This section sets forth a summary of the laws and regulations which have significant influence on our business and operations.

PRC LAWS AND REGULATIONS

Enterprises engaging in the business of manufacturing special equipment of road and bridge construction and maintenance, devices of asphalt mixture milling, devices of waste asphalt mixture recycling and milling, equipment of building waste treatment and resource recovery utilisation as well as related spare parts and components in China are subject to a range of laws and regulations that govern their business activities.

PRC LAWS AND REGULATIONS ON THE EQUIPMENT MANUFACTURING INDUSTRY

In accordance with the Circular Economy Promotion Law of the PRC* (《中華人民共和國循環經濟促進法》), promulgated on 29 August 2008, and implemented on 1 January 2009, the State Council and the people's governments of provinces, districts and municipalities shall set up funds designated for promoting circular economy to support the scientific and technical research and development regarding circular economy, demonstration and promotion of technologies and products regarding circular economy, the implementation of major circular economy projects, development of information service for circular economy. The State shall give tax preferences for industrial activities conductive to promoting circular economy, such as reduction, recycling and recovery activities conducted in the process of production, circulation and consumption. The government should also give priority to procuring products beneficial to environment protection and recycled products.

According to the Rules for the Implementation on Planning of Adjustment and Revitalisation of Equipment Manufacturing Industry* (《裝備製造業調整和振興規劃實施細則》), promulgated and implemented on 12 May 2009, the State shall develop large-scale and cutting-edge construction machinery, prominently in large-scale tunnel boring machine, large-scale crawler crane and all terrain cranes, bridge girder erection machine, bituminous concrete milling and recycling equipment, in order to satisfy the development of transportation, energy, hydraulic engineering, real estate industries, et cetera.

In accordance with the Outline of the Twelfth Five-year Plan of National Economic and Social Development of the PRC* (《中華人民共和國國民經濟和社會發展十二五規劃綱要》), the Transportation "Twelfth Five-year" Development Planning* (《交通運輸「十二五」發展規劃》), and the Construction Machinery Industry "Twelfth Five-year" Development Planning* (《工程機械行業「十二五」發展規劃》), the Twelfth Five-year Plan – Development Outline of Highway Maintenance Management* (《「十二五」公路養護管理發展綱要》), published in 2011, and the National Road Network Planning (2013-2030)* (《國家公路網規劃(2013-2030年)》), published in 2013, the State shall concentrate on increasing construction of road, public transportation in cities and towns, and infrastructure. Furthermore, material recycling technology, including which of asphalt and cement concrete pavement, is major field of technological achievements expanding and application.

* The English translation of the name is for reference only.

The Guidance on Promoting Road Pavement Material Recycling* (《關於加快推進公路路面材料循環利用工作的指導意見》) issued by the Ministry of Transport of the PRC in September 2012 provides for enhanced promotion of the use of RAP technology and the Supportive Field of National Major New Product Plan (2013 and 2014 versions) * (《國家重點新產品計劃支持領域》(2013年和2014年版)) promulgated by the Ministry of Science and Technology, "pavement recycling equipment and materials" and "construction waste and asphalt pavement utilisation equipment" are amongst the new products to be supported by the PRC government.

In addition, manufacturing special equipment of road and bridge construction and maintenance shall be conducted according to the technical specifications and procedures prescribed by the transport administrative department of the State Council, such as Technical Specifications for Forced Intermittent Asphalt Mixture Mixing Equipment* (JT/T270-2002) (《強制間歇式瀝青混合料攪拌設備技術標準》(JT/T270-2002)), Safety Requirements for Mechanical Equipment of Road Construction and Maintenance, Bitumen Mixture Equipments* (《道路施工與養護機械設備、瀝青混合料攪拌設備安全要求》), Technical Specifications for Maintenance of Highway Asphalt Pavement* (《公路瀝青路面養護技術規範》), Highway Asphalt Pavement Renewable Specifications* (《公路瀝青路面再生技術規範》).

PRC REGULATION ON FOREIGN INVESTMENT

According to the Catalogue for the Guidance of Foreign Investment Industries (2011 Revision)* (《外商投資產業指導目錄》(2011年修訂)) (hereafter refer to as the "**Catalogue**"), which was amended on 24 December 2011 and effective from 30 January 2012, and the Catalogue for the Guidance of Foreign Investment Industries (2015 Revision)* (《外商投資產業指導目錄》(2015年修訂)) (hereafter refer to as the "**Revised Catalogue**") amended on 10 March 2015 and effective from 10 April 2015, manufacturing of road and bridge maintenance equipment and manufacturing of solid waste treatment and disposal equipment falls within the "Encouraged" category in both the Catalogue and the Revised Catalogue, whereas manufacturing of asphalt and concrete mixing and paving equipment falls within the "Permitted" category in the Revised Catalogue instead of "Restricted" category as previously classified in the Catalogue.

According to the Administrative Measures for Approval and Record-filing of Foreign Investment Project* (外商投資項目核准和備案管理辦法) promulgated on 17 May 2014, as well as the Decision on Revising Relevant Provisions of the Administrative Measures for Approval and Record-filing of Overseas Investment Projects and the Administrative Measures for Approval and Record-filing of Foreign Investment Projects* (關於修改《境外投資項目核准和備案管理辦法》和《外商投資項目核准和備案管理辦法》有關條款的決定) both promulgated by the NDRC on 27 December 2014, and the Catalogue of Investment Projects Approved by the Government (2014 Version)* (《政府核准的投資項目目錄(2014年本)》) promulgated by the State Council on 31 October 2014, foreign-funded projects, except those that should be approved by the government, shall be filed with the investment authority of the local government.

PRC REGULATIONS ON INTELLECTUAL PROPERTY

According to the Patent Law of the PRC* (《中華人民共和國專利法》), amended on 27 December 2008 and effective as from 1 October 2009, patent protection is divided into three categories, which are invention patent, utility model patent and design patent. Invention patents are valid for twenty years from the filing date, while design patents and utility model patents are valid for ten years from the filing date. After an invention patent, a utility model patent or a design patent is granted, except where otherwise provided for in the aforesaid law, no individual or entities may exploit the patent, namely, for production or commercial purposes, to manufacture, use, sale, or import of the product protected by such patent or otherwise engage in the manufacture, use, sale, or import of the product directly obtained from the said patented technology or method protected by such patent, without consent of the patent holder. Patent holders are obliged to pay annual fees commencing from the year in which the patent right is granted. Failure to pay the annual fees may result in the termination of the patent. The patent system in the PRC adopts the "first to file" principle, which means when more than one person files for a patent application for the same invention, the patent shall be granted to the person who files the application first.

In accordance with the Trademark Law of the PRC* (《中華人民共和國商標法》), which was amended on 30 August 2013 and effective as from 1 May 2014, the Trademark Office of the State Administration For Industry & Commerce of the PRC (hereafter refer to as the "**TOSAIC**") is the supervisory authority responsible for the registration and administration of trademarks in the PRC. Upon verification and approval of the TOSAIC, trademarks that may be registered include commodity trademarks, service marks, collective marks, and certification marks. Trademark registrants are entitled to the exclusive right of their trademarks. The validity period of a registered trademark is ten years commencing from the day the registration is approved. If a registrant desires to continue using the registered trademark upon expiration of validity of period, an application for the renewal of registration shall be made within twelve months before the expiration of such period. If the renewal application is approved, the period of validity of trademark will be renewed for another ten years. A trademark registrant may license its registered trademark to another party by entering into a trademark licensing contract. Trademark license contracts should be registered with the TOSAIC.

According to the Copyright Law of the PRC* (《中華人民共和國著作權法》), amended on 26 February 2010, effective as from 1 April 2010, and the Regulations on Computer Software Protection* (《計算機軟件保護條例》), amended on 30 January 2013, effective as from 1 March 2013, in the PRC, software developed by PRC citizens, legal person or other organizations is automatically protected immediately after its development is completed, without application or approval. Software copyright may be registered with the designated government agency and if registered, the certificate of registration is issued by the software registration agency.

PRC ENTERPRISE INCOME TAX

In accordance with the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得税法》) (hereafter refer to as "EIT Law"), which was promulgated on 16 March 2007 and with effect from 1 January 2008, and the Implementation Rules To the Enterprise Income Tax Law* (《中華人民共和國企業所得税法實施條例》), which was promulgated on 6 December 2007 and with effect from 1 January 2008, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC laws, or that are set up in accordance with the laws of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

According to the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises* (《中華人民共和國外商投資企業和外國企業所得税法》), which invalid already, the Notice of the State Council on the Implementation of the Transitional Preferential Policy on Enterprise Income Tax* (《國務院關於實施企業所得税過渡優惠政策的通知》) (GuoFa [2007] No. 39) and the Notice Concerning the Thorough Implementation of State Council Directives on Issues Relevant to the Implementation of the Transitional Preferential Policy on Enterprise Income Tax* (《關於貫徹落實國務院關於實施企業所得税過渡優惠政策有關問題的通知》) (CaiShui [2008] No. 21), which issued by Ministry of Finance and the SAT, manufacturing enterprises with foreign investment with more than 10 years operation period can enjoy preferential tax policy of "two-year exemption and three-year 50% reduces" since the profit-making year of the enterprise.

In addition, in accordance with the aforesaid EIT Law, high-technology enterprises that require key state support are subject to the reduced enterprise income tax at a rate of 15%.

According to the Circular on Further Specifying Issues Concerning the Implementation Standards of Enterprise Income Tax Incentives in Transitional Period* (《關於進一步明確企業所得税過渡期優惠政策執行口徑問題的通知》), Where a resident enterprise is determined as the new high-technology enterprise and in the transitional period of the preferential regular reduction of taxation such as "two exemptions and three half reductions" and "five exemptions and five half reductions" of enterprise income tax as provided in Item 3, Article 1 of the Notice of the State Council on the Implementation of the Transitional Preferential Policy on Enterprise Income Tax, the applicable tax rate for such resident enterprise may be chosen in accordance with the applicable tax rate for transitional period and may adopt the "half reduction" taxation collection until the expiry of the same or choose to adopt the 15% tax rate for new high-technology enterprises without enjoyment of the half reduction of the 15% tax rate for tax collection.

PRC VALUE-ADDED TAX

In accordance with the Interim Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值税暫行條例》), effective as from 1 January 2009, all entities engaging in sale of products, providing processing, repairs and replacement services or importing goods to China are subject to value added tax (hereafter refer to as "**VAT**"). The applicable VAT rate for taxpayers selling or importing products, other than those falling in the categories subject to a VAT rate of 13%, is 17%.

PRC BUSINESS TAX

The Temporary Regulations on Business Tax* (《營業税暫行條例》), which were promulgated by the State Council on 13 December 1993 with effect from 1 January 1994, and as amended on 10 November 2008 with effect from 1 January 2009, provide that entities and individuals must pay business tax if they are engaged in the provision of services in the transportation, construction, finance and insurance, post and telecommunication, culture and sports, entertainments and service industries as prescribed in Temporary Regulations on Business Tax, or the transfer of intangible assets or the sale of real estate within China.

PRC LAWS AND REGULATIONS ON DIVIDEND DISTRIBUTION

According to the Rules for the Implementation of the Law of the PRC on Wholly Foreign-Owned Enterprises* (《中華人民共和國外資企業法實施細則》), which was effective as from 12 December 1990 and amended on 19 February 2014, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to the funds as required by PRC laws and regulations and have set off financial losses of previous accounting years.

According to the EIT Law and its Implementation Rules, dividends paid to foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements concluded by the PRC government provide otherwise.

The PRC and the government of Hong Kong on 21 August 2006 entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of the Fiscal Evasion with respect to the Taxes on Income (《內地和香港特別行政區關於對所得税避免雙重徵税和防止偷漏税的安排》). According to the Arrangement, the withholding tax rate on dividends paid by a PRC company to a Hong Kong resident is 5%, provided that such Hong Kong resident directly holds at least 25% of the capital in a PRC company, and 10% if the Hong Kong resident holds less than 25% of the capital in a PRC company. In order to claim for the beneficial treatment on the withholding tax rate for dividends at 5% under the Arrangement, a Hong Kong resident is required to be the beneficial owner of dividends received, which shall be subject to the assessment and approval of the competent PRC tax authorities based on relevant standards in determining beneficial ownership status under prevailing PRC tax regulations.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements* (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》), which was promulgated and effective as from 20 February 2009, all of the following requirements shall be satisfied where a Chinese resident company pays dividends to a fiscal resident of the other party to a tax agreement, and the dividends obtained by the such a fiscal resident are intended to be entitled to treatment under the tax agreement:

a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement;

b) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and

c) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

According to the Interim Administrative Measures on Tax Convention Treatments for Non-Residents* (《非居民享受稅收協議待遇管理辦法(試行)》), effective as from 1 October 2009, where a non-resident enterprise that receives dividends from a PRC resident enterprise in need of any tax convention treatment, it shall file an application for examination and approval of tax convention treatments with the competent tax authority. No non-residents failing to go through the formalities for examination and approval shall be entitled to tax convention treatments.

PRC LAWS AND REGULATIONS ON PRODUCTION SAFETY

In accordance with the Work Safety Law of the PRC* (《中華人民共和國安全生產法》) (hereafter refer to as the "**Work Safety Law**"), effective as from 1 November 2002 and amended on 31 August 2014, entities engaging in production are required to implement production safety measures as specified in the Work Safety Law and other relevant laws, administrative regulations, national standards and industry standards. Any entity that does not implement such measures for safe production is prohibited from engaging in production and business operation activities. Entities are required to provide their employees with education and training on production safety. Entities must also provide their employees with protective gears that meet national and industry standards, as well as supervision and proper training to ensure their correct utilisation.

PRC LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), amended on 24 April 2014 and with such amendment effective on 1 January 2015, pollution prevention infrastructures in the construction projects shall comply with the approved documents concerning environmental impact assessment, and shall be designed, built and commissioned together with the principal part of the project. Enterprises and institutions and other manufacturer and operators that discharge pollutants into the environment, shall take measures to prevent and control pollution and hazards caused to the environment by exhaust gas, waste water, waste residue, medical waste, dust, malodorous gases, radioactive substance, and noise, vibration, optical radiation, electromagnetic radiation generated in the course of production, construction and other activities. Enterprises and institutions that discharge pollutants shall establish

environmental protection responsibility system and specify the responsibilities of the people-in-charge of the entities and relevant personnel. The enterprises are required to discharge pollutants in accordance with requirements of pollutant discharge license.

In accordance with the Environmental Impact Assessment Law of the PRC* (《中華人民共和國環境影響評價法》), promulgated on 28 October 2002 and effective as from 1 September 2003, and the Administration Rules on Environmental Protection of Construction Projects* (《建設項目環境保護管理條例》), which effective as from 29 November 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects* (《建設項目竣工環境保護驗收管理辦法》), which was promulgated on 27 December 2001 and became effective on 1 February 2002, require enterprises planning construction projects to engage qualified professional institution to provide assessment reports on the environmental impact of such projects. The assessment report must be approved by the competent environmental protection authorities prior to commencement of any construction work. Enterprises must file an application for examination and acceptance of the environmental protection facilities upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination.

PRC LABOUR LAWS AND REGULATIONS

According to the Labor Law of the PRC* (《中華人民共和國勞動法》), effective as from 1 January 1995 and amended on 27 August 2009, and the Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》), promulgated on 29 June 2007 and came into force on 1 January 2008 and amended on 28 December 2012 with such amendment effective on 1 July 2013, labor contracts shall be concluded in writing when labor relationships are to be or have been established between enterprises or institutions and employees. When hiring employees, employers must faithfully inform the employees of the job responsibilities, working conditions, working place, occupational hazards, working safety status, remuneration and other information upon requested by the employees. Employers shall also fully pay the remuneration in a timely manner as provided in the employment contracts.

According to the Social Insurance Law of the PRC* (《中華人民共和國社會保險法》), effective from 1 July 2011, Regulation on Work-Related Injury Insurance* (《工傷保險條例》), Regulations on Unemployment Insurance* (《失業保險條例》), Interim Rules on Employee's Maternity Insurance* (《企業職工生育保險試行辦法》), Interim Regulations on Administration of Social Insurance Registration* (《社會保險登記管理暫行辦法》), Interim Regulation on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》), and relevant rules issued by government authorities and local governments from time to time, enterprises shall duly go through the formalities of registration of social insurance, which covers basic pension, basic medical, industrial injury, unemployment and maternity insurance. Employees shall participate in insurance packages including basic pension, basic medical and unemployment insurance. Both the employers and the employees shall pay premiums. Employees are also required to participate in industrial injury and maternity insurance, the contribution of which is the sole responsibility of the employers under the relevant laws.

According to the Regulations on the Management of Housing Provident Funds* (《住房公積金管理條例》), effective from 3 April 1999 and as amended on 24 March 2002, employers in the PRC shall register with the housing provident fund management center and open an housing fund account on behalf of its staff with a bank entrusted by the housing provident fund management center. The payment and deposit rates for housing provident fund of both staff and workers shall not be less than five percent of the average monthly salary of an individual staff member or worker in the previous year. Employers who fail to register and open the accounts may be ordered to complete the registration within a prescribed period by the competent management center, and shall be liable for a penalty within the range of RMB10,000 to RMB50,000 if they fail to register within the prescribed period.

PRC LAWS AND REGULATIONS ON FOREIGN EXCHANGE

The principal regulation governing foreign currency exchange in China is the Administrative Regulations of the PRC* on Foreign Exchange (《中華人民共和國外匯管理條例》), which was last amended and promulgated on 5 August 2008. According to this regulation, the state shall not impose any restrictions on international payments or transfers on current account. The income of foreign exchange of domestic institutions or individuals can be remitted back into the PRC or deposited overseas. Foreign exchange income and expense under the current account must be certificated by authentic and legitimate transactions. If overseas institutions or individuals propose to make a direct investment in China, they are required to obtain approval from SAFE and other relevant PRC governmental authorities. Capital account items, such as direct offshore investments or engagement in distribution or deal of overseas negotiable securities or derivative products by domestic institutions or individuals, foreign debts and foreign guarantee are not permitted without prior registration with SAFE.

In the light of the Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles* (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) which came into effect on 4 July 2014 and replaced Circular No. 75 (Huifa [2014] No. 37, hereafter refer to as "**Circular No. 37**") and Operating Guideline for Relevant Business of Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》), the Annex of Circular No. 37 : a domestic resident shall, before contributing the domestic and overseas lawful assets or interests to a special purpose vehicle, apply to the foreign exchange office of registration place, or the foreign exchange office of location of the domestic enterprise's assets or interests for going through the procedures for registration; a domestic individual resident may establish a Special Purpose Vehicles (hereafter refer to as "**SPV**") before the completion of the procedures for registration, however, such domestic individual resident is not allowed to contribute any capitals (including overseas contribution) to the SPV until the procedures for registration has been gone through, unless there is a requirement of paying (including overseas payment) the SPV's registration fee, otherwise the registration procedures for such SPV shall be deemed as a supplementary registration. Simultaneously, a domestic individual resident can remit funds on the basis of true and legitimate demands, for the purpose of SPV establishment, share repurchase or delisting, et cetera.

Where registered SPV is to alter the basic information such as domestic residents' individual shareholders, name, operating period, or major event where domestic resident individual is to alter the important issues such as capital increase, capital reduction, share transfer or exchange, the foreign exchange change registration of overseas investments shall be timely finished in the foreign exchange office. Furthermore, after overseas financing is completed by SPV, if the capital financed is repatriated to use, relevant provisions in connection with foreign investment and foreign debt administration in the PRC are a required to be obeyed. Foreign-funded enterprises set up with round-trip investment shall go through foreign exchange registration formalities according to the foreign exchange provisions on the foreign investor's direct investment in effect, and truthfully disclose relevant information like actual controllers of shareholders, et cetera. If profits and bonus domestic residents obtained from special purpose company are to be repatriated to China, the foreign exchange administrative provisions on current account shall apply; if it is the foreign exchange earnings derived from capital changes that are to be repatriated, registration procedures shall subject to regulations on capital accounts.

SANCTIONS LAWS

Australian Sanction Laws

Australia maintains two categories of sanctions laws. The first category contains autonomous sanctions introduced unilaterally by Australia and these are set out in the *Autonomous Sanctions Act 2011* and *Autonomous Sanctions Regulations 2011*. The sanctions in the second category are based on resolutions of the UNSC that, when adopted by Australia, are included as regulations under the *Charter of the United Nations Act 1945*. The two categories of sanctions are administered by the Department of Foreign Affairs and Trade and are referred to collectively as "**Australian Sanction Laws**".

With respect to Libya, the direct or indirect supply, sale or transfer of arms or arms related materiel, the provision of technical advice, assistance or training related to military activities, financial transactions with respect to illicitly exported crude oil from Libya, bunkering services and the procurement of arms or arms related materiel from Libya is restricted under Regulations 3 to 10, *Charter of the United Nations (Sanctions – Libya) Regulations 2011*.

Sanctions were introduced against Russia by the Australian government on 31 March 2015 under Regulations 4, 12 and 18 of the *Autonomous Sanctions Regulations 2011*. The sanctions restrict the direct or indirect supply, sale or transfer to Russia, for use in Russia, or for the benefit of Russia, of:

(a) arms or arms related materiel;

(b) items suited to any of the following categories of exploration and production projects in Russia, including its exclusive economic zone and continental shelf:

  (i) oil exploration and production in waters deeper than 150 metres;

  (ii) oil exploration and production in the offshore area north of the Arctic Circle; and

  (iii) projects that have the potential to produce oil from resources located in shale formations by way of hydraulic fracturing (other than exploration and production through shale formations to locate or extract oil from non-shale reservoirs).

European Union Sanctions Laws

Under the E.U. sanctions, certain individuals, groups and entities are specifically targeted by financial sanctions, due to their affiliation with a particular foreign government or former government, alleged or confirmed human rights abuses, or apparent participation in illicit or undesirable behaviour ("**Designated Persons**", and each a "**Designated Person**").

The E.U. Sanctions against Libya impose an arms embargo (including equipment which might be used for internal repression), with prohibitions on related technical assistance, financing or financial assistance and brokering services, financial sanctions against Designated Persons and travel restrictions on certain individuals.

The Libya (Restrictive Measures) (Overseas Territories) Order 2011 respectively extended the application of E.U. sanctions against Libya to the British Overseas Territories including the Cayman Islands where our Company is incorporated and the BVI where Rich Benefit is incorporated. Norton Rose Fulbright LLP, our legal advisers as to E.U. sanctions is of the opinion that E.U. sanctions extend outside the E.U. only by way of the actions of E.U. citizens and E.U. companies (and aircraft/vessels). E.U. sanctions in principle do not apply to non-E.U. subsidiaries of E.U. companies, including Langfang D&G.

Since 5 March 2014, the E.U. has imposed a number of sanctions related to Russia and the Ukraine. Further sanctions relating to the importation of goods into the E.U. from Crimea and Sevastopol were implemented in June 2014. Since 31 July 2014, further "sectoral" sanctions have been implemented against the Russian financial, energy and defence sectors. The relevant E.U. Regulations have been amended a number of times during the course of 2014.

The current E.U. sanctions against Russia comprise the following restrictions:

(a) Financial sanctions against Designated Persons including:

  (i) freezes on funds and economic resources belonging to, owned, held or controlled by Designated Persons; and

  (ii) prohibitions on making funds or economic resources available, directly or indirectly, to or for the benefit of Designated Persons.

(b) Restrictions on supplies to Russia (including its Exclusive Economic Zone and Continental Shelf) or to any other state for use in Russia, of certain specified equipment for the oil and gas industry (listed in Annex II to Council Regulation 833/2014), together with related restrictions on brokering services, technical assistance and financing/financial assistance. There is a general prohibition on such supplies where they are for exploration and production projects in Russia, including its Exclusive Economic Zone and Continental Shelf, of the following kinds:

  (i) oil exploration and production in waters deeper than 150 metres;

  (ii) oil exploration and production in the offshore area north of the Arctic Circle; or

(iii) projects that have the potential to produce oil from resources located in shale formations by way of hydraulic fracturing (but not exploration and production through shale formations to locate or extract oil from non-shale reservoirs).

(c) Restrictions on supplies to any person or entity in Russia (including its Exclusive Economic Zone and Continental Shelf) or in any other State if for use in Russia, of certain specified equipment for the oil industry, together with related restrictions on brokering services, technical assistance and financing/financial assistance. There is a general prohibition on such supplies where they are for exploration and production projects in Russia, including its Exclusive Economic Zone and Continental Shelf, of the following kinds:

(i) oil exploration and production in waters deeper than 150 metres;

(ii) oil exploration and production in the offshore area north of the Arctic Circle; or

(iii) projects that have the potential to produce oil from resources located in shale formations by way of hydraulic fracturing (but not exploration and production through shale formations to locate or extract oil from non-shale reservoirs).

(d) Prohibition on the following "associated services" that are necessary for the oil exploration and production projects described in (c) above: drilling; well testing; logging and completion services; supply of specialised floating vessels.

(e) Arms embargo, which also includes a prohibition on supplies of "dual-use" items to Russia or for use in Russia where the items are or may be intended for military end-uses or end-users, with prohibitions on related brokering services, technical assistance and financing/financial assistance. Dual-use items are those which may have military or civil applications. There is also a prohibition of supplies of dual-use items to certain designated Russian defence companies, with prohibitions on related brokering services, technical assistance and financing/financial assistance.

(f) Prohibitions on directly or indirectly purchasing, selling, providing investment services for or assistance in the issuance of, or otherwise dealing in transferable securities and money-market instruments with a maturity exceeding 30 days issued after 12 September 2014 by certain designated entities of the following kinds:

(i) major credit institutions, or other major institutions having an explicit mandate to promote competitiveness of the Russian economy, its diversification and encouragement of investment, established in Russia with over 50% public ownership or control as of 1 August 2014 (currently designated are Sberbank, VTB Bank, Gazprombank, Vnesheconombank (VEB) and Rosselkhozbank). For these entities (and those relating to them described in (iv) and (v) below) there is also a prohibition regarding transferable securities and money-market instruments with a maturity exceeding 90 days issued between 1 August and 12 September 2014;

(ii) entities established in Russia predominantly engaged and with major activities in the conception, production, sales or export of military equipment or services, except those in the space or the nuclear energy sectors (currently designated are OPK Oboronprom, United Aircraft Corporation and Uralvagonzavod);

(iii) entities established in Russia, which are publicly controlled or with over 50% public ownership and having estimated total assets of over 1 trillion Russian Roubles and whose estimated revenues originate for at least 50% from the sale or transportation of crude oil or petroleum products (currently designated are Rosneft, Transneft and Gazprom Neft);

(iv) entities established outside the E.U. whose proprietary rights are directly or indirectly owned more than 50% by any of (i), (ii) or (iii) above; or

(v) entities acting on behalf or at the direction of an entity referred to in (i), (ii), (iii) or (iv) above.

(g) Prohibition on directly or indirectly making or being part of any arrangement to make new loans or credit with a maturity exceeding 30 days to any entity referred to in (f) above after 12 September 2014, except for:

(i) loans or credit that have a specific and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the E.U. and any third State, including the expenditure for goods and services from another third State that is necessary for executing the export or import contracts;

(ii) loans that have a specific and documented objective to provide emergency funding to meet solvency and liquidity criteria for legal persons established in the Union, whose proprietary rights are owned for more than 50% by any entity referred to in paragraph (f)(i) above; and

(iii) drawdowns or disbursements made under a contract concluded before 12 September 2014, where (A) all the terms and conditions1 of such drawdown or disbursements were agreed before 12 September 2014 and have not been modified on or after that date; and (B) before 12 September 2014 a contractual maturity date has been fixed for the repayment in full of all funds made available and for the cancellation of all the commitments, rights and obligations under the contract.

(h) Restrictions on trade relating to Crimea and Sevastopol, including prohibitions on:

(i) imports into the E.U. of goods originating in Crimea or Sevastopol and related financial assistance;

(ii) real estate investments in Crimea or Sevastopol;

(iii) investments in and financing of entities in Crimea or Sevastopol (including joint ventures with entities in Crimea or Sevastopol) and related investment services;

(iv) supplies to Crimea or Sevastopol or for use there of certain goods and technologies for use in transport, telecommunications, energy or the prospection, exploration and production of oil, gas and mineral resources, and related technical assistance, brokering services and financial assistance;

(v) provision of technical assistance or brokering, construction or engineering services directly relating to infrastructure in Crimea or Sevastopol relating to the sectors mentioned in (iv) above;

(vi) provision of services directly related to tourism activities in Crime or Sevastopol, and entry of cruise ships into certain ports in the Crimean Peninsula.

(i) Travel restrictions on certain individuals.

United States Sanctions Laws

U.S. sanctions are, for the most part, administered by the Office of Foreign Assets Control (**OFAC**). U.S. sanctions against Libya are limited to "list-based sanctions", which block all property and interests in property in the U.S. or in the possession of "U.S. persons" that belong to individuals, entities or governments on the "Specially Designated Nationals (**SDN**) List" or entities owned, directly or indirectly, 50% or more by an SDN or SDNs or persons/entities acting on their behalf. U.S. sanctions against Russia contain both list-based sanctions and also certain "sectoral" sanctions against the Russian financial, energy and defence sectors.

The list-based sanctions, including those against Libya and Russia, apply to "U.S. Persons", which includes:

(a) U.S. citizens and permanent resident aliens;

(b) any entity of any kind organised under U.S. law and their non-U.S. branches; and

(c) any individual or entity in the United States.

In relation to Libya, *Executive Order 13566* of February 25 2011 blocked the property of certain persons listed in the Annex to the Order and also authorised the U.S. Treasury Department to block the property of persons determined to be senior officials of the Government of Libya, the children of Colonel Muammar Qadhafi, persons involved in the commission of human rights abuses related to political repression in Libya and persons who assist those involved in human rights abuses (as well as persons who are owned or controlled by, or acting on behalf of, a person whose property is blocked). *Executive Order 13566* also blocked all property of the Government of Libya, its agencies, instrumentalities, and controlled entities, and the Central Bank of Libya.

The restrictions imposed by *Executive Order 13566* have subsequently been loosened by a number of General Licences issued by OFAC, which permit certain prohibited activities. These licences reflect the changing political environment in Libya with the fall of the Qadhafi regime. *Inter alia* General Licence 11 (issued 16 December 2011) permits transactions in the property of the Government of Libya, its agencies, instrumentalities, and controlled entities, and the Central Bank of Libya, except for funds blocked as at 19 September 2011.

The U.S. regime against Russia/Ukraine is based in part on the following four Executive Orders:

(a) *Executive Order 13660* (6 March 2014) authorised the blocking of property of persons involved in undermining democracy in Ukraine, threatening stability or territorial integrity in Ukraine, misappropriation of Ukraine state assets, and other similar activities (as well as persons who assist those whose property is blocked, or who are owned or controlled by, or acting on behalf of, a person whose property is blocked).

(b) *Executive Order 13661* (17 March 2014) blocked the property of certain individuals annexed to the Order and also authorised the blocking of property of persons determined to be officials of the Russian government or operating in the arms or related materiel sector in Russia (as well as persons who assist those whose property is blocked, or who are owned or controlled by, or acting on behalf of, a person whose property is blocked).

(c) *Executive Order 13662* (20 March 2014) broadly authorised the imposition of sanctions on persons operating "*in such sectors of the Russian Federation economy as may be determined by the Secretary of the Treasury…such as financial services, energy, metals and mining, engineering, and defense and related materiel*" (as well as persons who assist those whose property is blocked, or who are owned or controlled by, or acting on behalf of, a person whose property is blocked).

(d) *Executive Order 13685* (19 December 2014) prohibits new investment in the Crimea by a U.S. person; the importation into the U.S., directly or indirectly, of any goods, services, or technology from the Crimea; the exportation, re-exportation, sale, or supply, directly or indirectly, from the U.S., or by a U.S. person of any goods, services, or technology to the Crimea; and facilitation by U.S. persons of transactions by non-U.S. persons that would breach these prohibitions if carried by a U.S. person or within the U.S.. This Executive Order also authorised the blocking of property of persons determined to operate in the Crimea or to be a leader of an entity operating in the Crimea (as well as persons who assist those whose property is blocked, or who are owned or controlled by, or acting on behalf of, a person whose property is blocked).

Executive Order 13662 was subsequently implemented through four directives. Directives 1 and 2 (issued on 16 July 2014 and later amended on 12 September 2014), introduced limited sanctions on certain companies in the Russian finance and energy sectors by prohibiting U.S. persons from engaging in or providing services relating to certain kinds of debt transactions (Directives 1 and 2) and equity transactions (Directive 1 only) with them. Directive 3 (issued on 12 September 2014) expanded the prohibitions on debt transactions to include certain Russian defence companies.

Directive 4 (issued on 12 September 2014) introduced prohibitions on the following activities by U.S. persons or within the U.S.: the provision, exportation or re-exportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory, and which involve persons subject to Directive 4.

In addition, on 18 December 2014, the U.S. President enacted the Ukraine Freedom Support Act of 2014 ("**UFSA**"), which authorises the imposition of further sanctions on Russia as follows:

(a) To impose certain specified sanctions on:

(i) Rosoboronexport, any Russian entities which transfer or broker the transfer of military items to Syria, Georgia, Ukraine or Moldova or other countries specified by the U.S. government, or which knowingly manufacture/sell military items transferred to such countries, and any non-U.S. person who supports such Russian entities with respect to such activities;

(ii) any non-U.S. person who knowingly makes a significant investment in a "special Russian crude oil project"; and

(iii) Gazprom, if the U.S. government determines that Gazprom is withholding significant natural gas supplies from member countries of NATO, or further withholds significant natural gas supplies from countries such as Ukraine, Georgia, or Moldova.

These sanctions include *inter alia* prohibitions on: the provision of military items, related services and dual-use items; U.S. persons dealing in certain debt and equity of the Sanctioned Person; and banking transactions subject to U.S. jurisdiction in which the Sanctioned Person has an interest.

(b) To impose prohibitions or restrictions on correspondent accounts or payable-through accounts in the U.S. for non-U.S. financial institutions which: (i) knowingly engage in significant transactions involving activities described in (a) above for Sanctioned Persons; or (ii) has, on or after the date that is 180 days after the date of the enactment of the Act, knowingly facilitated a significant financial transaction on behalf of any Russian person included on the SDN List pursuant to the Act itself, Executive Orders 13660, 13661 or 13662 or any other Executive order addressing the crisis in Ukraine.

While the UFSA authorises the above sanctions, they are not currently in force and the U.S. President has stated that his administration has no current intention to impose sanctions under the UFSA.