, the preferential treatment shall continue until the expiry date after the implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), however, for those which were not entitled to such preferential treatment due to the failure to make any profit, the preferential treatment term shall start from 2008.

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), the Notice on Printing and Distributing the Administrative Measures for the Recognition of Hi-tech Enterprises (Guo Ke Fa Huo [2008] No.172) (《關於印發〈高新技術企業認定管理辦法〉的通知》(國科發火[2008]172號)) promulgated on April 14, 2008 and implemented on January 1, 2008 by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, the Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Treatment for High-and-new-tech Enterprises (Guo Han [2009]

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No.203) (《關於實施高新技術企業所得稅優惠有關問題的通知》(國函[2009]203號)) promulgated on April 22, 2009 and implemented on January 1, 2008 by the State Administration of Taxation, enterprises which have obtained the qualification of high-tech enterprise and have complied with the relevant requirements are entitled to a reduced Enterprise Income Tax rate of 15%.

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), the Notice of Ministry of Finance, State Administration of Taxation and National Development and Reform Commission Concerning Promulgation of Catalogue of Enterprise Income Tax Preference for Environment Protection and Energy and Water Saving Projects (Trial) (Cai Shui [2009] No. 166) (《財政部、國家稅務總局、國家發展和改革委員會關於公佈環境保護節能節水項目企業所得稅優惠目錄(試行)的通知》(財稅[2009]166號)) and the Notice of Ministry of Finance, State Administration of Taxation on Tax Issues Related to Enterprise Income Tax Preferential Policies for Public Infrastructure, Environmental Protection, Energy Saving and Water Conservation Projects (Cai Shui [2012] No.10) (《財政部、國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知》(財稅[2012]10號)) with respect to the income generated from eligible environmental protection, energy saving and water saving projects, the profit for the first taxable year shall be subject to the preferential treatment of "Three-year exemption and three-year 50% reduction" as stipulated according to the new provisions of the tax law.

Business Tax

According to the Letter of Reply Regarding Business Tax on Waste Treatment of the SAT (Guo Shui Han [2005] No.1128) (《國家稅務總局關於垃圾處置徵收營業稅問題的批覆》(國稅函[2005]1128號)) promulgated and implemented on November 30, 2005, the waste treatment activities conducted by entities and individuals are not subject to business tax and shall not be taxable on the income derived from waste treatment activities.

Value-added Tax

According to the "Notice on Value-added Tax Policies on Comprehensive Utilization of Resources and Other Products" (Cai Shui [2008] No.156) (《財政部、國家稅務總局關於資源綜合利用及其他產品增值稅政策的通知》(財稅[2008]156號)) issued by the Ministry of Finance and the State Administration of Taxation promulgated on December 9, 2008, the Supplemental Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policy Regarding Comprehensive Utilization of Resources and Other Products (Cai Shui [2009] No.163) (《財政部、國家稅務總局關於資源綜合利用及其他產品增值稅政策的補充的通知》(財稅[2009]163號)) promulgated on December 29, 2009 and implemented on July 1, 2008, sales of power or thermal power by the way of waste-to-energy, including the sales of power or thermal power through biogas power generation from the fermentation of waste, is entitled to a tax rebate of the VAT levied.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting and Improving the Value-added Tax Policies for Products and Labor Services that Comprehensively Utilize Resources (Cai Shui [2011] No.115) (《財政部、國家稅務總局關於調整完善資源綜合利用產品及勞務增值稅政策

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的通知》(財稅[2011]115號) promulgated on November 21, 2011, waste treatment activities are exempted from value-added tax.

APPROVAL BY SHAREHOLDERS AND REGULATORY AUTHORITIES REQUIRED FOR THE REORGANIZATION AND GLOBAL OFFERING

Pursuant to the “Implementation Regulations of the Sino-foreign Equity Joint Venture Enterprise Law of the People’s Republic of China” (Decree of the State Council No.311) (《中華人民共和國中外合資經營企業法實施條例》)(國務院令第311號), the Board is the highest authority of a joint venture and is responsible for making decisions on all major issues of the joint venture.

Pursuant to the “Provisional Regulations on Certain Issues of the Establishment of a Foreign-invested Joint Stock Limited Company” (Decree of the Ministry of Foreign Trade and Economic Cooperation [1995] No.1) (《關於設立外商投資股份有限公司若干問題的暫行規定》) (對外貿易經濟合作部令1995年第1號), companies established as Sino-foreign equity joint venture enterprises which apply to change to a foreign-invested joint stock limited company shall submit to the competent commerce authority for approval. Submission shall include the resolution in relation to the restructure as proposed by the board of the former foreign-invested enterprise who applied for such conversion.

Pursuant to the “Notice on Issues Regarding the Administration of State-owned Equity of Joint Stock Limited Companies issued by the Ministry of Finance” (Cai Guan Zi [2000] No.200) (《財政部關於股份有限公司國有股權管理工作有關問題的通知》)(財管字[2000]200號), under the principle of “Owned by the State, Managed by Hierarchy”, issues regarding the administration of state-owned equity of local shareholders are typically reviewed and approved by the provincial financial (state-owned assets management) authority; whereas the issuance of foreign invested shares, such as B shares and H shares, such issues shall be reviewed and approved by the Ministry of Finance.

Pursuant to the “Company Law of the People’s Republic of China” (Decree of the President No. 8) (《中華人民共和國公司法》)(主席令第8號), the shareholders’ general meeting of a joint stock limited company is comprised of all shareholders. The shareholders’ general meeting is the authoritative institution of the company.

Pursuant to the “Notice of the State Council on Publishing the Provisional Administrative Measures for State-owned Shares Reduction for Raising Social Security Fund” (Guofa [2001] No.22) (《國務院關於印發減持國有股籌集社會保障資金管理暫行辦法的通知》)(國發[2001]22號), any joint stock limited companies (including companies listed overseas), in which the shares owned by the State, shall sell its state-owned shares in the amount equivalent to 10% of the funds to be raised in case of initial public offering and seasoned issue. All of the proceeds from the sale of the state-owned shares shall be transferred to the National Social Security Fund.

According to the Special Provisions of the State Council Concerning the Offshore Listing and Raising Shares by Joint Stock Limited Companies (Decree of the State Council No.160) (《國務院關於股份有限公司境外募集股份及上市的特別規定》)(國務院令第160號) and the Regulatory Guidance

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on the Offshore Offering of Stocks by Joint Stock Limited Companies, Listing Submission Documents and Approval Procedures (CSRC Notice [2012] No.45) (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) (中國證券監督管理委員會公告[2012]45號), joint stock limited companies may offer shares for subscription to offshore specific or non-specified investors upon the approval of the CSRC and their shares may be listed overseas.

With respect to the reorganization, the Board of Directors of Dynagreen Environmental Engineering resolved to proceed with the change of legal status to a joint stock limited company on October 17, 2011. Beijing SASAC approved the management proposal with respect to the state-owned equity of Dynagreen Environmental Protection Group Co., Ltd. (preparatory) on December 15, 2011 and Technology, Trade and Informatization Commission of Shenzhen Municipality (深圳科技工貿和信息化委員會) approved the change of legal status of Dynagreen Environmental Engineering to a joint stock limited company on January 10, 2012.

For the purpose of the Global Offering, we convened the 2013 extraordinary shareholders' meeting for the fourth time on November 1, 2013 and resolved the matters in relation to the Global Offering. On December 21, 2013, Beijing SASAC granted approval for the state-owned equity management proposal with respect to our state-owned equity and the transfer of such state-owned equity, and the consent of NCSSF was granted on March 28, 2014. The Global Offering has been approved by the CSRC on May 13, 2014.