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THE LAWS AND REGULATIONS OF THE PRC

The laws, regulations, rules and policies applicable to the industrial automation instrument and technology industry include “Measures for Supervision and Administration of License for Manufacturing and Repairing Instruments of Measurement”, “Implementation Rules for the License for Production of Explosion-proof Electrical Products”, “Development Guidelines for Environment Inspection Instruments”, “Technical Specifications for Survey of Urban Underground Pipelines”, and “Outlines of the People’s Republic of China’s Policies on Water Saving Technology”.

Other laws, regulations, rules and policies to which the Group is subject to include “Environmental Protection Law of the PRC”, “Atmospheric Pollution Prevention Law”, “Water Pollution Prevention Law” and “Noise Pollution Prevention Law”.

The relevant provision of these laws, regulations, rules and policies applicable to the Group are set out below.

REGULATIONS IN RESPECT OF INDUSTRY PRACTICES

Measures for Supervision and Administration of License for Manufacturing and Repairing Instruments of Measurement

Measures For Supervision and Administration of License For Manufacturing and Repairing Instruments of Measurement (the “Measures”) were promulgated by the Decree No. 2 of the State Bureau of Quality and Technical Supervision on [29 December 2007]. The Measures stipulate that any units or individually owned businesses that manufacture instruments of measurement for the purposes of sales or commence repairing operation for instruments of measurement must apply for a License for Manufacturing Instruments of Measurement or a License for Repairing Instruments of Measurement, respectively. The License for Manufacturing Instruments of Measurement and the License for Repairing Instruments of Measurement shall both be valid for three years. The Measures shall be applicable to the instruments of measurement listed in the Catalogue of the People’s Republic of China Concerning Instruments of Measurement Controlled by Law. The Measures further stipulate that the Certificate of Model Approval or Qualified Certificate for Sample Instrument must be obtained by the manufacturing enterprises before applying for the License for Manufacturing Instruments of Measurement.

The National Bureau of Measurement published the Catalogue of the People’s Republic of China Concerning Instruments of Measurement Controlled by Law on 10 July 1987. The General Administration of Quality Supervision, Inspection and Quarantine of the PRC published (2005 No. 145) the Catalogue of the People’s Republic of China Concerning Instruments of Measurement Controlled by Law – Model Approval Section, which has come into effect as of 1 May 2006. Pursuant to the above stipulation, products of the Company, such as “digital display instrument,” “multi-channel compensation flow meter”, “pressure transmitter,” and “pressure/differential pressure transmitter” are under the above scope of administration.

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Implementation Rules for the License for Production of Explosion-proof Electrical Products

National Office for Production Licenses for Industrial Products, by Decree Qu Xu Ban [2006] No. 94, promulgated the Implementation Rules for the License for Production of Explosion-proof Electrical Products (the “Implementation Rules”), which came into effect on 20 December 2006. The Implementation Rules set out in details the industry organisation responsible for centralised administration of the Production License for Explosion-proof Electrical Products (the “Production License”) including, the basic requirements, approval procedures, application and reception for an enterprise to obtain the Production License, spot tests conducted on the enterprise, products sampling and inspection, examination and approval and the issuance of the License for Production, production approval and examination requirements for group companies, product standards and relevant standards for enterprises producing explosion-proof electrical products and others.

Pursuant to the Schedule 1 of the Implementation Rules (Product Unit Classification Table for the Production License for Explosion-proof Electrical Products), the products (among others) manufactured by the Company are under the administration scope of the Implementation Rules include, thermal isolated safety barrier, digital output isolated barrier, digital input isolated barrier and detection point isolated barrier.

Development Guidelines for Environment Inspection Instruments

Development Guidelines for Environment Inspection Instruments (the “Guidelines”) was promulgated by State Environmental Protection Administration of China by Decree Huan Fa (2000) No. 23 and has been implemented on [8 December 2000]. The Guidelines state the following policies and measures for the development of environment supervision instruments:

1. The development of environmental supervision instruments and their facilities are critical to achieve the modernisation of supervision technology and to provide accurate information for environmental protection and sustainable economic development, and therefore the State encourages the research, development and production of the supervision instruments and facilities;
2. Specifying the needs and directions of environmental supervision and regulating the development of environmental supervision instruments by strengthening the general guidance for the development and production of environmental supervision instruments, stepping up the investigation and research on the development trend of environmental supervision technology and supervision instruments, and timely establishment of the development plans and technology policies for environmental supervision instrument;

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3. Strengthening the standardisation of environmental supervision instruments. Environmental supervision instruments are the bases for environmental supervision work. In order to ensure the data derived from environment supervision are, accurate and comparable, the formulation of standards for environmental supervision instruments shall be enhanced. The standards for environmental supervision shall be classified into a system of environment protection standards in order to accord with the formulation of environmental supervision regulations and the methodology of environment analysis and supervision. As a result, the technological advancement of environment supervision instruments can be achieved by the establishment of unified standards;
4. Conducting inspection on the technology levels and quality status of environmental supervision instruments by strengthening the supervision and management of environmental supervision instruments and establishing a number of authoritarian technology intermediary institutions with strong technology foundation and announce the results to the public. The “access” system shall be implemented on the specialized instruments for environment supervision used for the purposes of law enforcement supervision under the environment supervision;
5. Strengthening the technology innovation in respect of environmental supervision instrument, increasing the investment in scientific research in connection with supervision technology urgently needed for environment protection works, and including the development of environment supervision technology into the key areas of scientific research for environment. Accelerating the commercialisation of environmental supervision instruments and technology enhancement by capitalizing on various supporting policies of the State;
6. Promoting the integration of scientific research and production of supervision instruments, encouraging the technology collaboration between enterprises manufacturing environmental supervision instruments, universities and scientific research institutes through different channels, and accelerating the transformation of achievements of environmental supervision technology;
7. Applying the strategies of introduction, comprehension, adoption and localisation. With regard to supervision instruments of which the production technology in the PRC is backward while foreign countries already have advanced and complete set of technology, the State encourages the introduction important technology from foreign countries, establishment of joint production and gradual localisation;
8. Achieving production of mass-scale and economies of scale as well as setting up a group of key enterprises of supervision instrument production by leveraging the market control measures to encourage the re-integration in the environmental supervision instrument production industry with a view to gradually improve on the issues of weak technology, diversified investment, low-level duplication and low market competitiveness surrounding the production of supervision instruments; and

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9. Formulating relevant regulations in respect of environmental supervision according to the construction plans of environment supervision capabilities to gradually setting up regional automated network systems for supervising environment quality and sources of pollution in certain major cities. Encouraging the establishment of automated network systems for environmental supervision through preparation of model projects which implement the construction of automated network for environmental supervision.

Technical Specifications for Survey of Urban Underground Pipelines

The Technical Specifications for Survey of Urban Underground Pipelines promulgated for implementation by Decrees No. 152 by the Ministry of Construction on 3 June 2003 sets out the professional standards (CJJ61-2003) for underground pipelines survey, and which came into effect on 1 October 2003, and Article Nos. 306, 3012, 462, 464, 561(1), A01, A04, A05, A06, A07 and A09 are mandatory provisions which must be strictly implemented. The former Technical Specifications for Survey of Urban Underground Pipelines was repealed at the same time.

Outlines of the People’s Republic of China’s Policies on Water Saving Technology

In order to promote the development and application of water saving technology, enhance the efficiency and sustainability of water utilisation, National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Water Resources, the Ministry of Construction and the Ministry of Agriculture formulated the Outlines of the the People’s Republic of China’s Policies on Water Saving Technology (the “Outlines”), which was promulgated and implemented on 21 April 2005.

The Outlines advocate the optimisation of control technology for water pressure, surface and volume in connection with industrial water supply and the development of swift and practical leakage inspection equipments, instruments and technology for industrial pipeline networks and facilities.

In light of existing serious water leakage of urban water pipeline networks, the Outlines advocate the active application of leakage inspection and prevention technology on urban water supply network, promote the installation and accurate position of leakage inspection technology, and optimise leakage inspection methodology. The water pipeline networks buried under ground shall be inspected primarily using passive leakage inspection method while water pipeline networks under urban roads shall be inspected mainly using the active leakage inspection method. The Outlines encourage building water supply networks using GIS and GPS system and to apply the general survey system technology for regional leakage.

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LAWS AND REGULATIONS FOR THE PROTECTION OF SOCIAL PUBLIC INTERESTS

Environmental Protection Law

The Environmental Protection Law of the People’s Republic of China was adopted and promulgated at the Eleventh Meeting of the Standing Committee of the Seventh National People’s Congress of the People’s Republic of China on 26 December 1989 which came into effect on the same day.

The Environmental Protection Law of the People’s Republic of China requires the units that cause environmental pollution and other public hazard to introduce environmental protection into their operation plans and to establish an accountability system for environmental protection, and must adopt effective measures to prevent and control the pollution and harms that caused to the environment by exhaust gas, waste water, waste residues, dust, odours, radioactive substances, noise, vibration and electromagnetic radiation generated during production, and other activities.

Atmospheric Pollution Prevention Law

The Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution revised and adopted at the 15th Meeting of the Standing Committee of the Ninth National People’s Congress of the People’s Republic of China on 29 April 2000 which was implemented on 1 September 2000.

According to the law, the projects under establishment, expansion and reconstruction that discharge atmospheric pollutants have to comply with the state environmental protection administrative requirements relating to construction projects. Enterprises that discharge polluted gas should report to the environmental protection administrative competent division in the place where the enterprises are located for their equipments that discharge pollutants, the facilities that dispose pollutants, and the type, amount and concentration of the pollutants under their ordinary operation. Enterprises are also required to provide the related technology information about the prevention and control of atmospheric pollution. The concentration of the pollutants must not exceed the state and local standard of discharge.

Enterprises should also firstly apply a clean production process that has a high utilisation rate of energy and low pollutant discharge, and reduce the production of pollutants. Enterprises that have breached the above requirements, may be ordered to cease their illegal activities and rectify within a limited period, be warned, be imposed a penalty and be ordered to cease their businesses by the environmental protection administrative competent division.

Water Pollution Prevention Law

The Law of the People’s Republic of China on Prevention and Control of Water Pollution adopted at the Fifth Meeting of the Standing committee of the Sixth National People’s Congress of the People’s Republic of China on 11 May 1984 was revised in accordance with the Decision on Revising the Law of the People’s Republic of China on Prevention and Control of Water Pollution adopted at 19th Meeting of the Standing Committee of the Eighth National People’s Congress of the People’s Republic of China on 15 May 1996.

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According to the law, the construction projects under establishment, expansion and reconstruction that discharge polluted water directly or indirectly have to comply with the state environmental protection administrative requirements relating to construction projects. The equipments used for preventing and controlling water pollution must be designed, constructed and operated with the main construction in the same time. Enterprises that discharge polluted water directly or indirectly should report and register with the environmental protection division in the place where the enterprises are located for their equipments that discharge pollutants, the facilities that dispose pollutants, and the type, amount and concentration of the pollutants under their ordinary operation in accordance with the requirements of the environmental protection division of the State Council. Enterprises are also required to provide the related technology information about the prevention and control of water pollution.

Enterprises that discharge polluted water have to pay the pollutant discharge fees according to the state requirements. Enterprises that discharge pollutants in excess of the state or local standard of pollutant discharge have to pay the pollutant discharge fee for the additional discharge in accordance with the state requirements. Enterprises should also apply clean production process that has a high utilisation rate of raw materials and low pollutant discharge. Enterprises should also reinforce the management and reduce the production of pollutants.

Enterprises that have breached the above requirements, may be ordered to cease their illegal activities and rectify within a limited period, be warned, be imposed a penalty and be ordered to cease their businesses by the environmental protection administrative competent division.

Noise Pollution Prevention Law

The Law of the People’s Republic of China on Prevention and Control of Environmental Noise Pollution adopted and promulgated at the 20th Meeting of the Standing Committee of the Eighth National People’s Congress of the PRC on 29 October 1996 was implemented on 1 March 1997. This Law stipulates the supervision and management of the prevention and control of environmental noise pollution and industrial noise pollution, construction noise pollution, traffic noise pollution, social activities noise pollution and the relevant legal liability.