

### **Regulatory Framework**

The automotive industry is highly regulated by NDRC, the Ministry of Industry and Information Technology, General Administration of Quality Supervision, Inspection and Quarantine and by the Ministry of Environmental Protection. The Automotive Industry Development Policy (汽車產業發展政策) is a comprehensive policy guideline for the PRC automotive industry with an aim to strengthen the research and development of the PRC automotive industry and enhance the quality of related products and production equipment. As an automobile manufacturer and distributor in the PRC, we shall register our automobile manufacturing business and obtain complete compulsory certification for our products. We shall also sell automobiles in accordance with the Administrative Measures regarding Sales of Branded Automobiles (汽車品牌銷售管理實施辦法).

### **I. Major Regulatory Authorities**

Major regulatory authorities of the PRC automotive industry include:

#### ***1. NDRC***

The NDRC is mainly responsible for formulating policies regarding the PRC automotive industry, which is the medium- and long-term planning of the industrial development.

#### ***2. The Ministry of Industry and Information Technology***

The Ministry of Industry and Information Technology of the People's Republic of China is mainly responsible for formulating policies regarding the PRC automotive industry, and for regulating the production, sale and use of automobiles, related chassis, semi-trailers and motorcycles according to the Notice.

#### ***3. General Administration of Quality Supervision, Inspection and Quarantine***

The General Administration of Quality Supervision, Inspection and Quarantine is mainly responsible for controlling the quality of products.

#### ***4. The Ministry of Environmental Protection***

The Ministry of Environmental Protection is mainly responsible for formulating the national standards of emission of pollutants and for regulating the implementation of environmental protection in the PRC.

### **II. Major Regulatory Laws and Regulations regarding the PRC Automotive Industry**

#### ***Industrial Policies***

In 1994, the State Council promulgated the Automotive Industrial Production Policy (汽車工業產業政策), which is a comprehensive policy guideline for the PRC automotive industry with an aim to strengthen the development and research of the PRC automotive industry, enhance the quality of related products and production equipment, facilitate the industrial structural reorganization and economies of scale. With this policy, the diversified and scattered automotive industry in the PRC will eventually become the key industry of the national economy.

In 2004, the NDRC promulgated the Automobile Industry Development Policy (汽車產業發展政策) to replace the Automotive Industrial Production Policy (汽車工業產業政策) promulgated in 1994. On August 15, 2009, the Ministry of Industry and Information Technology and

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the NDRC further amended the Automobile Industry Development Policy (汽車產業發展政策) which became effective on September 1, 2009. The main purposes of the Automotive Industry Development Policy (汽車產業發展政策) were to develop the PRC as the major automobile manufacturer in the world, facilitate automobile products to meet most of market demand and enter into the international market.

Main objectives of the Automotive Industry Development Policy (汽車產業發展政策) are as follows:

1. to establish a healthy domestic automotive industry with a comprehensive regulatory system (including compulsory administrative regulations and technical specifications) and to form a fair and competitive market environment;
2. to stimulate the coordinated development of the automobile industry and related industries, urban transportation infrastructures and environmental protection; to create a favorable environment for the use of automobiles; to develop a healthy automobile consumption market; to protect the interests of consumers and to stimulate private consumption of passenger vehicles;
3. to enhance the research and development capabilities and technological innovation of automobile manufacturers; to actively develop products with proprietary intellectual properties; and to implement branded operation strategies;
4. to encourage structural adjustment and reorganization within the automotive industry in order to achieve economies of scale; and to facilitate the formation of large automobile groups with international competitive edges through market competition; and
5. to encourage the automobile enterprises to form corporate alliances in compliance with market practice and rules in order to achieve synergy, share resources and expand the business scale.

Major provisions of the Automotive Industry Development Policy (汽車產業發展政策) are as follows:

1. For investment projects of new automobile manufacturers, a minimum total investment of RMB2 billion shall be made, at least RMB800 million shall be financed by the funds of the investors and a minimum investment of RMB500 million shall be made for the establishment of research and development institutions;
2. For investment projects relating to the production of vehicle engines by a production enterprise, the total investment shall be no less than RMB1.5 billion with an investment of at least RMB500 million financed by the enterprises' own funds. A research and development institution shall be established, and product standards shall satisfy the compulsory requirements of the increasingly demanding national technical specifications;
3. For investment projects related to the production of complete vehicles in a category different from the existing products by an automobile manufacturing enterprise, a minimum total investment (including investment through existing fixed assets and intangible assets) of RMB1.5 billion shall be made, and the automobile manufacturing enterprise shall have an asset/liability ratio of less than 50% and an AAA credit rating from the appropriate bank;
4. For an automobile manufacturer which intends to produce sedan cars or other passenger vehicles in a category different from its existing products, a track record evidencing its capability to conduct bulk production of automobile products and an accumulated net

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profit after tax for the past three years of over RMB1.0 billion (with taxation certification), an asset/liability ratio of less than 50% and an AAA credit rating from the appropriate bank is mandatory;

5. In the case of a Sino-foreign joint venture manufacturing whole vehicles, specialty vehicles, agricultural transport vehicles and motorcycles, the PRC joint venture partner must hold a minimum of 50% of the equity interest in the joint venture. If the disposal of any legal person's shares in a listed joint venture manufacturing whole vehicles, specialty vehicles, agricultural transport vehicles and motorcycles to other investors occurs, one of the PRC legal person's shareholders shall remain the controlling shareholder with equity interests higher than the aggregate legal shares held by the foreign investors; and
6. A foreign-invested enterprise may establish no more than two automobile manufacturing joint ventures in China that produce the same type of complete vehicles (passenger vehicles, commercial vehicles or motor vehicles). A foreign-invested enterprise cooperating with its PRC joint venture partners to acquire other domestic automobile manufacturing enterprises shall not be subject to the two-joint venture restriction.

### ***Admission Management and Compulsory Certification of Automobile Production Enterprises and Automobiles***

In accordance with the Notice on the Issues relating to the Reform of Automobile Manufacturers and Product List Management (關於車輛生產企業及產品目錄管理改革有關問題的通知) by the former State Economic and Trade Commission, on January 1, 2001, the former State Economic and Trade Commission issued the Notice on Automobile Manufacturers and Automobiles (車輛生產企業及產品公告) (the "Notice") for the regulation of new products of automobile manufacturers. On November 17, 2008, the Ministry of Industry and Information Technology issued the Notice Regarding the Further Strengthening of Announcement, Regulation and Registration of Road Vehicle Manufacturers and Automobiles (關於進一步加強道路機動車輛生產企業及產品公告管理和註冊登記工作的通知), which became effective on the same date, jointly with the Ministry of Public Security, pursuant to which, the Ministry of Industry and Information is responsible for regulating the production, sale and use of automobiles (including three-wheeled automobiles and low-speed trucks) and related chassis, semi-trailer and motorcycles in the PRC in accordance with the Notice. The Notice covers the approval for new products, product extension, rectification and withdrawal. To be registered in accordance with the Notice, all automobile manufacturers and their products applying for registration shall fulfill the national requirements on safety, environmental protection and technical standards and specification of automobiles. The Notice is the basis on which the production and sales activities by automobile manufacturers are approved and the customers apply for registration with vehicle administration authorities in the PRC.

According to the Administrative Regulations on Compulsory Product Certification (強制性產品認證管理規定) and the List of the First Batch of Products Subject to Compulsory Product Certification (第一批實施強制性產品認證的產品目錄) which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on December 3, 2001 and became effective on May 1, 2002, the General Administration of Quality Supervision, Inspection and Quarantine is responsible for the regulation and quality certification of automobiles. Automobiles and parts and components shall not be sold, exported or used in operating activities before being certified by designated certification authorities of the PRC as qualified products and granted certification marks.

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In addition, the Ministry of Industry and Information Technology promulgated the Administrative Rules for Admission of Passenger Vehicle Production Enterprises and Passenger Vehicle Products (《乘用車生產企業及產品准入管理規則》) on November 4, 2011, which became effective on January 1, 2012. The Rules regulate the admission management of passenger vehicle production enterprises and passenger vehicle products. Such rules specify that the Ministry of Industry and Information Technology shall implement classified management for the admission management of passenger vehicle production enterprises and passenger vehicle products based on the types of passenger vehicle products. The rules also specify the conditions of the admission management of passenger vehicle production enterprises and passenger vehicle products.

### *Automobile sales*

In accordance with the Measures on the Administrative Measures regarding Sales of Branded Automobiles (汽車品牌銷售管理實施辦法) which were issued by the Ministry of Commerce, the NDRC and the SAIC on February 21, 2005 and became effective on April 1, 2005, automobile distributors shall meet relevant requirements and file with the relevant authorities. The Ministry of Commerce is responsible for the regulation of automobile sales in the PRC while the SAIC is responsible for the supervision and management of automobile sales within its authority.

To establish a foreign-invested automobile distributor, application materials shall be submitted to the provincial-level commercial authorities of the place where the chief distributor and brand automobile distributors are intended to be established. The provincial-level commercial authorities will review and submit all application materials to the Ministry of Commerce within one month after receiving the relevant materials, and the Ministry of Commerce will decide to approve or not, jointly with the SAIC, on the application within three months of receiving all application documents. Successful applicants will be granted an Approval Certificate for Foreign Invested Enterprises (外商投資企業批准證書) or a renewed certificate.

The Notice on Cessation of the Registration of Automobile General Distributors and Brand Authorized Distributors (關於停止實施汽車總經銷商和汽車品牌授權經銷商備案工作的公告) was promulgated by the SAIC on July 31, 2014 and became effective on October 1, 2014. With effect from October 1, 2014, the SAIC shall cease to register automobile general distributors and brand authorized distributors. Thereafter, automobile distributors engaged in sales of brand automobiles (including general distributors) shall register their operation according to the relevant industrial and commercial registration regulations and their scope of business in business licenses shall only be classified as “sales of automobiles.” Automobile general distributors and brand authorized distributors whose scopes of business are registered as “sales of brand automobiles” may apply for change of the scope of business to “sales of automobiles.”

In addition, automobile suppliers shall provide automobile resources and service trademarks owned by manufacturers for authorized automobile distributors and implement network planning. Automobile distributors shall effect the management of brand sales and service networks, regulate the sales and after-sale services and disclose, in a timely manner, to the public the list of automobile sale and service enterprises that received authorization or have had authorization removed. Enterprises without authorization or those not qualified for operation shall not provide automobile resources. Automobile suppliers shall provide for customers automobile quality assurance and service commitment, disclose the obsolete automobile models to the public in a timely manner and take active steps to guarantee accessory supply within a reasonable period. Automobile suppliers shall maintain a reasonable network of automobile sales and services. The distance between automobile outlets and

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accessory sales and after-sale service locations shall not exceed 150 kilometers. Franchising contracts shall be entered into between automobile suppliers and distributors. Except as otherwise agreed in franchising contracts, automobile suppliers shall not sell automobiles to users directly in the authorized sales area of automobile distributors. Automobile suppliers shall provide business training in marketing, advertisement, after-sale services and technical services as well as necessary technical support to automobile distributors according to their service functions.

### *Recall of defective automobiles*

On March 12, 2004, the State Administration on Quality Supervision, Inspection and Quarantine, the NDRC, the Ministry of Commerce and the General Administration of Customs jointly issued the Administrative Regulations on Recalls on Defective Automobile Products (缺陷汽車產品召回管理規定). Such regulation is only applicable to passenger vehicles and became effective on or as of October 1, 2004. The automotive industry is the first in the PRC to pilot a defective product recall system.

On October 22, 2012, the State Council promulgated the Administrative Regulations on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例), which became effective on January 1, 2013. In accordance with the Administrative Regulations on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例), the manufacturers of automobile products shall take measures to eliminate defects in products that are sold by them. Defects refer to instances where a design, manufacturing or identifying flaw is found in a certain batch, model or class of the automobile products that do not meet the national standards and industrial standards that protect human life or property or impose an unreasonable danger to human life or property. For defective automobile products, manufacturers shall recall all products. If manufacturers fail to recall products, the quality supervisory authority of the State Council will order them to recall products. Operators who are informed about the defects of automobile products shall cease to sell, lease or use the relevant automobile products and assist manufacturers in the recall of those products. Manufacturers shall recall their products through channels that are available for the public and shall announce the defects of these products as a precaution to avoid losses and eliminate defects. For recalled defective automobile products, manufacturers shall take measures to eliminate defects, including rectification, identification, modification, replacement or returning. Manufacturers who attempt to conceal the defects of their automobile products or do not recall defective automobile products in accordance with regulations shall face legal action.

### *Emission and Pollution of Waste Gas of Vehicles*

With respect to automobile emissions, the PRC government has adopted various measures to guarantee uniform supervision, including an automotive product authentication procedure used by a network of testing centers across China. The Ministry of Environmental Protection publishes notes from time to time to inform the public that automobile manufacturers must comply with its regulatory emission standards. Automobile manufacturers are not allowed to produce or register any vehicle model or automotive product that fails to comply with such regulatory emission standards.

The Ministry of Environmental Protection limits exhaust emissions on the basis of China I, II, III, IV and V Standards. Different limits of exhaust emissions and testing measures in these standards shall be applied to different types of vehicles.

- On September 1, 2003, the PRC government ceased to follow China I Standards and began to implement China II Standards.

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- The PRC government began implementing China III Standards in selected cities, such as Beijing in December 2005 and Guangzhou in September 2006. The Ministry of Environmental Protection issued the Notice on the Issues relating to the Implementation of the Limit of the Phase 3 National Standards of Emission of Motor Vehicles (關於國家機動車排放標準第三階段限值實施有關問題的通知), pursuant to which, since July 1, 2008, all light gasoline vehicles and M-class light diesel vehicles produced, imported, sold and registered shall be in compliance with the requirements of National China III Standards.
- On January 1, 2008, Beijing first implemented China IV Standards. The Ministry of Environmental Protection promulgated the Notice on the Implementation of the National Fourth Stage Compression Ignition Engine and Vehicle Emission Standards (關於實施國家第四階段車用壓燃式發動機與汽車污染物排放標準的公告) on December 29, 2011, which has been in effect since July 1, 2013. All compression ignition engines and automobiles produced, imported, sold and registered shall be in compliance with China IV Standards.
- As the PRC government has not promulgated China V Standards, on February 1, 2013, Beijing implemented specific local standards (Jing V Emission Standards) for new light duty gasoline vehicles and the standards will become national standards upon their promulgation by the PRC government. The Ministry of Environmental Protection and the State Administration on Quality Supervision, Inspection and Quarantine issued the Limit and Measurement of Emission of Light Vehicles (Phase 5) (輕型汽車污染物排放限值及測量方法)—the National Standards of Emission (國家大氣污染物排放標準) (China V Standards), of which the emission control level is equivalent to the Phase 5 emission regulations for light vehicles currently implemented in Europe. China V Standards will become effective on January 1, 2018.

In addition, the Ministry of Industry and Information Technology, the NDRC, MOC, General Administration of Customs and General Administration of Quality Supervision, Inspection and Quarantine issued the Calculation Measures for Average Fuel Consumption of Passenger Vehicle Enterprises (乘用車企業平均燃料消耗量核算辦法) on March 14, 2013, which took effect on May 1, 2013. The measures primarily aim to control the average fuel consumption of passenger vehicle enterprises in order to reduce the average fuel consumption of passenger vehicle products in China to 6.9L/100km and 5.0L/100km by 2015 and 2020, respectively. According to the measures, enterprises which engage in the sales of passenger vehicles in China are required to submit the fuel consumption data for their newly manufactured and imported passenger vehicles in a timely manner. Enterprises with reported and reviewed data failing to meet the required standards shall provide explanations and rectification proposals. The Ministry of Industry and Information Technology will publish the fuel consumption of passenger vehicles and relevant information through the notice system for automobile fuel consumption on the website of Automobile Fuel Consumption of China.

### *Auto Financing*

According to the Administrative Rules governing Auto Financing Companies (汽車金融公司管理辦法) promulgated by China's Banking Regulatory Commission on October 3, 2003, enterprises engaging in the production and sale of complete vehicles and non-bank financial institutions which have obtained approval from China's Banking Regulatory Commission may invest in the establishment of non-bank financial corporate interests for the purpose of providing loans to

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purchasers and sellers of automobiles in the PRC, and it is also provided for the condition of investors who intend to establish automobile financing enterprises, the application and approval procedures for such establishment and the for authorized scope of business for automobile financing enterprises.

On January 24, 2008, China's Banking Regulatory Commission issued the revised Administrative Rules governing Auto Financing Companies, which became effective on the same date. The original Administrative Rules governing Auto Financing Companies issued in 2003 were abolished and provided important legal protection for automobile financing enterprises which strive for rapid development while maintaining effective risk management. In addition to the entry barrier and professional qualification requirement and the authorized scope of business, such rules also highlighted the requirements for the development of automobile financing enterprises. The automobile finance leasing business was added to the scope of business. Financing channels for automobile financing enterprises were expanded by allowing financing businesses to issue financial bonds and to borrow from and lend to other automobile financing enterprises. Regarding the risk control indicators, according to the characteristics and nature of the automobile financing business, restrictions on credit granted to top 10 customers were lifted and limitation on the proportion of credit granted to a single group customer was effected to prevent and mitigate the risks of connected transactions.

On August 16, 2004, the PBOC and the CBRC promulgated the Administrative Measures on Automobile Loans (汽車貸款管理辦法), which became effective on October 1, 2004. The former Administrative Measures on Automobile Expenditure and Loans (汽車消費貸款管理辦法) promulgated by the PBOC in 1998 were abolished on such date. The Administrative Measures on Automobile Loans (汽車貸款管理辦法) extended the area of borrowers to commercial banks, rural and urban credit cooperatives and non-bank financial institutions which are allowed to extend automobile loans. The measures also stipulate the conditions under which a borrower may apply for a personal automobile loan, the time limit on automobile loans and the percentage of the loan offered relative to the price of the automobile purchased by the borrower.

### *Measures regarding preventing traffic congestion*

Recently, certain local governments have implemented measures in order to prevent traffic congestion and pollution, including restricted purchasing measures such as balloting and bidding in Beijing, Shanghai, Guangzhou and Tianjin.

New license balloting is now implemented in Beijing monthly. On December 23, 2010, the Beijing People's Government promulgated the Provisional Regulations on Controlling the Amount of Small Passenger Vehicles in Beijing, which became effective on the same date. Pursuant to the regulations, a performance-based allocation mechanism has been implemented in respect of the issuance of new licenses of passenger vehicles in Beijing annually. The number and allocation proportion of new small passenger vehicles shall be determined rationally by municipal transportation administrative authorities together with relevant administrative regulatory authorities regarding municipal development and reform, public security and transportation and environmental protection according to the number of small passenger vehicles, the traffic situation and the capacity of roads, and will be announced publicly upon the approval of municipal government.

Bidding for new licenses in Shanghai: Bidding for new licenses has been implemented in Shanghai since 1994. According to this mechanism, qualified applicants must submit closed bids for new licenses. Successful applicants can apply for registration with the local vehicle administrative authorities in Shanghai.

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Various measures designed to control the amount of new license issuances in Guangzhou and Tianjin: The Provisional Regulations on Controlling the Total Amount of Small Passenger Vehicles in Guangzhou were implemented in Guangzhou on August 1, 2012. Pursuant to the regulations, a performance-based allocation mechanism has been implemented in respect of the issuance of new licenses of passenger vehicles. Qualified applicants may apply for licenses through monthly balloting or bidding. The Provisional Regulations on Controlling the Total Amount of Small Passenger Vehicles in Tianjin (Trial) were implemented in Tianjin on January 1, 2014. Pursuant to the regulations, the total amount of registered small passenger vehicles was regulated and a performance-based allocation mechanism was implemented, particularly with regard to new licenses for energy-saving vehicles which are allocated by way of balloting while new licenses of ordinary vehicles are allocated by way of a combination of balloting and bidding.

### ***Promotion and Allowances of New Energy Vehicles and Preferential Treatment for Vehicle Purchasing Quota***

On September 13, 2013, the MOF, Ministry of Science and Technology, Ministry of Industry and Information Technology and the NDRC jointly promulgated the Notice regarding the Promotion of New Energy Vehicles, which specified that the promotion of new energy vehicles should be further enhanced in cities, in particular major cities. The Notice also provides allowances for the purchasers of new energy vehicles. In 2013, the major allowances for pure electric vehicles and plug-in hybrid electric vehicles (with range extender) shall be RMB35,000-60,000/unit.

On January 28, 2014, the MOF, Ministry of Science and Technology, Ministry of Industry and Information Technology and the NDRC jointly promulgated the Notice regarding Further Promotion of New Energy Vehicles. The Notice provided that allowances for pure electric vehicles, plug-in hybrid electric vehicles (with range extender), designated pure electric vehicles and fuel battery vehicles shall be as follows: allowances in 2014 shall be reduced by 5% as compared with that of 2013; and allowances in 2015 shall be reduced by 10% as compared with that of 2013. The Notice shall become effective from January 1, 2014.

In addition, in recent years, certain local governments have also issued various anti-traffic congestion measures, which contain certain special favorable policies for new energy vehicles. For instance, according to the Implementation Rules of the Interim Provisions of Beijing Municipality on the Regulation and Control of the Amount of Passenger Vehicles (2013 Revision) promulgated by Beijing People's Government, a separate balloting system for pure electric passenger vehicles under the Demonstration and Application of New Energy Passenger Car Manufacturer and Product Catalog of Beijing (《北京市示範應用新能源小客車生產企業和產品目錄》) was established, and if the number of applications is less than the quota on automobile license plates for new energy passenger vehicles of the given period, all such applications will be approved. According to the Interim Measures for the Pilot Program to Encourage Purchase and Use of New Energy Vehicles for Private Use in Shanghai (《上海市鼓勵私人購買和使用新能源汽車試點實施暫行辦法》) promulgated by Shanghai People's Government, new automobile license plates will be issued by the local authority of automobile license plates quota to new energy vehicles directly purchased by private users for free. According to Interim Provisions of Guangzhou on the Regulation and Control of the Amount of Passenger Vehicles, entities and individuals may apply for automobile license plates directly for the registration of new energy vehicles.



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### *Major Anti-Monopoly Regulations*

The Standing Committee of the National People's Congress promulgated the Anti-Monopoly Law of the People's Republic of China (中華人民共和國反壟斷法) on August 30, 2007, effective from August 1, 2008. The Anti-Monopoly Law of the People's Republic of China aims to prevent and deter the act of monopoly and protect fair market competition to enhance the efficiency of the economy and protect the interest of consumers and society, so as to facilitate the sound economic development in the PRC socialist market.

According to the Anti-Monopoly Law of the People's Republic of China, the following acts shall be deemed as monopolization and shall be prohibited:

1. Any monopoly agreement reached by any operators;
2. Abuse of market-dominating position by any operators;
3. Any concentration of operators which has eliminated or limited or may eliminate or limit the market competition.

According to the Anti-Monopoly Law of the People's Republic of China, any operators violating the applicable rules shall assume the following legal responsibilities:

1. Where an operator reaches and implements a monopoly agreement, the anti-monopoly authority shall order the termination of the illegal behavior, confiscate the illegal earnings, and impose a fine of more than 1% but less than 10% of the sales income in the previous year. If the monopoly agreement is reached but not yet implemented, a fine of up to RMB0.5 million shall be imposed.
2. Where an operator abuses its dominating position in the market, the anti-monopoly authority shall order the termination of the illegal behavior, confiscate the illegal earnings, and impose a fine of more than 1% but less than 10% of the sales income in the previous year.
3. Where an operator commits any business concentration which has eliminated or limited or may eliminate or limit the market competition, the anti-monopoly authority of the State Council shall order the termination of such business concentration, or order to dispose of its shares or assets or transfer its business operation within a prescribed period, and take other necessary measures to restore the market condition which might otherwise prevail without the concentration, including a fine of up to RMB0.5 million.
4. Where the monopolistic behavior of an operator causes losses to others, the operator shall assume civil liability.

The automobile industry we operate in is also governed by the aforesaid anti-monopoly regulations.

### **Environmental Protection, Safety and Health Regulations**

#### *Environmental Protection*

A number of laws and regulations have been adopted for environmental protection in China, including the Environment Protection Law (環境保護法), the Prevention and Control of Air Pollution Law (大氣污染防治法), the Prevention and Control of Water Pollution Law (水污染防治法) and the Prevention and Control of Noise Law (環境噪聲污染防治法).

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The Environmental Protection Law was promulgated by the Standing Committee of the National People's Congress and became effective on December 26, 1989. It put measures in place to prevent and control the pollution and damage to the environment in the course of an entity's production and that constriction and discharge of pollutants shall be reported and registered.

The Prevention and Control of Air Pollution Law was promulgated by the Standing Committee of the National People's Congress on April 29, 2000 and became effective on September 1, 2000. It stipulates that units that discharge atmospheric pollutants shall, pursuant to the provisions of MEP, report to the local administrative department of environmental protection its existing discharge and use the services of treatment facilities and the types, amount and concentration of pollutants discharged under normal operating conditions.

The Prevention and Control of Water Pollution Law was promulgated by the Standing Committee of the National People's Congress on May 11, 1984 and became effective on November 1, 1984. The law was amended on May 15, 1996 and again on February 28, 2008. It stipulates that enterprises and institutions that discharge pollutants to a body of water shall obtain discharge permits in accordance with relevant regulations and pay a pollutant discharge treatment fee.

The Prevention and Control of Noise Law was promulgated by the Standing Committee of the National People's Congress on October 29, 1996, and became effective on March 1, 1997. It stipulates that industries and enterprises that produce environmental noise pollution shall take effective measures to minimize the impact of noise on the living environment of the neighborhood.

### ***Safety Production***

According to the Production Safety Law of the People's Republic of China (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress on June 29, 2002 and made effective from November 1, 2002, production entities are required to have a safe production environment as specified by the applicable laws, regulations and standards of China. Otherwise, entities are prohibited from production. The person in charge of the production unit shall perform corresponding duties, including establishing and refining the safety production accountability system of the unit, and providing regulations and a manual regarding production safety of the unit. The production unit shall provide the employees with protective equipment that meets the national standards or industrial standards, and shall supervise and educate them as to how to use this equipment according to the prescribed rules.

### ***Occupational Health***

According to the Law of the People's Republic of China On Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法) promulgated by the Standing Committee of the National People's Congress on October 27, 2001 and amended on December 31, 2011, it is the obligation of employers to have effective protective equipment to prevent occupational diseases. Employers shall provide their employees with personal occupational disease preventive equipment. Employers shall regularly investigate and assess the factors causing occupational diseases in the workplace in accordance with regulations. The results of the investigations and assessments shall be logged in the occupational health archive of employers for regular submission to the local public health authorities and shall be made available to employees.

The automobile industry in which the Company carries on business is subject to the aforesaid environmental protection, production safety and occupational health requirements.