

REGULATION OF OUR INDUSTRY

REGULATORY ENVIRONMENT

According to the Industries for Foreign Investment Guidance Catalog (2007 Revision) (《外商投資產業指導目錄 (2007年修訂) 》) promulgated by the MOFCOM and the NDRC, the wastewater treatment industry falls within the category of industries in which foreign investment is encouraged. Foreign investors may participate in the construction and operation of wastewater treatment projects within the PRC by means of establishment of joint ventures or wholly foreign owned enterprises.

PROJECT LEGAL PERSON SYSTEM

According to the Interim Provisions on Implementation of Construction Project Legal Person Responsibility System (《關於實行建設項目法人責任制的暫行規定》), promulgated and implemented by the NDRC on April 6, 1996, and the Interim Provisions of the Ministry of Construction on Utilization of Foreign Funds in Municipal Public Utilities (《建設部城市市政公用事業利用外資暫行規定》) promulgated and implemented on May 27, 2000, foreign-invested wastewater treatment projects should implement the project legal person responsibility system.

Under the project legal person responsibility system, the project legal person should be responsible for the entire process of the project, including planning, financing, construction implementation as well as maintenance, operation and debt repayment.

CAPITAL FUND SYSTEM

In accordance with the Notice of the State Council on Trial Implementation of Capital Fund System in Fixed Asset Investment Projects (《國務院關於固定資產投資項目試行資本金制度的通知》) promulgated and implemented by the State Council on August 23, 1996, the Opinion on Utilizing Foreign Funds in the Construction of Municipal Public Utilities (For Trial Implementations) (《關於城市市政公用設施建設利用外資工作的意見 (試行) 》) promulgated and implemented by the Ministry of Construction on May 20, 1997, the Notice of the State Council on Adjusting the Proportions of Capital Fund in Fixed Asset Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》) 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 (《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》) promulgated and implemented by the NDRC, the Ministry of Construction (currently the Ministry of Housing and Urban-Rural Development) and the State Environmental Protection Administration (currently the Ministry of Environmental Protection) on September 10, 2002, the capital fund system is adopted for fixed asset investment projects.

Under the capital fund system, investors must contribute a certain proportion of capital as the project company's capital fund. The proportion of such contribution in wastewater treatment projects must be no less than 20% of the total project investment and the specific proportion will be determined by the approval authority of that project when reviewing the feasibility study report, taking into consideration the project's future economic benefits, banks' willingness to make loans and appraisal opinions.

CONCESSION IN WASTEWATER TREATMENT PROJECTS

According to the Opinion on Accelerating the Marketization of Municipal Public Utilities Industry (《關於加快市政公用行業市場化進程的意見》) promulgated and implemented by the Ministry of Construction on December 27, 2002, 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》) promulgated by the Ministry of Construction 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 (《建設部關於加強市政公用事業監管的意見》) promulgated and implemented by the Ministry of Construction on September 10, 2005, the relevant regulations governing the grant of concession rights for municipal public utilities projects are applicable to wastewater treatment projects. Government authorities should select investors and operators of wastewater treatment projects through public bidding, and enter into concession agreements to grant concession rights for municipal public utilities projects.

Terms of the Concession Right and Pricing

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 Notice on Issuing Opinion about Advancing Industrialization of Urban Sewage and Garbage Treatment by the National Development and Planning Commission, the Ministry of Construction and the State Environmental Protection Administration (《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》), the terms of the concession rights for municipal wastewater treatment project should not exceed 30 years. After the expiration of the term, governments shall re-select the concessionaire by public tender. The wastewater treatment service fee shall be determined according to the principle that the municipal wastewater treatment facilities operators should be able to recover their cost as well as making a reasonable profit.

Water Quality

The water quality of effluent flowing from municipal wastewater treatment plants should comply with the standards set out in the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants (《城鎮污水處理廠污染物排放標準》) (GB18918-2002). According to the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the company operating centralized treatment facilities for municipal wastewater is responsible for the quality of the effluent from the wastewater treatment plant.

Government Supervision

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 of Ministry of Construction on Strengthening the Supervision of Municipal Public Utilities (《建設部關於加強市政公用事業監管的意見》), the

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government's supervision of operators of concession rights regarding wastewater treatment projects mainly includes the following:

A. Routine supervision

The authorities in charge of supervising the municipal public utilities shall carry out periodic spot checks on the quality of service provided by wastewater treatment facility operators and shall monitor the wastewater treatment cost.

B. Mid-term assessment

During the course of project operation, the authorities in charge of supervising the municipal public utility operators shall organize experts to carry out mid-term assessment of the wastewater treatment facility operators' performance; such assessment cycle shall be carried out at least every two years. Under special circumstances, the government may carry out annual assessments.

C. Supervision of material matters

Unless it is otherwise authorized by the government in advance, wastewater treatment enterprises should not transfer or lease their concession rights, dispose or mortgage project assets in the concession period, shut down or wind up without permission. Where an enterprise to which concession rights have been granted intends to unilaterally terminate the concession agreement within the concession period, it shall apply to the supervisory authority in advance. Before such authority's approval of such cancellation, the relevant enterprise shall maintain its ordinary business and service.

D. Treatment of violations

In the event that an enterprise to which concession rights have been granted has any of the following conduct during the concession period, the supervisory authority shall terminate the concession agreement according to law and may temporarily takeover the enterprise:

- (1) Transfer or lease the concession right without authorization;
- (2) Dispose of or mortgage the assets operated by it without authorization;
- (3) Occurrence of any material quality or production safety accident due to poor management;
- (4) Close out or shut down without permission, which seriously affects public interest and safety; and
- (5) Other conduct prohibited by laws and regulations.

BIDDING AND TENDER

According to the Construction Law of the PRC (《中華人民共和國建築法》) and the Bidding and Tendering Law of the PRC (《中華人民共和國招標投標法》) adopted by the National People's Congress Standing Committee of the PRC on August 30, 1999 and implemented on January 1, 2000, certain large-scale infrastructure and public utilities projects relating to social and public welfare and safety

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within the PRC, including surveying and prospecting, design, engineering and supervision of such projects, as well as the procurement of major equipment and materials regarding engineering and construction, shall be subject to tenders. The tender winner may, according to the provisions of the contract or the consent of the owner, sub-contract parts of the task that are not vital or principal to the project.

The Provisions on Standards for the Scope and Size of Construction Projects Requiring Tender (《工程建設項目招標範圍和規模標準規定》) issued and implemented by the State Development Planning Commission on May 1, 2000 and the Administrative Measures of Tender and Bidding for Construction Project of Buildings and Public Infrastructures (《房屋建築和市政基礎設施工程施工招標投標管理辦法》) issued and implemented by the Ministry of Construction on June 1, 2001 further provide the specific requirements for bidding and tendering. For example, for any of the aforesaid projects, construction contracts of more than RMB2 million in value, procurement contracts of more than RMB1 million in value, service contracts of more than RMB0.5 million in value, or total investments of more than RMB30 million shall be subject to tender.

To specify the requirements and procedures for bidding and tendering, the Provisions on Tender and Bidding of Exploration and Design Work for Engineering Projects (《工程建設項目勘察設計招標投標辦法》), the Provisions on Tender and Bidding of Construction Projects (《工程建設項目施工招標投標辦法》) and relevant specific provisions were promulgated, respectively.

QUALIFICATIONS FOR THE OPERATION OF ENVIRONMENTAL POLLUTION TREATMENT FACILITIES

According to the Measures for the License Administration of Qualification for Operation of Environmental Pollution Treatment Facilities (《環境污染治理設施運營資質許可管理辦法》) promulgated by the State Environmental Protection Administration on November 8, 2004 and implemented on December 10, 2004, the operator of environmental pollution treatment facilities shall apply for a Qualification Certificate for Operation of Environmental Pollution Treatment Facilities (環境污染治理設施運營資質證書) and shall conduct the business of operating environmental pollution treatment facilities according to the provisions of the qualification certificate. The Qualification Certificate for Operation of Environmental Pollution Treatment Facilities is classified into two levels by reference to the scope of business operation and the scale of pollutant disposal and treatment, namely Level A and Level B. Both levels of qualification for operation of environmental pollution treatment facilities are further sub-divided into different types by job categories such as municipal sewage, industrial wastewater, dust-removal and desulfurization, industrial exhaust gas, industrial solid waste (excluding hazardous waste), municipal rubbish, automatic continuous monitoring, etc. According to the Grading and Classification Standards for the Qualification for Operation of Environmental Pollution Treatment Facilities (For Trial Implementation) (《環境污染治理設施運營資質分級分類標準(試行)》) promulgated and implemented by the State Environmental Protection Administration on December 10, 2004, the operator who obtains a Level A qualification certificate is eligible to undertake any business in connection with the operation of environmental pollution treatment facilities within the verified categories nationally; the operator who obtains a Level B qualification certificate is eligible to undertake business in connection with the

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operation of environmental pollution treatment facilities of certain scale and scope within the verified categories nationally.

ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which became effective on December 26, 1989, units that cause environmental pollution and other public nuisances shall adopt effective measures to avoid and control the pollution and damage caused to the environment. Pollution prevention facilities in construction projects shall be designed, built and put into operation together with the main part of the project. Construction projects can only be put into operation after the environmental protection authority has examined and approved the pollution prevention facilities. Enterprises and institutions discharging pollutants shall report to and register with the relevant authorities in accordance with the provisions of the environmental protection authority under the State Council.

According to the Law of the PRC on Appraising of Environment Impact (《中華人民共和國環境影響評價法》) which came into effect on September 1, 2003, the PRC Government has set up a system to appraise the environmental impact of construction projects, and classify and administer the environmental impact appraisals in accordance with the degree of environmental impact. If a construction project may result in a material impact on the environment, an environmental impact report is required, which thoroughly appraises the potential environmental impact. If the construction project may result in a slight impact on the environment, an environmental impact report of analyzing or appraising the specific 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 an environmental impact form shall be filed. The report for registration shall be approved by the relevant PRC authority before construction commences.

According to the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the enterprise operating centralized treatment facilities of urban sewage shall obtain the Pollutants Discharge Permit (排污許可證). Save as disclosed in this Listing Document to the best of our knowledge, we have obtained all material environmental licenses and certificates in the PRC for each of our project's current stage and have in all material respects complied with the relevant environmental protection laws and regulations during the Track Record Period and up to the Latest Practicable Date.

QUALIFICATIONS FOR CONSTRUCTION ENTERPRISES

According to the Construction Law of the PRC (《中華人民共和國建築法》) adopted by the National People's Congress Standing Committee of the PRC on November 1, 1997 and implemented on March 1, 1998, construction engineering enterprises, prospecting enterprises, design enterprises and project supervisory enterprises are divided into different classes according to their registered capital, professions and technical skills, technical equipment and performance record of completed construction projects, etc. Only when these enterprises pass qualification examinations and obtain

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appropriate qualification certificates may they engage in construction activities within the scope of their qualification class.

The Administrative Rules of the Qualifications of Construction Enterprises (《建築業企業資質管理規定》) implemented by the Ministry of Construction on September 1, 2007, further provides the qualifications for construction enterprises shall be divided into three categories, namely general contractor (施工總承包), specialized contractor (專業承包) and labor sub-contractor (勞務分包). Enterprises holding a general contractor qualification may undertake general contracts. Enterprises which undertake general contracts may construct the whole of the project by itself, or sub-contract the specialized engineering or labor services to other enterprises holding the corresponding qualifications to undertake such specialized engineering or labor services. Enterprises which undertake specialized engineering may construct the whole of the specialized project itself, or sub-contract the labor services to other enterprises holding the corresponding qualifications to undertake such labor services. Enterprises holding the labor services qualification may undertake the labor services sub-contracted by an enterprise that undertakes general contracts or specialized contracts. Each category of qualification shall be divided into different types by professions which shall, in light of certain conditions, be divided into different grades. The qualification grade is determined by, among other things, the construction enterprise's registered capital, technical skills, equipment and past performance. The qualification certificates are valid for a period of five years. The validity period may be extended for another five years by application sixty days before the expiration of the qualification certificate, if the company is in compliance with the relevant laws and regulations, within the validity period and approved by the relevant authority. Conducting construction business without qualification or beyond the scope prescribed by the qualification will result in penalties being imposed by the construction authority.

According to the Administrative Rules of Foreign Invested Construction Enterprises (《外商投資建築業企業管理規定》), issued by the Ministry of Construction and the MOFCOM on September 27, 2002 and implemented on December 1, 2002, and the Supplementary Provisions of the Administrative Rules of Foreign Invested Construction Enterprises (《〈外商投資建築業企業管理規定〉的補充規定》), issued by the Ministry of Construction and the MOFCOM on December 19, 2003 and implemented on January 1, 2004, a foreign investor who intends to establish a foreign-invested construction enterprise within the PRC and conduct construction business shall obtain a qualification certificate from the relevant construction administration department and also obtain an approval certificate from, and register with, the relevant authorities. According to the Implementing Measures of Ministry of Construction Related to the Administration of the Qualifications in the Administrative Rules of Foreign-invested Construction Enterprises (《建設部關於外商投資建築業企業管理規定中有關資質管理的實施辦法》) issued by the Ministry of Construction on April 8, 2003, foreign-invested construction enterprises shall apply for the qualification of the construction enterprise according to the Administrative Rules of Foreign Invested Construction Enterprises, the Administrative Rules of the Qualifications of Construction Enterprises, the Standards for the Qualification Grades of Construction Enterprises and the relevant regulations regarding the administration of construction enterprises qualification.

QUALIFICATIONS FOR ENGINEERING DESIGN ENTERPRISES

According to the Regulations on Administration of Construction Engineering Survey and Design (《建設工程勘察設計管理條例》) implemented by the State Council on September 25, 2000 and the

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Provisions on Administration of Qualification for Engineering Survey and Design (《建設工程勘察設計資質管理規定》) implemented by the Ministry of Construction on September 1, 2007, the Standards for Engineering Design Qualification (《工程設計資質標準》) implemented by the Ministry of Construction on March 29, 2007 and relevant regulations, the engineering design qualification is classified into four categories, namely the integrated engineering design qualification (工程設計綜合資質), industrial engineering design qualification (工程設計行業資質), professional engineering design qualification (工程設計專業資質) and special engineering design qualification (工程設計專項資質). Except for the integrated engineering design qualification, the other engineering design qualifications are divided into Class A and Class B, and some may have Class C or even Class D qualifications based on the types of engineering works and techniques they undertake and utilize.

The Administrative Rules on Foreign-invested Construction Engineering Design Enterprises (《外商投資建設工程設計企業管理規定》) jointly issued by the Ministry of Construction and the Ministry of Foreign Trade and Economic Cooperation on September 27, 2002 and implemented on December 1, 2002, the Supplementary Rules Related to the Administrative Rules on Foreign-invested Construction Engineering Design Enterprises (《〈外商投資建設工程設計企業管理規定〉的補充規定》) jointly issued by the Ministry of Construction and the Ministry of Commerce on December 19, 2003 and implemented on January 1, 2004 and the Implementing Rules of the Administrative Rules on Foreign-invested Construction Engineering Design Enterprises (《外商投資建設工程設計企業管理規定實施細則》) jointly issues by the Ministry of Construction & MOFCOM on January 5, 2007 and implemented on January 5, 2007 provide further specific requirements for foreign-invested construction engineering design enterprises.

LAND USE RIGHTS AND CONSTRUCTION LAND PLANNING PERMIT

According to the revised Land Administration Law of the PRC (《中華人民共和國土地管理法》) which became effective on August 28, 2004, land owned by the State may be granted or allocated to be used by construction units or individuals according to law. The People's Government at or above the county level shall register and put on record uses of state-owned land used by construction units or individuals, and issue certificates to certify the land use rights. If the land is occupied without approval or by deception, the land administrative departments of the People's Government at or above the county level shall order the construction units or individuals to return the land that is illegally occupied. Where the act involves turning agricultural land into land for construction uses without authorization, which is in violation of the general plan for utilization of land, a demolition order may be imposed on the newly constructed buildings and other structures on the land illegally occupied requiring demolition within a prescribed time limit. In addition, the People's Government can issue an order to confiscate the newly constructed buildings and other structures and to impose a fine where the act has not violated the general plans for the utilization of land. Persons directly responsible for the aforementioned misconduct are subject to administrative punishment and where the case constitutes a crime, criminal responsibility shall be affixed.

On January 1, 2008, the Urban and Rural Planning Law of the PRC (the “**Urban and Rural Planning Law**”) (《中華人民共和國城鄉規劃法》) was implemented by the Standing Committee of the National People's Congress. According to the Urban and Rural Planning Law, a Construction Land Planning Permit is needed for the use of both allocated land and granted land.

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Construction Land Use Planning Permit. For a construction project using allocated land, once the project has been authorized, approved, or recorded by relevant administrative departments, the construction entity of such project shall apply to the urban and rural planning administrative department at the municipal or county level for construction planning permission. The abovementioned administrative department will further determine the location, size and scope allowed for construction based on regulatory detailed planning and will issue a Construction Land Use Planning Permit.

Before the granting of a state-owned land use right, the urban and rural planning administrative department at the municipal or county level will specify certain planning conditions, such as the location and nature of the land and intensity of exploitation based on the regulatory detailed planning. Such planning conditions will be incorporated in the state-owned land use right grant contract. After entering into such state-owned land using right grant contract, the construction entity using such granted land shall apply to the urban and rural planning administrative department at the municipal or county level for a Construction Land Use Planning Permit.

If a construction unit who 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 withdraw the authorization to use the state-owned land. If the land has already been occupied, it shall be returned promptly. Furthermore, the construction unit 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, for construction work that was conducted in the city or town planning area, the construction entity shall apply to the competent administrative department or People's Government for a Construction Work Planning Permit. For construction work that proceeded without the Construction Work Planning Permit or in violation of the provisions of the Construction Work Planning Permit, the 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 make a correction within a prescribed time limit and pay a fine of not less than 5% of the construction cost but not more than 10% of such cost; if such impact cannot be eliminated, the department shall order the construction entity to demolish such buildings or structures. 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 cost.

Construction Work Commencement Permit. According to the Construction Law of the PRC (《中華人民共和國建築法》) implemented on March 1, 1998 and the Administrative Regulation of Construction Work Quality (《建設工程質量管理條例》) implemented on January 30, 2000, a construction entity shall, prior to the start of construction of a construction project, apply to the 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. However, small projects, as determined by the competent department of construction administration of the State Council, are subject to exceptions. Also, a construction project which has already obtained approvals for its construction commencement report pursuant to the terms of reference and procedures prescribed by the State Council is no longer required

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to obtain a Construction Work Commencement Permit. If a construction entity carries out construction work without obtaining a Construction Work Commencement Permit or in circumstances where its construction commencement report has not been approved, it shall be ordered to stop the construction work and to make corrections within a certain time limit. The construction entity shall also be fined not less than 1% but not more than 2% of the contractual project price.

Acceptance Checks. According to the Administrative Regulation of Construction Work Quality (《建設工程質量管理條例》) and the revised Administrative Measures for Recording of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) which entered into effect on October 19, 2009, a construction project shall not be delivered for use unless it has passed 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 make corrections and also pay a fine of not less than 2% but not more than 4% of the contractual project price, and shall be obliged to pay compensation if any losses have been caused. The construction entity should file a record at the 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. If the construction entity fails to file such a record within the time limit, it shall be ordered to make corrections within a prescribed time limit and shall be fined not less than RMB200,000 but not more than RMB500,000.

ENGINEERING GENERAL CONTRACTOR

Pursuant to the Guiding Opinion of the Ministry of Construction regarding Breeding and Developing Engineering General Contractor and Engineering Project Management Enterprises (《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》) issued on February 13, 2003 and the Letter of the Ministry of Construction on the Explanation of Market Access Issues regarding Engineering General Contractor (《建設部關於工程總承包市場准入問題說明的函》) issued on July 13, 2003, enterprises possessing engineering survey, design or construction general contractor qualifications may undertake engineering general contractor work within the scope of engineering projects permitted according to their qualification certificates and sub-contract certain work to certain sub-contractors possessing the relevant qualifications for such work. However, the engineering general contractor shall remain responsible to the customer for the quality, construction period and cost control of the engineering project according to the contract provisions, and the sub-contractors shall be responsible to the engineering general contractor according to the provisions of the sub-contract agreement.

QUALIFICATION FOR ENGINEERING CONSULTING ENTITIES

According to the Measures for Qualification Accreditation of Engineering Consulting Entities (《工程諮詢單位資格認定辦法》) issued and implemented by the NDRC on March 4, 2005 and relevant regulations, engineering consulting entities conducting engineering consulting business within the PRC shall obtain the Engineering Consulting Qualification Certificate (工程諮詢單位資格證書) issued by the NDRC and engage in the corresponding engineering consulting business within the fields and service scope stated in the qualification certificate. The qualification grades of engineering consulting entities are classified into Grade A, Grade B and Grade C. The qualification profession shall be classified into

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31 fields, including but without limitation, ecological construction and environmental engineering, public utility engineering, construction, urban planning, economics and eight kinds of service in the related fields, such as planning consulting, drafting project proposals and/or project feasibility study reports, valuation consulting, and engineering design. An entity may, according to the conditions, apply for the qualification under one or more fields and in respect of one or more service scopes. The Engineering Consulting Qualification Certificates are valid for a period of five years. The entities possessing the Engineering Consulting Qualification Certificates shall establish corresponding self-inspection systems and be subject to annual practice inspections.

TAXATION

Business Tax

According to the Reply of the State Administration of Taxation on exempting Business Tax for Wastewater Treatment Fees (《國家稅務總局關於污水處理費不徵收營業稅的批復》) promulgated and implemented by the State Taxation Administration on December 14, 2004, the wastewater treatment service provided by a wastewater treatment enterprise does not fall into the scope of work that should be subject to business tax. Therefore, no business tax will be levied on the wastewater treatment fee.

Value Added Tax

According to the Notice of Ministry of Finance and State Taxation Administration on Value Added Tax Policy of Comprehensive Utilization of Resources and Other Products (《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》) promulgated by the Ministry of Finance and the State Administration of Taxation on December 9, 2008, the state exempts the wastewater treatment services from value added tax on condition that the water released after the wastewater treatment process satisfies the water quality standard set out in the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) from January 1, 2009.

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated on March 16, 2007 and effective on January 1, 2008 and the Implementation Rules on the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and effective on January 1, 2008, the income from environmental protection projects, or energy and water saving projects, which meet relevant requirements shall be exempted from enterprise income tax for three years commencing from the first revenue-generating year of operations and thereafter, be entitled to a 50% reduction from enterprise income tax for the next three years. The specific conditions and scope of projects shall be jointly formulated by the competent department of finance and taxation of the State Council in collaboration with other relevant departments of the State Council and shall be publicized and implemented after being approved by the State Council.