
REGULATIONS

Our operations are subject to the following laws and regulations in Hong Kong, Singapore, West Malaysia, the PRC and Macau.

HONG KONG

Business Operations

In respect of the operation of the Group in Hong Kong, the Group is required to obtain business registration certificates issued by the Inland Revenue Department of the Hong Kong Government.

Consumer Protection and Product Liability

The contracts of the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) which governs the scope of certain implied terms or conditions and warranties generally relating to the safety and suitability of the goods supplied, for instance, goods for sale must be of merchantable quality and must correspond with the description and the sample.

In addition, the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (“CGSO”) imposes statutory duty on manufacturers, importers and suppliers to ensure that the consumer goods supplied comply with the general safety requirement or the safety standards and specifications prescribed by the Secretary for Commerce and Economic Development of Hong Kong. The CGSO imposes criminal penalties for a breach of the safety requirements, and the Commissioner of Customs and Excise has the power to serve a recall notice requiring the immediate withdrawal of any consumer goods or products which are believed to be unsafe and may cause serious injury.

SINGAPORE

Regulation of Imports and Exports Act (Chapter 272A) of Singapore (the “Regulation of Imports and Exports Act”) and Regulation of Imports and Exports Regulations (the “RIER”)

Under the Regulation of Imports and Exports Act, the Director-General of Customs appointed under section 4(1) of the Customs Act (Chapter 70 of Singapore) may, subject to the approval of the Minister of Trade and Industry, make regulations for the registration, regulation and control of all or any class of goods imported into, exported from, transhipped in or in-transit through Singapore. Pursuant to Regulation 37(1) of the RIER, the Director General of Customs may maintain a register containing the particulars of importers, exporters, common carriers or any other person who desires to apply for a permit or any other form of approval under RIER.

JHPL is registered in this register. The registration of JHPL is non-transferable and specific to JHPL. The registration is subject to the regulations as may be prescribed by the Director-General of Customs from time to time.

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Electrical Act (Chapter 89A) of Singapore

Under the Electrical Act (Chapter 89A), no person shall use, work or operate, or permit to be used, worked or operated any electrical installation without an electrical installation licence granted by the Energy Market Authority. The licensee is required to ensure that the electrical installation is properly maintained and inspected in accordance with the terms of the licence. Any licensee who fails to comply with the terms of such electrical installation licence may be guilty of an offence and may be liable on conviction for monetary fines and/or custodial sentences. An electrical installation licence shall specify a period of validity, but may be revoked prior to expiry and renewed upon expiry.

Sale of Food Act (Chapter 283) of Singapore

The objectives of the Sale of Food Act (Chapter 283) (“Food Act”) include: (i) securing wholesomeness and purity of food and fixing standards for the same; (ii) preventing the sale or other disposition, or the use of articles dangerous or injurious to health; and (iii) regulation of food establishments. The Agri-Food & Veterinary Authority of Singapore (“AVA”) administers and enforces the Food Act. Under the Food Act, it is an offence to sell any food which is unsound or unfit for human consumption. Pursuant to the Food Act, a licence must be obtained from the Director-General, AVA, for any place or any premises or part thereof used for the sale, or for the preparation or manufacture for sale, or for the storage or packing for sale, of food, whether cooked or not, intended for human consumption for the purpose of (i) distribution to wholesalers and retailers; or (ii) a cold store.

Under regulations enacted pursuant to the Food Act, it is an offence to import, sell, consign or deliver any prepackaged food with an expired date mark. Further, no person shall import, advertise, manufacture, sell, consign or deliver any prepackaged food if the package of prepackaged food does not bear a label containing all the particulars required by the relevant regulations enacted pursuant to the Food Act. The packing, storage and transportation of food (excluding fish and meat) must be conducted in such manner that it is protected from the likelihood of contamination, and the environmental conditions under which food is stored will not adversely affect the safety and suitability of the food. Any person who fails to comply with the Food Act and related regulations may be guilty of an offence and may be liable on conviction for monetary fines and/or custodial sentences. Our Singapore subsidiary, Japan Home (Retail) Pte. Ltd., sells food products such as biscuits, snacks, candy and other packaged food items at some of its stores, and therefore is required to comply with the Food Act.

Employment of Foreign Manpower Act (Chapter 91A) of Singapore

The availability and the employment cost of skilled and unskilled foreign workers are affected by the Singapore government’s policies and regulations on the immigration and employment of foreign workers. The policies and regulations are set out in the Employment of Foreign Manpower Act (Chapter 91A) and the relevant Government Gazettes. The availability of foreign workers is regulated by the Ministry of Manpower through the following:

- approved source countries;
- issuance of work permits;
- the imposition of security bonds and levies; and
- set ratios for local to foreign workers.

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An employer of foreign workers is also subject to the provisions set out in the Employment Act (Chapter 91), the Employment of Foreign Manpower Act (Chapter 91A), the Immigration Act (Chapter 133) and the Immigration Regulations.

Singapore Code of Advertising Practice

The Singapore Code of Advertising Practice (“SCAP”) regulates local advertising activities and is administered by the Advertising Standards Authority of Singapore (“ASAS”). The SCAP has been endorsed by organisations representing advertisers, advertising agencies and media, and applies to all advertisements for any goods, services, and facilities appearing in any form, or any media.

The SCAP prescribes general principles applicable to all advertisements, and specific guidelines related to slimming products and services. The general principles include:

- decency – advertisements should not contain anything that is offensive to the standards of decency prevailing among those who are likely to be exposed to them;
- truthful presentation – advertisements should not mislead in any way by inaccuracy, ambiguity, exaggeration, omission or otherwise; and
- claims – advertisements should not misuse research results or quotations from technical and scientific publications.

The ASAS may require an advertiser to amend or withdraw any advertisement that contravenes the SCAP or withhold such advertisement until it has been modified. The ASAS may also publicise details of the outcome of investigations it undertakes, naming those advertisers who have violated the SCAP.

The ASAS is further empowered to request media owners to support the decisions of the ASAS, and to ask its members generally (including advertisers, advertising agencies, government agencies, media owners and other supporting organisations) to sanction parties which violate the SCAP, by, among others, the withdrawal of facilities, rights or services from parties concerned subject to legal constraints.

WEST MALAYSIA

Local Government Act 1976

This Act is applicable only to West Malaysia and purports to consolidate the laws relating to local government. Under the Local Government Act 1976, local government authorities in West Malaysia have the power to issue any by-laws enforceable within its jurisdiction, including business, trade and advertisement licences.

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Licensing of Trades, Businesses and Industries (Federal Territory of Kuala Lumpur) 1986; Licensing of Premises for Trades, Businesses and Industries (Perbadanan Putrajaya) By-Laws 1999; Licensing of Trades, Businesses and Industries (Petaling Jaya City Council) By-Laws 2007; Licensing of Trades, Businesses and Industries (Klang Municipal Council) By-Laws 2007; Municipal Council Province Wellesley Licence Fees By-Laws 1980

Each store operated by JHC (Malaysia) is regulated by the by-laws of the state in which it is located, which prohibit any form of trade, business or industry as specified in the by-laws (which includes distributive trade) in any place or premises within the area of the municipal council unless a licence is issued under the relevant by-laws. Generally, the penalty for non-compliance with this requirement will be a fine of not exceeding MYR2,000 or imprisonment for a term not exceeding one year or both fine and imprisonment. A further fine, not to exceed two hundred ringgit MYR200 for every day during which the offence is continued after conviction, may be imposed by the municipal council.

Advertisement Licences – Municipal Council of Province Wellesley (Advertisement) By-Laws 2007; Advertisements (Federal Territory) By-Laws 1982; Advertisements (Federal Territory of Putrajaya) By-Laws 2002; Advertisement (Petaling Jaya City Council) By-Laws 2007; Advertisement (Klang Municipal Council) By-Laws 2007

Similar to the licensing of trades, business and industries, most states in West Malaysia have by-laws regulating advertisements. Under these advertisement by-laws, it is prohibited to exhibit or cause to be exhibited any advertisement except under and in accordance with a licence issued by the municipal council under the relevant by-laws. Upon conviction, a person shall be liable for a fine not exceeding MYR 2,000 or to imprisonment for a term not exceeding one year or to both.

Guidelines On Foreign Participation In The Distributive Trade Services Malaysia (“MDTCC Guidelines”) issued by the Ministry Of Domestic Trade Co-operatives and Consumerism (“MDTCC”)

Under these guidelines, all proposals for foreign involvement in distributive trade in Malaysia must obtain the prior approval of MDTCC. According to the MDTCC Guidelines, distributive traders include wholesalers, retailers, franchise practitioners, direct sellers, product manufacturers, suppliers who channel their goods in the domestic market and commission agents or other representatives including those of international trading companies. Accordingly, the activities of the Company fall within the ambit of the MDTCC Guidelines.

Under the MDTCC Guidelines, a company involved in distributive trade that has foreign shareholders may be required to follow certain hiring guidelines for their employees and utilise local facilities or companies for services relating to their businesses. Failure to comply with these guidelines could result in indirect sanctions by the MDTCC. For example, the MDTCC could persuade local authorities not to grant certain required licences or permits.

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PRC

Guiding Catalogue of Foreign Investment

According to the Guiding Catalogue of Foreign Investment (as amended in 2011) (外商投資產業指導目錄 (2011年修訂)) jointly promulgated by the Ministry of Commerce (“MOFCOM”) and the National Development and Reform Commission, which became effective on 30 January 2012, foreign investments in various industries are classified into four categories: encouraged, permitted, restricted and prohibited categories. The sale of housewares products in the retail stores we currently operate in the PRC fall under the “permitted” category.

Regulations on Foreign Investment in Commercial Field

According to the Measures for Administration of Foreign Investment in Commercial Fields (外商投資商業領域管理辦法) issued by MOFCOM on 16 April 2004, foreign investment in commercial fields, including wholesale and retail, must comply with certain qualification requirements for registered capital, total investment and terms of operation. Foreign investors which intend to establish new foreign-invested commercial enterprises in the PRC, and foreign-invested commercial enterprises which intend to open new stores in the PRC, must apply with the provincial commerce authorities to establish foreign-invested commercial enterprises and open up new stores, respectively. The provincial commerce authorities review the application and report their assessment to MOFCOM for final approval.

On 12 September 2008, MOFCOM issued the Notice on Decentralization of the Approval Authority of Foreign-invested Commercial Enterprises (關於下放外商投資商業企業審批事項的通知), pursuant to which provincial commerce authorities were granted the authority to examine and approve the establishment of foreign-invested commercial enterprises, with the exception of certain regions which require MOFCOM approval.

Approvals and Licenses for Business Operation

Upon approval from the relevant provincial commerce authority, the applicant must register the company or the store with the local administration and industry for commerce and obtain the business license for the operating entity.

In addition, before business operations of the store commence, it must pass the fire safety inspection conducted by the fire prevention administration authority and obtain the relevant approval.

Laws on Product Quality

In accordance with the Product Quality Law of the PRC (中華人民共和國產品質量法), promulgated on 22 February 1993 and amended on 8 July 2000, a seller must undertake the responsibilities of (i) adopting a check-for-acceptance system for stock replenishment to examine the quality certificates and other labels of such stock; (ii) taking measures in keeping products for sale in good quality; (iii) not selling defective or deteriorated products or products which have been publicly banned from sale; (iv) selling products with labels that comply with the relevant provisions; (v) not forging the origin of a product, or falsely using the name and address of another producer; (vi) not forging or falsely using product quality marks such as authentication marks; and (vii) not mixing impurities or imitations into the products, replacing a genuine product with a fake one, or replacing a high-quality product with a defective one, or passing off a substandard product as a qualified one in the sale of products.

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Any seller which violates the Product Quality Law may be subject to fines, suspension of its business operation or revocation of its business license. A seller which violates the Product Quality Law may also be subject to criminal liabilities. According to the Product Quality Law, a consumer or other victim who suffers injury or property losses arising from product defects may claim compensation from the manufacturer and/or the seller. Where the liability lies with the manufacturer, the seller, after settling compensation with the consumer, has the right to recover such compensation from the manufacturer.

Laws on Consumer Protection

The Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法), promulgated on 31 October 1993 and implemented on 1 January 1994, sets out standards of behaviour for business operators in their dealings with consumers, including, among others, (i) compliance of goods and services with the Product Quality Law and other relevant laws and regulations, such as requirements regarding personal safety and protection of property; (ii) accurate information and advertising concerning goods and services and the quality and use of such goods and services; (iii) issuance of receipts to consumers in accordance with relevant national regulations, business practices or upon customer request; (iv) ensuring the actual quality and functionality of goods or services are consistent with advertising materials, product descriptions or samples; (v) assumption of the responsibilities related to repairing, replacing, returning or other liability in accordance with national regulations or any agreements with the consumer; and (vi) not stipulating unreasonable or unfair terms for consumers and not excluding themselves from civil liability to undermine the legal rights and interests of consumers.

Any seller which violates the Consumer Protection Law may be subject to fines, suspension of its business operations or revocation of its business license. A seller which violates the Consumer Protection law may also be subject to criminal liabilities. According to the Consumer Protection Law, a consumer whose legal rights and interests are harmed during the purchase or use of goods may claim compensation from the seller. Where the liability lies with the manufacturer or supplier, the seller, after settling compensation with the consumer, has the right to recover such compensation from that manufacturer or the other seller. Consumers or other parties who suffer injury or property losses arising from product defects may claim compensation from the manufacturer or the seller. Where the liability lies with the manufacturer, the seller, after compensating the consumer, has the right to recover such compensation from the manufacturer.

Regulations on Foreign Exchange

Pursuant to the Regulations on the Administration of Foreign Exchange (中華人民共和國外匯管理條例) promulgated in 1996 and amended in 2008 and various regulations issued by State Administration of Foreign Exchange (“SAFE”) and other relevant PRC governmental authorities, the Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investments, require the prior approval of SAFE or its local counterpart for conversion of Renminbi into a foreign currency, and remittance of the foreign currency out of the PRC.

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MACAU

Business Operations

Before the commencement of business operations of a store, the operating entity must apply for the registration of the commercial establishment with the Macau Finance Bureau and obtain the respective business license.

Consumer Protection and Product Safety

Consumer Protection in Macau is regulated by the Consumer Protection Law (Law n.º 12/88/M, dated 13 June 1988) which determines that a consumer is anyone to whom products or services are furnished for their personal use by someone, an individual or a legal person, who professionally develops an economic activity.

Consumers in Macau have the right to protection and safety as related to product and service use; the right to accurate product instructions and information; the right to take action against anyone who sells goods and renders services which cause hazard to the economic interests/welfare of consumers; the right to safeguard from and compensation for damages caused; the right to receive fair treatment in the course of any consumer activity; and the right to participate in the implementation of policies which involve the rights or interests of consumers.

The Product Safety Regulation (Administrative Regulation n.º 17/2008, dated 7 July 2008) establishes general product safety guidelines and states that only products considered safe may be placed on the market.

Distributors may not knowingly distribute products which are not safe and must furnish all information on product risks to consumers. They must also withdraw unsafe products from the market and to present a sample of the product for safety testing whenever that is requested by the competent Macau authority.

Employment Regulations

The Macau Labour Relations Law (Law no. 7/2008, dated 5 August 2008) generally governs labour relations, including but not limited to general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation for contract termination without justifiable cause.

Non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law no. 21/2009, dated 27 October 2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees.