

## REGULATORY OVERVIEW

### OVERVIEW

All of our business operations are based in the PRC. We are required to comply with a range of laws, regulations and measures in the PRC which regulate the production of industrial gases.

The laws, regulations and measures in the PRC regulating the production of industrial gases in the PRC include the following:

- Production Safety Law of the PRC (中華人民共和國安全生產法), or Production Safety Law;
- Measures for Implementation of Safe Production Permit of Hazardous Chemicals Production Enterprises (危險化學品生產企業安全生產許可證實施辦法), or Safe Production Permit Measures;
- Regulations on the Administration of Production Permit for Industrial Products (中華人民共和國工業產品生產許可證管理條例), or Production Permit for Industrial Products Regulations;
- Measures for Implementation of the Regulations on the Administration of Production Permit for Industrial Products (中華人民共和國工業產品生產許可證管理條例實施辦法);
- Regulations on the Safety Administration of Hazardous Chemicals (危險化學品安全管理條例), or Hazardous Chemicals Regulations;

Certain important provisions of the laws, regulations and measures described above relating to the industrial gas industry in the PRC are set out below.

### Production Safety Law

The Standing Committee of the National People's Congress of the PRC promulgated the Production Safety Law on June 29, 2002 to strengthen the supervision and administration of production safety, prevent and reduce safety accidents, protect the safety of life and property, and promote the development of economy.

The Production Safety Law is applicable to enterprises engaging in production activities within the PRC. The Production Safety Law provides that enterprises engaging in production activities must comply with the provisions of the Production Safety Law and other relevant laws and regulations concerning production safety. Such enterprises are required to strengthen the administration of production safety, establish and improve the system of responsibility for production safety and ensure a safe production environment.

The Production Safety Law establishes a system of attributing responsibility for production safety accidents in the PRC. Those attributed with responsibility for production safety accidents are liable according to the Production Safety Law and other provisions of the relevant laws and regulations.

The Production Safety Law sets out the requirements with which enterprises engaging in production activities must comply, including:

- having designated staff responsible for managing production safety;
- providing appropriate safety related education and training to the relevant staff to ensure such staff possess the required knowledge and management skills on production safety;
- erecting appropriate safety signage on dangerous equipment and installations; and
- ensuring safety-related equipment comply with national or industry standards.

Where an enterprise fails to comply with the provisions of the Production Safety Law, the relevant production safety supervision authority may, according to the case, issue a rectification order, impose a fine, order the enterprise to cease production and operation or revoke the relevant permits.

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### Safe Production Permit Measures

The State Administration of Work Safety and the State Administration of Coal Mine Safety promulgated the Safe Production Permit Measures on May 17, 2004 to regulate the work safety conditions of hazardous chemical production enterprises and to strengthen the administration of issuing safe production permits for hazardous chemical production enterprises.

The Safe Production Permit Measures stipulates that a hazardous chemical production enterprise shall hold a safe production permit. An enterprise without the relevant safe production permit is prohibited from engaging in hazardous chemical production activity.

Under the Safe Production Permit Measures, the Administrative Department of Work Safety of the State Council is responsible for the issuance and administration of safe production permits for hazardous chemical production enterprises under the administration of the central government. The Administrative Departments of Work Safety of the people's governments of provinces, autonomous regions and municipalities are responsible for the issuance and administration of safe production permits for those hazardous chemical production enterprises not under the administration of the central government.

The Safe Production Permit Measures set out the requirements with which an enterprise must comply in order to be granted with a safe production permit, including:

- establishing a work safety management body and employing a full-time management personnel in charge of work safety;
- ensuring that their safety management personnel have completed the necessary safety education and training;
- ensuring that their principal and production management personnel in charge of work safety have passed examinations on work safety knowledge and management competence;
- ensuring operational staff have passed the examination held by the relevant administrative department of business operations and obtained the qualification certificate of special operations; and
- providing work injury insurance coverage for employees in accordance with the law.

The Safe Production Permit Measures also set out details on the permit application process, and stipulate the manner in which the Administrative Department of Work Safety is to assess and make decisions on such applications.

Where an enterprise fails to comply with any requirement set out in the Safe Production Permit Measures, the Administrative Department of Work Safety may issue a rectification order, impose a fine, order the enterprise to cease production and operations or revoke the relevant permit.

### Production Permit for Industrial Products Regulations

The State Council promulgated the Production Permit for Industrial Products Regulations on July 9, 2005 to ensure the quality and safety of the major industrial products that directly concern public health and safety, and the safety of life and property.

The Production Permit for Industrial Products Regulations stipulate that enterprises undertaking the production of certain products including hazardous chemicals shall hold a production permit for industrial products. An enterprise without such permit is prohibited from producing any of the products subject to the regulations. No entity or individual shall engage in the business of selling or using such product without obtaining the production permit for industrial products. The production permit for industrial products shall be valid for five years.

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The Production Permit for Industrial Products Regulations set out the conditions which an enterprise shall meet for obtaining a production permit for industrial products, including:

- having professional technicians qualified for the products it produces;
- having production conditions and means of inspection and quarantine that are suitable for the products it produces;
- having technical documents for the products it produces;
- having sound and effective quality control system and responsibility system;
- the product must comply with the relevant national standards, industrial standards and requirements for ensuring personal health and personal and property safety; and
- complying with the provisions of state industrial policy.

Where an enterprise fails to comply with the Production Permit for Industrial Products Regulations, the relevant department responsible for production permits for industrial products may issue a rectification order, impose a fine, order the cessation of production and operation, revoke the relevant permits, and or confiscate illegal gains, if any.

### **Hazardous Chemicals Regulations**

The Hazardous Chemicals Regulations were promulgated by the State Council on January 26, 2002 and were formulated in order to strengthen the safety administration of hazardous chemicals, to guarantee the safety of life and property and to protect the environment.

The Hazardous Chemicals Regulations prescribe that the production, management, storage, transportation and use of hazardous chemicals and the disposal of hazardous waste chemicals must comply with the provisions of these regulations and the laws and other administrative regulations of the nation related to production safety.

According to the Hazardous Chemicals Regulations, the term "hazardous chemicals" includes explosives, compressed gas and liquefied gas, inflammable liquids, inflammable solids, self-igniting articles and articles inflammable in a humid environment, oxidants and organic peroxides, toxicants and corrosives.

Under the Hazardous Chemicals Regulations, the principals of an enterprise that produces, manages, stores, transports, or uses hazardous chemicals or disposes of hazardous waste chemicals must comply with the provisions of the relevant laws, regulations and rules, and the requirements of the national standards. The principals of such an enterprise are responsible for ensuring the safety requirements concerning hazardous chemicals are met. The personnel of enterprises involved in dealing with hazardous chemicals and waste chemicals must undertake training in relation to the relevant laws, regulations and rules, safety knowledge, professional technology, occupational health protection and knowledge of emergency treatment, and must pass the necessary examinations prior to commencing work.

The Hazardous Chemicals Regulations apply uniform planning and strict control to the production and storage of hazardous chemicals by providing for the examination and approval procedures in relation to the production and storage of hazardous chemicals, and prohibiting enterprises or individuals from producing or storing hazardous chemicals without approval.

A hazardous chemical production enterprise must apply to the Department of Quality Inspection for the relevant hazardous chemicals production license. Such enterprise must not commence production unless it has obtained a hazardous chemicals production license.

An enterprise in breach of the Hazardous Chemicals Regulations may be subject to closure, subject to orders to stop production activity, rectification, and or orders for the destruction of the dangerous chemicals. The illegal gains may be confiscated, if any. If the criminal law is violated, the responsible personnel may be subject to criminal proceedings.

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Save as disclosed in this document, we are of the view that our Group is in compliance with PRC laws and regulations governing the production of industrial gases in the PRC as described above in material respects during the Track Record Period in all material respects.

To supply industrial gases to our on-site customers or merchant customers, we are required to construct and install relevant gas production equipment, which is subject to the following major laws and regulations regulating the construction activity:

- Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), or Planning Law;
- Construction Law of the PRC (中華人民共和國建築法), or Construction Law.

Certain important provisions of the laws and regulations described above relating to the construction of gas production equipment and facilities in the PRC are set out below.

### Planning Law

The Standing Committee of National People's Congress of PRC promulgated the Planning Law on October 28, 2007 which became effective on January 1, 2008 and substitutes the previous Urban Planning Law of the PRC (中華人民共和國城市規劃法). The Planning Law is formulated for the purpose of strengthening urban and rural planning administration, harmonizing urban and rural spatial layout, improving people's living environment and promoting the integrated, harmonious and sustainable development of urban and rural society and economy. Under the Planning Law, to build any structure, fixture, road, pipeline or other engineering project within a urban or rural planning area, the construction entity or individual shall apply to the relevant department of urban and rural planning under the people's government of the city or county, or the people's government of the town specified by the people's government of the province, autonomous region or municipality directly under the Central Government for a construction planning permit.

### Construction Law

The Standing Committee of National People's Congress of PRC promulgated the Construction Law on November 1, 1997 to strengthen the supervision and regulation of construction activities, maintain construction market order, ensure the quality and safety of construction projects and promote the healthy development of construction industry. Under the Construction Law, before the commencement of construction of projects, the construction entities shall, in accordance with the relevant provisions of the State, apply to the relevant construction administrative departments under the prefecture-county governments or above for construction permits.