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### OVERVIEW OF REGULATORY FRAMEWORK

Our principal business is the production of bleaching and disinfectant chemicals, ADC foaming agent and other specialty chemicals, which is subject to various regulations and PRC governmental supervision in the PRC. The regulations and supervision focus on various aspects including without limitation foreign investment thresholds, production, quality control, environmental protection and work safety. This section summarizes the principal PRC laws and regulations relating to our business.

We are principally regulated and supervised by the following PRC governmental authorities: the National Development and Reform Commission (“NDRC”), the Ministry of Industry and Information Technology (“MIIT”), the Ministry of Commerce (“MOFCOM”), the State Administration of Work Safety (“SAWS”), the Ministry of Environmental Protection (“MEP”), the Ministry of Land and Resources, and the General Administration of Quality Supervision, Inspection and Quarantine (“GAQSIQ”).

The PRC government classifies industry sectors into four categories for the purpose of guiding foreign investment, namely the “encouraged”, “permitted”, “restricted” and “forbidden” categories in accordance with the Provisions for the Guidance of Foreign Investment (《指導外商投資方向規定》) and the Catalog for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》), among which, the “encouraged”, “restricted” and “forbidden” categories are specified in the Catalog for the Guidance of Foreign Investment Industries while an industry that is not specifically covered by the first three categories falls into the category of “permitted” industries. The latest and currently effective Catalog for the Guidance of Foreign Investment Industries was amended and adopted by NDRC and MOFCOM on October 31, 2007, in which the production of caustic soda (燒鹼) and PVC produced by calcium carbide method (電石法制聚氯乙烯) are listed within the restricted category.

### REGULATIONS ON INDUSTRIAL PRODUCTS

The Regulations on the Administration of Production License for Industrial Products of the PRC (《中華人民共和國工業產品生產許可證管理條例》) were promulgated by the State Council on July 9, 2005 and became effective on September 1, 2005. The Measures for Implementation of the Regulations on the Administration of Production License 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》) were promulgated by GAQSIQ on September 15, 2005 and became effective on November 1, 2005.

Pursuant to the aforesaid regulations and implementation measures, enterprises engaging in hazardous chemical production shall obtain the production license for industrial products. Such license shall be valid for 5 years. GAQSIQ is responsible for the management of the production license for industrial products nationwide, and local bureaus of quality supervision, inspection and quarantine at provincial level may be responsible for the issuance of production licenses for some products.

If an enterprise violates the aforesaid regulations and implementation measures, the relevant authorities may order it to rectify the violations within a prescribed period of time or to suspend production. The relevant authorities may also confiscate the illegal products, revoke the production license, confiscate the illegal income and impose a fine on the enterprise. If a criminal offense is committed, the responsible person may be subject to criminal liabilities.

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### REGULATIONS ON SAFE PRODUCTION

#### Production Safety Law of the PRC

The Production Safety Law of the PRC (《中華人民共和國安全生產法》) was promulgated by the Standing Committee of the National People's Congress ("SCNPC") on June 29, 2002 and became effective on November 1, 2002. The Production Safety Law was adopted to strengthen the supervision and administration of production safety, prevent and reduce production accidents, protect people's life and property and promote economic development. The Production Safety Law applies to enterprises engaged in production activities within the PRC and provides that enterprises engaged in production activities shall meet the production safety requirements prescribed by relevant laws, administrative regulations and national or industrial standards, failure of which will result in the prohibition to engage in production activities. Such enterprises are also required to strengthen the production safety management, establish the responsibility system for production safety, improve work conditions and ensure safe production.

The Production Safety Law in particular stipulates the responsibilities of the person in charge of production safety, including the responsibilities to establish and improve the system of attributing responsibility for production safety, formulate the safe production and operation rules, ensure the effective investment in production safety areas, oversee and inspect production safety work and eliminate the potential danger of production accidents timely, formulate and execute the emergency rescue plans for production accidents, and report production accidents honestly and timely. If an enterprise fails to meet the requirements as provided by the Production Safety Law and other relevant laws, administrative regulations and national or industrial standards, it may be ordered to suspend business and rectify the violations. Failure to rectify the violations within a prescribed period of time may lead to the shutdown of the enterprise and revocation of the relevant licenses.

#### Regulations on Safety Production Permit

The Regulations on Safety Production Permit (《安全生產許可證條例》) were promulgated by the State Council and became effective on January 13, 2004. The Regulations on Safety Production Permit were adopted to strictly regulate the conditions for safe production, further strengthen the supervision and administration of safe production, prevent and reduce production accidents.

The Regulations on Safety Production Permit stipulate that hazardous chemical manufacturing enterprises shall obtain a safety production permit. Enterprises without the safety production permit are not allowed to engage in hazardous chemical production activities. The administrative department of work safety under the State Council is responsible for the issuance and administration of safety production permits for hazardous chemical production enterprises which are under the administration of the central government, while local work safety authorities at the provincial level are responsible for the issuance and administration of safety production permits for other enterprises. The safety production permit shall be valid for three years.

If an enterprise violates the provisions of the Regulations on Safety Production Permit and commences production without obtaining the safety production permit or fails to renew the safety production permit upon its expiration, the relevant authorities may order it to suspend production, confiscate the illegal gains and impose a fine on the enterprise. If a criminal offense is committed, the offender may be subject to criminal liabilities.

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### REGULATIONS ON HAZARDOUS CHEMICALS

#### Regulations on the Safety Administration of Hazardous Chemicals

The Regulations on the Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》) were promulgated by the State Council on January 26, 2002 and became effective on March 15, 2002. An amendment was made to such regulations by the State Council on February 16, 2011 and will become effective on December 1, 2011. The Regulations on the Safety Administration of Hazardous Chemicals, as amended, were adopted to strengthen the safety control over hazardous chemicals, safeguard people's life and property and protect the environment.

The Regulations on the Safety Administration of Hazardous Chemicals prescribe that the production, operation, storage, transportation and usage of hazardous chemicals and disposal of disused hazardous chemicals within the PRC must comply with the provisions of the aforesaid regulations. Hazardous chemical production enterprises must apply to the relevant department of the State Council for the production license of hazardous chemicals, failure of which will result in prohibition against production. Entities and individuals shall not engage in the sale and operation of hazardous chemicals without permission. Hazardous chemical production and storage enterprises as well as entities using highly toxic chemicals and other hazardous chemicals, the quantity of which constitutes major hazard sources, shall register the hazardous chemicals with competent authorities.

If an enterprise violates the Regulations on the Safety Administration of Hazardous Chemicals, as amended, relevant authorities may order it to close down or to suspend production, and order it to destroy the hazardous chemicals. Any illegal gains may be confiscated and a fine may be imposed on the enterprise by relevant authorities. If a criminal offense is committed, the responsible person may be subject to criminal liabilities.

#### Measures for Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises

The Measures for Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises (《危險化學品生產企業安全生產許可證實施辦法》) were formulated according to the Regulations on Safety Production Permit, and were promulgated by SAWS and State Administration of Coal Mine Safety and became effective on May 17, 2004. An amendment was made to such measures by SAWS on July 22, 2011 and will become effective on December 1, 2011.

According to the aforesaid measures, as amended, hazardous chemical production enterprises must obtain the safety production permit. The local work safety authorities at the provincial level are responsible for the issuance and administration of safety production permits for local hazardous chemical production enterprises. If a hazardous chemical production enterprise commences production without obtaining the safety production permit, the relevant authorities may order it to suspend production, confiscate the illegal gains and impose a fine on the enterprise. If a criminal offense is committed, the offender may be subject to criminal liabilities.

#### Measures for the Administration of Hazardous Chemical Operation License

The Measures for the Administration of Hazardous Chemical Operation License (《危險化學品經營許可證管理辦法》) were promulgated by the former State Economic and Trade Commission on October 8, 2002 and became effective on November 15, 2002. The Measures for the Administration of Hazardous Chemical Operation License were adopted to strengthen the safety administration of hazardous chemicals, regulate the operation and sale of hazardous chemicals and protect people's lives and property.

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The Measures for the Administration of Hazardous Chemical Operation License establishes a licensing system for the operation and sale of hazardous chemicals. Entities engaging in the operation and sale of non-self-produced hazardous chemicals shall obtain the hazardous chemical operation license pursuant to the aforesaid measures before registration with the administrative bureaus for industry and commerce. No entity or individual may operate or sell non-self-produced hazardous chemicals without obtaining the hazardous chemical operation license and registering with the administrative bureau for industry and commerce. Hazardous chemical producers that set up sales centers outside their production plants to sell self-produced hazardous chemicals would also need to obtain the relevant operation licenses for the sales centers. A hazardous chemical operation license shall be valid for three years.

If an enterprise engages in the operation and sale of non-self-produced hazardous chemicals without obtaining the hazardous chemical operation license, the relevant authorities may order it to close down or to suspend production, and order it to destroy the hazardous chemicals. Any illegal gains may be confiscated and a fine may be imposed on the enterprise by relevant authorities. If a criminal offense is constituted, the responsible person shall be subject to criminal liabilities.

### **Measures for the Administration of Registration of Hazardous Chemicals**

The Measures for the Administration of Registration of Hazardous Chemicals (《危險化學品登記管理辦法》) were promulgated by the former State Economic and Trade Commission on October 8, 2002 and became effective on November 15, 2002. The Measures for the Administration of Registration of Hazardous Chemicals were adopted to strengthen the safety control over hazardous chemicals, prevent chemical accidents and provide technical and information support for emergency rescue.

According to the aforesaid measures, hazardous chemical production and storage enterprises and entities using highly toxic chemicals and other hazardous chemicals, the quantity of which constitutes major hazard sources, shall register the hazardous chemicals with competent authorities. Registration offices are established at the provincial level to take care of the detailed registration work and technical management for hazardous chemicals within their respective jurisdiction. Entities which fail to register with the relevant authorities may be ordered to rectify the violations and be imposed a fine.

### **Measures for Implementation of Safety Licensing for Hazardous Chemical Construction Projects**

The Measures for Implementation of Safety Licensing for Hazardous Chemical Construction Projects (《危險化學品建設項目安全許可實施辦法》) were promulgated by SAWS on September 2, 2006 and became effective on October 1, 2006.

According to the aforesaid measures, entities engaged in construction, reconstruction and expansion of the hazardous chemical production and storage installations and facilities within the PRC must obtain the safety permission; otherwise, such installations and facilities shall not be constructed or put into production or use. The expression “safety licensing for construction projects” refers to the safety examination before the commencement (examination, approval and filing) of the construction projects, the examination of the design of safety facilities for construction projects as well as the final examination and acceptance thereof upon completion. In addition, if necessary, construction projects may be put into trial production prior to final examination and acceptance, but the plan of such trial production shall be filed with the work safety authority in advance.

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If an enterprise violates the aforesaid measures, the relevant authorities may order it to close down or to suspend production, and order it to destroy the hazardous chemicals. Any illegal gains may be confiscated and a fine may be imposed on the enterprise by relevant authorities. If a criminal offense is committed, the responsible person may be subject to criminal liabilities.

### **Measures for Production and Operation Licensing of Non-pharmaceutical and Easily Produced Toxic Chemicals**

The Measures for Production and Operation Permit of Non-pharmaceutical and Easily Produced Toxic Chemicals (《非藥品類易制毒化學品生產、經營許可辦法》) was promulgated by SAWS on April 5, 2006 and became effective on April 15, 2006. According to the aforesaid measures, the enterprises shall obtain the permit or record certificate for production and operation of non-pharmaceutical and easily produced toxic chemicals. Hydrochloric Acid is subject to the requirement of record certificate.

### **Management Provisions on Road Transport of Hazardous Goods and its Amendment**

The Management Provisions on Road Transport of Hazardous Goods (《道路危險貨物運輸管理規定》) was promulgated by the Ministry of Transport on July 12, 2005 and became effective on August 1, 2005. An amendment was made to the Management Provisions on Road Transport of Hazardous Goods by the Ministry of Transport on October 20, 2010 and became effective on January 1, 2011 (the “Amendment”). According to the Management Provisions on Road Transport of Hazardous Goods and the Amendment, the consigner of hazardous goods should entrust a carrier for transportation of hazardous goods that has relevant qualifications and that has obtained the Road Transportation Operation Permit for transporting hazardous goods. Enterprises that have been approved by relevant safe production supervisory authorities on the provincial level to manufacture, use or store hazardous chemicals may engage in non-operational hazardous goods transportation for its own benefit by using its self-owned vehicles, provided that they have obtained the Road Hazardous Goods Transportation Permit.

### **Standards for Pollution Control on Landfill Sites for Hazardous Waste**

On December 28, 2001, the MEP and the GAQSIQ jointly promulgated the Standards for Pollution Control on Landfill Sites for Hazardous Waste (《危險廢物填埋污染控制標準》) (“Landfill Site Standards”), which came into effect on July 1, 2002. The Landfill Site Standards set forth specific provisions regarding environmental protection requirements involved in the process of construction and operation of landfill sites for hazardous waste, including admission conditions for the hazardous waste landfill, the location, design, construction, operation, closure and monitoring of the landfill sites.

### **Measures relating to Distribution of Potassium Chlorate**

On September 30, 2002, the General Office of the State Council promulgated the Circular on Further Strengthening the Safety Management of Civil Explosives (《關於進一步加強民用爆炸物品安全管理的通知》). Further, on November 5, 2008, SAWS promulgated the Circular on Conducting In-depth Special Treatment of Potassium Chlorate (《關於深入開展氯酸鉀專項治理工作的通知》). Pursuant to these circulars and relevant regulations, among other things, the illegal use of potassium chlorate for the production of pyrotechnics is forbidden and enterprises manufacturing potassium chlorate should abide by relevant requirements and procedures when selling potassium chlorate. According to applicable regulations, enterprises manufacturing

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and handling potassium chlorate should set up a strict registration system for the flow of potassium chlorate products and are forbidden to sell potassium chlorate to any units or individuals who fail to clarify the proper purpose of their potassium chlorate purchase. Where enterprises manufacturing and handling potassium chlorate sell potassium chlorate to other pyrotechnic enterprises, they should, among others, check the purchaser's copy of the duplicate work safety license of pyrotechnics, confirm that the scope of such work safety license of pyrotechnics included smoke and friction related products, note sales target, time and volume, and retain the copy of the duplicate work safety license of pyrotechnics. The registration files should be retained for three years.

### REGULATIONS ON ENVIRONMENTAL PROTECTION

Our business is subject to various PRC environmental protection laws and regulations promulgated by the central and local governments concerning environmental protection measures in construction projects, use, discharge and disposal of toxic and hazardous materials, discharge and disposal of waste water, solid waste and waste gases, and control of industrial noise.

#### The Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) was promulgated by SCNPC and became effective on December 26, 1989, and is aimed at protecting and improving the living environment and the biological environment, preventing pollution and other public hazards, protecting people's health, and facilitating the development of modern construction under socialism. MEP is responsible for the overall supervision and management of environmental protection in the PRC.

According to the Environmental Protection Law, companies causing environmental pollution and other public hazards must include environmental protection measures in their plans and set up a system of environmental protection responsibility. Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. Construction projects can only be put into operation after the environmental protection authority has examined and approved the pollution prevention facilities. If necessary, and in accordance with relevant environmental production regulations, construction projects may be put into trial production prior to final environmental protection examination and acceptance. Such trial production shall also be subject to the approval of the relevant environmental protection authority.

Enterprises and institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions of the environmental protection authority under the State Council. Enterprises and institutions discharging pollutants at levels above the pollutant discharge standards contained in the state or local stipulations must pay discharge fees for the exceeded amount according to the regulations of the state, and are responsible for the treatment of discharged material. The relevant authorities are authorized to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of a warning, the suspension of operations or installations which are incomplete and which fail to meet the prescribed standards, the reinstallation of preventive facilities which have been dismantled or left idle, the administrative sanction against the office-in-charge, the suspension of business operations or the shut-down of the enterprise or institution. Fines could also be levied together with these penalties.

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### **The Law of the PRC on Appraising Environmental Impact**

The Law of the PRC on Appraising Environmental Impact (《中華人民共和國環境影響評價法》) was promulgated on October 28, 2002 and became effective on September 1, 2003. According to The Law of the PRC on Appraising Environmental Impact, the PRC government has established a system to appraise the environmental impact from construction projects, and classify and administer the environmental impact appraisals in accordance with the degree of the environmental impact. If the construction project may result in a material impact on the environment, an environmental impact report appraising thoroughly the potential environmental impact of the project is required; if the construction project may result in a slight impact on the environment, an environmental impact record of analyzing or appraising the potential environmental impact is required; and if the construction project may result in very little impact on the environment, an environmental impact appraisal is not required but filing an environmental impact form is needed, responsible construction units shall prepare the environmental impact report. The report shall be approved by the relevant PRC authority before construction commences.

### **The Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste**

According to the Law of the PRC on the 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》) effective on April 1, 1996 and revised on December 29, 2004, an environmental impact appraisal shall be conducted for the construction of projects which discharge, store, use or dispose of solid wastes. Prevention facilities for solid wastes are required to be designed, constructed and put into operation together with the main part of the project. The construction project can only begin operation after the relevant environmental protection authority has examined and approved the solid wastes pollution prevention facilities.

### **The Law of the PRC on the Prevention and Control of Atmospheric Pollution**

According to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) effective on June 1, 1988 and revised on August 29, 1995 and April 29, 2000, respectively, new construction projects, expansion projects or reconstruction projects which discharge atmospheric pollutants shall comply with regulations regarding environmental protection of construction projects. The environmental impact statement of the construction projects shall include an assessment of the project impact on the ecosystem and be submitted to the environmental protection authority for approval. The construction project can only be put into operation after the environmental protection authority has examined and approved the atmospheric pollution prevention facilities.

### **The Law of the PRC on Prevention and Control of Environmental Noise Pollution**

According to the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) effective on March 1, 1997, a construction project which is likely to produce environmental noise pollution shall prepare an environmental impact statement which includes measures to prevent and control such pollution, and submit it to the relevant environmental protection authority for approval. The construction project can only be put into operation after the environmental protection authority has examined and approved the noise pollution prevention facilities.

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### **The Law of the PRC on Prevention and Control of Water Pollution**

According to the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) effective on November 1, 1984 and revised on May 15, 1996 and February 28, 2008, respectively, new construction projects, expansion projects or reconstruction projects and other above-water facilities that directly or indirectly discharge pollutants to water need to carry out an environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, built and put into operation together with the main part of the project. The project can only begin operation after the relevant environmental protection authority has examined and approved the water pollution prevention facilities.

### **The Law on Promoting Clean Production**

The Law on Promoting Clean Production of the PRC (《中華人民共和國清潔生產促進法》) was promulgated by SCNPC on June 29, 2002 and became effective on January 1, 2003, which regulates enterprises engaged in production activities and requires them to use technologies and equipments that conserve energy and water, serve other environmental protection purposes, and reduce or stop the use of consumer goods that waste resources or pollute the environment. Enterprises that use toxic or harmful raw materials in their production or discharge toxic or harmful substances in the course of production shall conduct regular examination for clean production and report the results to the competent governmental authorities at or above the county level where the enterprises are located.

### **Tentative Measures on Clean Production Review**

The Tentative Measures on Clean Production Review (《清潔生產審核暫行辦法》) was promulgated on August 16, 2004 and became effective on October 1, 2004. According to the regulation, an enterprise that uses or discharges toxic and hazardous materials in its manufacturing shall be subject to the mandatory clean production review, and a list of enterprises subject to such clean production review shall be issued by the provincial environmental protection authority together with other relevant provincial authorities. Such a review is primarily conducted by the enterprise itself, which is required to establish a task force, establish a clean production target and working schedule, review the production process, formulate and carry out the implementation plan, draft the report of the review and file the report with the competent local governmental authority. Such a review shall be renewed within five years from the previous review.

## **REGULATIONS ON LAND**

On August 28, 2004, SCNPC amended the Land Administration Law of the PRC (《中華人民共和國土地管理法》). 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 LABOR AND EMPLOYMENT

#### The Labor Law and the Labor Contract Law

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) effective on January 1, 1995, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by SCNPC on June 29, 2007 became effective on January 1, 2008, and the Implementing Regulations of the PRC Labor Contract Law (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council became effective on September 3, 2008, an employment relationship is established from the date when an employee commences working for an employer and a written employment contract shall be entered into on this same day. If an employment relationship has already been established with an employee but no written employment contract has been entered into, a written employment contract shall be entered into within one month from the date on which the employee commences work. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, it shall pay the employee twice his/her salary for each month of the past period and rectify the situation by subsequently entering into a written employment contract with the employee.

#### Social Insurance and Housing Fund Regulations

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》), the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》), Regulation of Unemployment Insurance (《失業保險條例》), the Decision of the State Council on Setting up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns (《國務院關於建立城鎮職工基本醫療保險制度的決定》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》) and the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

According to the Regulations on Management of Housing Fund (《住房公積金管理條例》), enterprises should undertake registration at the competent managing center of housing fund and then, upon the examination by such managing center of housing fund, undergo the procedures of opening the account of housing fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit the housing fund in the full amount.

#### The Law on the Prevention and Control of Occupational Diseases

The Law on the Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》) was promulgated by SCNPC on October 27, 2001 and became effective on May 1, 2002. According to this law, where the employers hold projects which are likely to cause occupational diseases that fall into the publicly announced occupational diseases catalog, the employers shall report such to the public health administrative department and accept supervision from the same; where construction projects are likely to cause occupational diseases, the construction unit shall submit a preliminary evaluation report to the relevant public health administrative department and obtain its verification before construction commences; before the construction project is completed for acceptance and inspection, the construction unit shall assess the effect of the control of occupational disease hazards and the facilities for prevention of

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occupational diseases may be put into formal operation and use only after they pass the inspection by the public health administration department. If a unit violates the foregoing regulations, relevant authorities may order it to be rectified within a specified time limit, impose a penalty or even order it to close down and suspend production. In addition, the employer shall take effective measures for the prevention and control of occupational diseases in the workplace.

### REGULATIONS ON HYDROELECTRIC PLANT

#### The Regulations on Electricity Supervision and Administration

The Regulations on Electricity Supervision and Administration (《電力監管條例》) were promulgated by State Council on February 15, 2005 and became effective on May 1, 2005, which aim to maintain the order of the electricity markets, to safeguard the lawful rights and interests of electricity investors, operators and users as well as the public interests in accordance with law, to ensure the safe and stable operation of electric power systems, and to promote the sound development of the electric power industry. According to such regulations, electricity regulatory institutions issue and administer electric power operation permits in accordance with relevant laws and the provisions of the State Council.

#### The Administrative Provisions on Electric Power Operation Permits

The Administrative Provisions on Electric Power Operation Permits (《電力業務許可證管理規定》) were promulgated by State Electricity Regulatory Commission (the “SERC”) on October 13, 2005 and became effective on December 1, 2005. According to such provisions, the SERC shall be responsible for the issuance and administration of electric power operation permits. Anyone who wants to operate an electric power business within the PRC shall obtain the electric power operation permit, unless otherwise exempted under particular circumstances provided by the SERC.

### REGULATIONS ON WATER WITHDRAWAL

#### The Water Law

The Water Law (《水法》) was promulgated by NPC on August 29, 2002 and became effective on October 1, 2002. The Water Law applies to the development, utilization, conservation, protection and management of water resources and to the prevention and control of water disasters within the territory of the PRC. Any unit or individual that withdraws water and uses water resources directly from a river or lake or underground shall apply to the competent authorities for a water withdrawal license and pay water resource charges, provided that such requirement is exempted where water is withdrawn in a small amount, for domestic use or for drinking by poultry and livestock.

#### Regulations on Administration of Water Withdrawal Licensing and Collection of Water Resources Charges

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》) were promulgated by State Council on February 21, 2006 and became effective on April 15, 2006, and the Measures on Administration of Water Withdrawal

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Licensing (《取水許可管理辦法》) were promulgated by the Ministry of Water Resources and became effective on April 9, 2008. According to the above regulations, “water withdrawal” means the withdrawal of water resources directly from a river, lake or underground source by utilizing water withdrawal works or structures; “Water withdrawal works or structures” include sluice gates, dams, channels, artificial waterways, siphons, water pumps, wells, hydroelectric plant, etc. Any unit or individual that withdraws water resources shall, except under certain circumstances, apply for and obtain a water withdrawal license and pay water resources charges. The valid term of a water withdrawal license is normally five years, but no longer than ten years. The applicant shall apply to the original examining and approving authorities 45 days prior to the expiry date to renew the water withdrawal license.