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APPLICABLE PRC LAWS AND REGULATIONS

The following is a summary of the PRC laws and regulations relating to the business operations of the Group within the territory of the PRC:

Policies for Foreign Investment Industry

The PRC government from time to time directs the foreign investment industry by the publication of 《外商投資產業指導目錄》 (Catalogue of Industries for Guiding Foreign Investment). According to the Catalogue of Industries for Guiding Foreign Investment jointly published by National Development and Reform Commission and the Ministry of Commerce on 24 December 2011, garment production is classified as project where foreign investment is allowed.

In accordance with 《外商投資商業領域管理辦法》 (Measures for the Administration on Foreign Investment in Commercial Fields) promulgated on 16 April 2004 and implemented on 1 June 2004 by the Ministry of Commerce, the “foreign-invested commercial enterprises” shall refer to the enterprises with foreign investment which undertake the business activities of commission agency, wholesale, retail or franchising. The establishment of a foreign-invested commercial enterprise must be approved by the competent commerce department. According to 《廣東省外商投資商業項目審核指引》 (Guidance Notes on the Assessment of Foreign-invested Commercial Projects in the Guangdong Province) jointly published by the Economic & Information Commission of Guangdong Province and Department of Foreign Trade and Economic Cooperation of Guangdong Province on 27 July 2009, the establishment of new foreign-invested commercial enterprises, geographic expansion of distribution by established foreign-invested commercial enterprises, and further investment of foreign-invested enterprises regarding the establishment of a commercial enterprise to engage in the businesses of wholesale in general commodities, commission agency (other than auction), imports and exports are all subject to review by the competent commerce departments at city level.

Product Quality

《中華人民共和國產品質量法》 (Product Quality Law of the People’s Republic of China) promulgated on 22 February 1993 and amended on 8 July 2000 by the Standing Committee of the National People’s Congress applies to all production and marketing activities within the territory of the People’s Republic of China. Producers and sellers are responsible for the product quality according to the provisions of this law.

Responsibilities and obligations of producers for the products include:

- (1) be responsible for the quality of products they produce;
- (2) description of the products or the package of products shall be true to the fact;
- (3) not to produce products expressly phased out by State laws or decrees;
- (4) not to forge the place of origin or forge or falsely use the names and addresses of other producers;
- (5) not to forge or falsely use product quality marks, such as authentication marks;

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- (6) not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the production;
- (7) to ensure that, for products that are fragile, inflammable, explosive, toxic, erosive or radioactive and products that cannot be handled up-side-down in the process of storage or transportation or for which there are other special requirements, the packaging thereof must meet the corresponding requirements, carrying warning marks or warning notes written in Chinese to highlight the way of handling that calls for attention.

Responsibilities and obligations of sellers for the products include:

- (1) to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other identifications of such stock;
- (2) to take measures in maintaining good quality of the products for sale;
- (3) not to sell defective or deteriorated products or products which have been publicly ordered to cease sales;
- (4) to sell products with labels that comply with the relevant provisions;
- (5) not to forge the place of origin or forge or falsely use the names and addresses of other producers;
- (6) not to forge or falsely use product quality marks, such as authentication marks;
- (7) not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products.

A producer or seller in breach of the above responsibilities and obligations shall be liable to civil compensation. The authorities shall order the suspension of production or sale, confiscate the products illegally produced or sold, impose a fine and confiscate the unlawful proceeds (if any) therefrom. Where the case is serious, business licences shall be revoked. Where a criminal offence is constituted, the offenders will be pursued for criminal liabilities.

Protection of Consumer Rights

In accordance with 《中華人民共和國消費者權益保護法》 (Law of the People's Republic of China on Protection of Consumer Rights and Interests) promulgated on 31 October 1993 and implemented on 1 January 1994 by the Standing Committee of the National People's Congress, business operators shall abide by this law in providing the commodities manufactured or sold by them or rendering services to consumers. The specific obligations of a business operator mainly include:

- (1) to fulfil their obligations in accordance with 《中華人民共和國產品質量法》 (Product Quality Law of the People's Republic of China) and other laws and regulations concerned;

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- (2) to guarantee that the commodities and services they supply meet the requirements for personal or property safety. As to commodities and services with potential hazard to personal or property safety, business operators shall give the consumers truthful explanation and clear-cut warnings, and shall explain or indicate the correct ways of using the commodities or receiving services as well as the necessary precautionary measures;
- (3) to provide consumers with authentic information concerning their commodities or services, and may not make any false and misleading publicity. Business operators shall give truthful and definite replies to inquiries from consumers about the qualities of the commodities or services they supply and the operation methods thereof;
- (4) to indicate their real names and marks;
- (5) to issue to consumers purchase invoices or supporting documents of services in accordance with relevant regulations of the State or commercial practices;
- (6) to guarantee the quality, performance, usage and term of validity which the commodities or services they supply should be expected under normal operation or acceptance. Business operators who employ advertisements, product descriptions, physical samples or otherwise to demonstrate the quality of their commodities or services shall guarantee that the actual quality of the commodities or services they supply is in conformity with the effect as demonstrated;
- (7) Business operators who are under the obligation of repair or caveat venditor, or other responsibilities in accordance with regulations of the State or agreements with consumers shall fulfil such obligations correspondingly according to such regulations or agreements, and may not delay deliberately or refuse to do so without cause.

A business operator in breach of the above obligations shall be liable to civil compensation. The competent administrative departments shall order remedies from the business operator, impose a fine, and confiscate the unlawful proceeds. Where the case is serious, the authorities shall order the suspension of business pending rectification and the revocation of business licences. Where a criminal offence is constituted, the offenders will be pursued for criminal liabilities.

Trademark Law

In accordance with 《中華人民共和國商標法》 (Trademark Law of the People's Republic of China) promulgated on 23 August 1982 and amended for the second time on 27 October 2001 by the Standing Committee of the National People's Congress, the following acts shall constitute an infringement of the exclusive right to use a registered trademark:

- (1) using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;
- (2) selling the commodities that infringe upon the exclusive right to use a registered trademark;

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- (3) forging, manufacturing without authorisation the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorisation;
- (4) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark;
- (5) causing other damage to the exclusive right to use a registered trademark of others.

In the event of disputes arising from any of the above acts, the parties shall negotiate for a resolution. If any party refuses to negotiate or the negotiation proves futile, the registrant of that trademark or the interested persons may file a suit before a People's Court, or refer the case to the administrative department for industry and commerce. If the administrative department for industry and commerce concludes that an infringement is constituted, it may order an immediate end to the infringement, and may confiscate or destroy the infringing commodities and the tools especially used for the manufacturing of infringing commodities and the forging of marks of the registered trademark, and may impose a fine.

Environmental Protection

- In accordance with 《中華人民共和國環境保護法》 (Environmental Protection Law of the People's Republic of China) effective from 26 December 1989, all enterprises that cause environmental pollution and other public hazards are required to incorporate and implement environmental protection policies into their plans and establish a responsible system for environmental protection. These entities shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gases, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

Installations for the prevention and control of pollution at a construction project shall be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned until its installations for the prevention and control of pollution are examined and assessed to be up to standard by the relevant department of the environmental protection administration that examined and approved the environmental impact statement.

- In accordance with 《建設項目環境保護管理條例》 (Regulations on Management of Environmental Protection for the Construction Projects) effective from 29 November 1998 and 《中華人民共和國環境影響評價法》 (Law of the People's Republic of China on Environmental Impact Appraisal) effective from 1 September 2003, the State has set up a system to appraise the environmental impact for construction projects and administer environmental impact appraisal based on the degree of impact on the environment. For those construction projects that may result in material impact on the environment, an environmental impact report is required for the purpose of a full appraisal of the degree of impact. For those construction projects that may result in gentle impact on the environment, an environmental impact report is required for the purpose of analysing or appraising the specific environmental impact. For those construction projects that may only result in slight impact on the environment and are not required to undergo environmental impact appraisal, the filing of an environmental impact form is required. Entities responsible for the construction projects must submit the aforesaid environmental impact appraisal documents to the relevant administrative

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departments of environmental protection for examination and approval. If the entities fail to submit the aforesaid environmental impact appraisal documents in accordance with PRC laws and regulations, or if the documents are not approved after examination by the relevant administrative departments, the departments responsible for approving the relevant construction projects shall not approve such projects and the construction entities shall not commence construction.

- In accordance with 《中華人民共和國水污染防治法》 (Law of the People's Republic of China on the Prevention and Control of Water Pollution) effective from 1 June 2008, projects of new construction, reconstruction or expansion and other water-based facilities that directly or indirectly discharge pollutants into the body of water are subject to environmental impact appraisal under the relevant regulations. Enterprises that directly or indirectly discharge industrial sewage into the body of water shall first obtain permits from the authorities. Enterprises that directly discharge pollutants into the body of water are subject to sewage charges in accordance with the categories and quantities of the water pollutants discharged as well as the levying standards.
- In accordance with 《中華人民共和國大氣污染防治法》 (Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution) effective from 1 September 2000, projects of new construction, expansion or reconstruction that discharge pollutants into the atmosphere are subject to the state's regulations on environmental protection. Entities that discharge atmospheric pollutants shall declare to the local administrative department of environmental protection as to its existing discharging and treatment facilities for pollutants and the categories, quantities and concentration of the pollutants discharged under normal operating conditions and submit to the same department technical information concerning the prevention and control of atmospheric pollution. The PRC government has implemented a system of levying for discharging pollutants in accordance with the categories and quantities of the atmospheric pollutants discharged, and has established reasonable levying standards in accordance with the needs of strengthening the prevention and control of atmospheric pollution and the PRC's economic and technological conditions.
- In accordance with 《中華人民共和國固體廢物污染環境防治法》 (Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste) effective from 1 April 2005, entities that produce industrial solid waste shall establish and perfect a responsibility system for the prevention and control of environmental pollution by adopting measures to prevent the industrial solid waste discharged from polluting the environment. The state has in place an industrial solid waste declaration and registration system. The entities discharging industrial solid wastes shall, in accordance with the regulations, provide the administrative competent department for environmental protection of the local government at or above the county level where such entities are located with information about the categories, discharging amount, flow direction, storage and treatment of industrial solid wastes.
- In accordance with 《中華人民共和國環境噪聲污染防治法》 (Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution) effective from 1 March 1997, industrial enterprises that produce environmental noise pollution by using fixed equipment in the industrial production process must report to the local administrative competent department for environmental protection as to the types and numbers of their existing equipment producing environmental noise pollution, the levels of noise produced by the equipment under normal operating conditions and the status of facilities for the prevention and control of environmental noise pollution. Technical data concerning the prevention and control of environmental

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noise pollution is also required. Units producing environmental noise pollution shall take measures to eliminate and control the pollution and shall pay a fee for excessive discharge in accordance with the state provisions.

Labour and production safety

- In accordance with 《中華人民共和國勞動合同法》 (Labour Contract Law of the People's Republic of China) effective from 1 January 2008, a labour contract shall be concluded when a labour relationship is to be established between the employing units and the employees. When hiring the employees, the employing unit shall faithfully notify them of the job contents, conditions and place, occupational harm, work safety status, remuneration and other information as requested by the employees. The employing units and employees shall fully perform their respective obligations in accordance with the provisions stipulated in the labour contracts. The employing units shall pay the employees the full amount of remunerations in a timely manner in accordance with the contractual stipulations and the provisions. The employing units shall strictly adhere to the specific work quotas, and may not compel any employee to work overtime. Upon revocation or termination of a labour contract, the employing units shall produce for the employees sufficient proof in support of such revocation or termination, and complete the filing formalities and the transfer of the employees' social insurance within 15 days thereafter.
- In accordance with 《中華人民共和國就業促進法》 (Promotion of Employment Law of the People's Republic of China) effective from 1 January 2008, when hiring employees, the employing units shall provide equal opportunities for employment and fair working conditions without discrimination. The employing units shall ensure female employees to enjoy equal rights as males in employment. It is not allowed, in the recruitment, to cite gender as a pretext for excluding females from employment or to raise recruitment standards for females. No provision limiting female employees in marriage and child-bearing is allowed in the labour contract. Appropriate care shall be directed at the ethnic minorities. No discrimination shall be directed at the physically disabled. The employing units shall not refuse the employment of any applicants just because of such person being a contagious pathogen carrier and impose discriminative restrictions of employment on migrant workers from rural areas.
- In accordance with 《工傷保險條例》 (Regulations on Occupational Injury Insurance) effective from 1 January 2004 and amended on 20 December 2010, the employing units shall pay occupational injury insurance fees on time for their employees, and their employees do not need to pay any occupational injury insurance fees.
- In accordance with 《企業職工生育保險試行辦法》 (Interim Measures concerning the Maternity Insurance) effective from 1 January 1995, enterprises shall pay the maternity insurance fees for their employees, and their employees do not need to pay any maternity insurance fees.
- In accordance with 《社會保險費徵繳暫行條例》 (Provisional Regulations Concerning the Levy of Social Insurance) effective from 22 January 1999 and 《社會保險登記管理暫行辦法》 (Provisional Measures Concerning the Management of the Registration of Social Insurance) effective from 19 March 1999, premium paying enterprises in the PRC shall apply for social insurance registration with the local social insurance agency, and make contributions to the basic pension insurance premiums, basic medical insurance premiums and unemployment insurance premiums for their employees.

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- In accordance with 《中華人民共和國社會保險法》 (Social Insurance Law of the People's Republic of China) effective from 1 July 2011, the state has established a social insurance system that covers pension, medical, occupational injury, unemployment and maternity. Under this system, employees shall participate such insurance packages as pension, medical and unemployment, for which premium shall be paid by both the employing units and the employees. Employees shall also participate the occupational injury and maternity insurance, for which contribution is the sole responsibility of the employing units under the relevant laws.
- In accordance with 《住房公積金管理條例》 (Regulations Concerning Housing Fund) effective from 3 April 1999 and amended on 24 March 2002, enterprises in the PRC shall complete the registration of housing fund with the competent housing fund management centre and open the housing fund accounts for the employees with designated banks and contribute to the housing fund for their employees at the rate of not less than 5% of the employees' average monthly wages for the preceding year.
- In accordance with 《中華人民共和國安全生產法》 (Production Safety Law of the People's Republic of China) effective from 1 November 2002, the operating entities of production shall be equipped with the facilities for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not equipped with the facilities for safe production may not be engaged in production and business operation activities. Entities shall provide their employees with education and training on production safety. Entities shall also provide their employees with labour protective gear that meets the national standards or industrial standards, as well as supervision and proper training to ensure its correct use.

Taxation

- In accordance with the new 《中華人民共和國企業所得稅法》 (Enterprise Income Tax Law of the People's Republic of China) effective from 1 January 2008, resident enterprises shall pay enterprise income tax on their income derived from both within and without the PRC. For non-resident enterprises with organisations or establishments within the PRC, they shall pay enterprise income tax on their income derived from within the PRC as well as income derived from without the PRC but actually related to such organisations or establishments. The rate of enterprise income tax shall be 25%.

For non-resident enterprises without any organisations or establishments within the PRC, or with organisations or establishments within the PRC but their income is not actually related to such organisations or establishments, they shall pay enterprise income tax on their income derived from within the PRC at the applicable tax rate of 20%. However, in accordance with 《中華人民共和國企業所得稅法實施條例》 (Implementation Regulations of Enterprise Income Tax Law of the People's Republic of China) effective from 1 January 2008, income earned by non-resident enterprises are subject to a reduced enterprise income tax rate of 10%.

In accordance with 《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》 (Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion) effective from 1 January 2007, if a Hong Kong enterprise owns at least 25% of the capital of a PRC enterprise, the dividends paid by the PRC enterprise to the Hong Kong enterprise are subject to a withholding tax of 5%. In accordance with 《關於執行稅收協定股息條款有關問題的通知》 (Notice on Issues

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Relevant to the Implementation of Dividend Provisions in Tax Treaties) issued by the State Administration of Taxation on 20 February 2009, to enjoy the benefits offered by tax treaties, the proportion of interest in the PRC resident enterprise directly owned by the tax resident at any time during the 12-month period prior to the receipt of dividends shall remain compliant with that provided in the tax treaties.

- In accordance with 《中華人民共和國增值稅暫行條例》 (The Provisional Regulations of the People's Republic of China on Value-Added Tax) effective from 1 January 2009, all units and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the People's Republic of China are subject to Value-Added Tax. The applicable VAT rate for taxpayers selling or importing goods, other than those falling in the categories subject to a VAT rate of 13%, shall be 17%.
- In accordance with 《中華人民共和國營業稅暫行條例》 (The Provisional Regulations of the People's Republic of China on Business Tax) effective from 1 January 2009, all units and individuals engaged in the provision of services, the transfer of intangible assets or the sale of immovable properties within the territory of the People's Republic of China shall pay Business Tax in accordance with these Regulations. The taxable items and tax rates of Business Tax shall be determined in accordance with the schedule to these Regulations. The applicable tax rates range from 3% to 20%.

Foreign Exchange

In accordance with 《外匯管理條例》 (Regulations on the Administration of Foreign Exchange) promulgated on 29 January 1996 and amended for the second time on 1 August 2008, international payments and transfers under current accounts shall not be subject to the restrictions of the State. The income of foreign exchange of domestic institutions or individuals can be remitted back into the PRC or deposited overseas. Foreign exchange incomes and expenses under the current account shall be evidenced by authentic and legitimate transactions. The foreign exchange or the settled foreign exchange funds under the capital account shall be used in accordance with the purposes approved by the relevant competent authorities and the foreign exchange administrative department. If overseas institutions or individuals propose to make direct onshore investments, they shall complete registration with the foreign exchange administrative department upon approval of the relevant competent authorities. If domestic institutions or individuals propose to make direct offshore investments or be engaged in the issuance or trading of marketable securities or derivatives, they shall complete the required registration in accordance with provisions by State Council foreign exchange administrative department.

In accordance with 《中華人民共和國外資企業法》 (the Law of the People's Republic of China on Wholly Foreign-invested Enterprises) as amended on 31 October 2000 and its implementation regulations, wholly foreign-invested enterprises shall maintain accounts with the Bank of China or other banks designated by the state authorities of foreign exchange. Foreign exchange incomes of wholly foreign-invested enterprises shall be deposited into the foreign exchange accounts maintained with their account-opening banks. Foreign exchange expenses shall be charged to their foreign exchange accounts. Foreign investors may remit abroad their legitimate profit, other lawful incomes and liquidated funds derived from foreign-invested enterprises.

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Our PRC legal advisor, Jingtian & Gongcheng, is of the opinion that save for non-compliant incidents as disclosed in the sections headed “Business — Employees” and “Business — Properties” in this prospectus, the Group has complied with all relevant PRC laws and regulations in all material respects and obtained all relevant approvals/certificates which are necessary for its operations in PRC up to the Latest Practicable Date.