(1) HONG KONG, PRC AND MACAU

This section sets forth a summary of the laws and regulations applicable to our operations in Hong Kong, PRC and Macau.

Hong Kong

Occupational safety and health

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

Employees' compensation

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) establishes a no-fault and non-contributing employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and sub-contractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees).

Contractor and sub-contractor

A principal contractor and a superior sub-contractor are subject to the provisions on sub-contractor's employees' wages in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. Such liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor and/or superior sub-contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for two months without any deductions under the Employment Ordinance (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from sub-contractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve a notice on the principal contractor. Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior sub-contractor to that sub-contractor (where applicable) of whom he is aware.

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior sub-contractor, as the case may be.

The principal contractor or superior sub-contractor may either (i) claim contribution from every superior sub-contractor to the employee's employer or from the principal contractor and every other such superior sub-contractor as the case may be, or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has sub-contracted.

Minor works

The Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) ("**Minor Works Regulation**") is a subsidiary legislation under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) and provides for a simplified procedure and requirements to regulate building works which have been specified as "minor works".

Under the Minor Works Regulation, minor works are classified into three classes according to their nature, scale and complexity and the risk and safety they pose. The works are further classified into types and items that correspond to the specialization of works in the industry. Class II and Class III minor works, can be carried out by a prescribed registered contractor ("**Registered Contractor**") without the involvement of a prescribed building professional.

Registered Minor Works Contractors may be body corporates, partnerships, sole proprietorship or individuals and have to satisfy the Building Authority that their personnel possess the necessary technical qualifications and work experience before they could be registered under the Buildings Ordinance.

The Building Authority must be notified of the commencement of projects involving Class II minor works items, in the specified form with prescribed plans, supporting document and site photos, which must be submitted at least seven days before the commencement of works. The Building Authority will issue a submission number after the verification of all works involved are "minor works" and a certificate of completion should be submitted in the specified form with the submission number, record plans, supporting document and record photos within 14 days after the completion of works.

For projects in which only Class III minor works are involved, it is not necessary to notify the Building Authority of the commencement of the projects. However, notice and certificate of completion should be submitted in the specified form with record plans or description of works, supporting document and record photos (before and after the completion of works) within 14 days after the completion of works.

The Building Authority will conduct audit checks upon receipt of the above notices to ascertain compliance with the statutory requirements and ensure the quality and standard of such "minor works". Disciplinary and prosecution actions may be taken against cases of non-compliance.

Occupiers liability

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Air pollution control

The Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odor from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licenses and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site (which is defined to mean a place where construction work is carried out and area in the immediate vicinity of any such place which is used for the storage of materials or plant used or intended to be used for the purpose of the construction work)

shall devise, arrange methods of working and carrying out the works in such a manner so as to minimize dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Noise control

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction work. For construction activities that are to be carried out during the restricted hours and for percussive piling at all times, construction noise permits are required from the Environmental Protection Department in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the Environmental Protection Department through the construction noise permit system. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Environmental Protection Department.

Waste disposal

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) controls the production, storage, collection, treatment, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK$1 million or above will be required to establish a billing account with the Environmental Protection Department to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a license from the Environmental Protection Department.

Competition

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) regulates anti-competitive conduct such as price fixing, market allocation and bid rigging or collusion. The following conducts can be found unlawful:

- unprofitable pricing to gain market share and put pressure on competitors unable to compete;
- tying (one product can only be bought or used if another product is also bought);
- bundling (two or more products offered together at a discount);
- exclusive dealing arrangements or imposition of tougher pricing and terms for certain customers;
- sharing of pricing, information and agreement of practices/pricing through trade associations; and
- joint ventures/tenders by competitors capable of bidding independently.

PRC

Incorporation, operation and management of wholly foreign-owned enterprise

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law (中華人民共和國公司法) (the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the "**Standing Committee of the NPC**") on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013. Pursuant to the PRC Company Law, companies are classified into limited liability companies and limited companies by shares. Foreign-invested companies, both limited liability companies and companies limited by shares, are also regulated by the PRC Company Law, except for where foreign-investment related rules and regulations prevail.

The Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the "**Wholly Foreign-owned Enterprise Law**"), promulgated on April 12, 1986 and amended on October 31, 2000, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) (the "**Implementation Regulations**"), promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014 govern the establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labor issue of a wholly foreign-owned enterprise.

The PRC government directs the investment orientation of all types of enterprises in different industries within the territory of the PRC, manages investment programs, and formulates and implements financial, taxation, credit, land, import, export and other policies by means of formulating the Catalog of Industries for Guiding Foreign Investment, (外商投資產業指導目錄) (the "**FI Catalog**"). The Catalog of Industries for Guiding Foreign Investment (2015 Amendment) (外商投資產業指導目錄 (2015年修訂)) was promulgated by the NDRC together with the MOFCOM on March 10, 2015 and became

effective on April 10, 2015. The FI Catalog divides industries into three categories: encouraged, restricted and prohibited. Unless otherwise stipulated by laws or regulations, a foreign investor may invest in industries that are not classified as prohibited.

According to the FI Catalog (2015 Amendment), foreign investors are permitted to invest, on a wholly-owned basis, in the wholesale, import and export of furniture, lamps, wood, metal products, electronic products, decoration materials, chemical raw materials (excluding dangerous goods), plastic products and related ancillary business.

Tax

Enterprise income tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) (the "**EIT Law**") and the Implementation Rules of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例), effective on January 1, 2008, enterprises are classified as either resident enterprises or non-resident enterprises for tax purpose. Resident enterprises are enterprises which have been formed in the PRC in accordance with domestic law, or which have been formed in accordance with the law of a foreign country but which are actually under the control of institutions in the PRC. A resident enterprise must pay enterprise tax on its worldwide income a rate of 25%.

A non-resident enterprise which has established agencies or offices in China shall pay enterprise income tax on its income earned by such agencies or offices from inside China, and its income which is earned outside China but is actually associated with such agencies or offices. The rate of enterprise income tax is 25%.

A non-resident enterprise which hasn't established agencies or offices in China, or which has established agencies or offices in China but whose income has no association with such agencies or offices shall pay enterprise income tax on its income earned from inside China. The rate of enterprise income tax is 20%.

At present, Crosstec (Shenzhen) is subject to EIT rates of 25%.

Value-added tax

Organizations and individuals, who sell commodities, provide processing, repairing or replacement services, or import commodities within the territory of the PRC are subject to value-added tax (the "**VAT**") in accordance with the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值税暫行條例) (the "**Provisional Regulations on VAT**") and its implementation rules. The Provisional Regulations on VAT was promulgated by the State Council of the PRC (國務院) which became effective on January 1, 1994 and was amended on November 5, 2008. The rate of the VAT is either 17% or 13%, depending on the goods being sold. For taxpayers exporting goods, the tax rate is zero percent except as otherwise stipulated by the State Council.

At present, Crosstec (Shenzhen) is subject to VAT rates of 17%.

Foreign currency exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the "**Foreign Exchange Administration Rules**") which was promulgated by the State Council of the PRC on January 29, 1996, became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Under these regulations, upon payment of the applicable taxes, foreign-invested enterprises may convert the dividends they receive in Renminbi into foreign currencies and remit such amounts outside the PRC through their foreign exchange bank accounts.

In general, the PRC government does not set a limit on the regular exchange international payment and transfer accounts. Foreign-invested enterprises are allowed to convert Renminbi into foreign currencies and remit abroad without the prior approval of the SAFE or its local branches: (i) when settling current account items in foreign currencies (in such case, payments must be made from their foreign exchange accounts and valid receipts and other related documents must be provided); and (ii) when distributing dividends to foreign investors (in such case, payments must be made from their foreign exchange accounts and the written resolutions of the board of directors on divided distribution and other related documents must be provided).

In other cases, including the settlement of foreign exchange under capital accounts (such as direct investment and increases in registered capital), foreign-invested enterprises may not convert Renminbi into foreign currencies or convert foreign currencies into Renminbi without the prior approval or registration of SAFE or its local branches.

Macau

Corporate establishment and operation

The establishment, operation and management of corporate entities in Macau is governed by the Macau Commercial Code, approved by Decree-Law 40/99/M dated August 3, 1999, as amended (the "**Commercial Code**").

According to the Commercial Code, a limited liability company may take the form of a "sole-shareholder limited liability company" *(sociedade por quotas unipessoal)*, on which the shares of the company are fully held by one entity only. The legal provisions concerning limited liability companies apply equally to sole-shareholder limited liability companies with the following restrictions: (i) a sole-shareholder limited liability company cannot be held by another sole-shareholder limited liability company incorporated in Macau; and (ii) all transactions between the company and its sole shareholder must be done in writing, be necessary, useful or convenient to the pursuit of the company's interests and must be audited by a chartered auditor, which shall declare that the interests of the company are duly protected and that the transaction is in accordance with standard market conditions and price.

Fit-out works

The fit-out works regime in Macau is essentially regulated in Decree-Law 79/85/M dated August 21, 1985 (the "**General Construction Works Regulation**").

The General Construction Works Regulation establishes administrative rules governing the process of approval of projects, licensing and supervision of construction works to be carried out in Macau. For the purposes of this regulation, the construction of new buildings, as well as reconstructions, restorations, repairs, modifications or expansions in existing buildings, demolitions of buildings and any further works that determine a change in topography and soil application infrastructures are qualified as "*construction works*". Pursuant to the said regulation, a construction works project designer, director, supervisor or constructor, whether individual or corporate, must register with the Macau Public Works and Transportation Bureau ("**DSSOPT**"), in order to legally carry out works which are qualified as construction works under the General Construction Works Regulation. Moreover, the direction of any construction works carried out in Macau must be done by a technician also duly registered with DSSOPT for the respective sectors of construction works under the Law 1/2015 dated January 5, 2015 (the "**Urban Construction and Planning Qualification Regime**").

Fit-out works qualification

The project licensing regime set out in the General Construction Works Regulation and the registration requirements set out in the Urban Construction and Planning Qualification Regime are applicable to fit-out works which qualify as construction works under the General Construction Works Regulation, and expressly excludes modification works, maintenance and repairs within a residential unit which includes all interior alteration that do not alter the use of the unit, the structure or the area, main door span, exterior walls, window openings in the exterior walls or water supply or drainage network, in which case no design or project approval is legally required.

Fit-out works in a non-residential unit with area no greater than 120 square meters are also not subject to the project licensing regime set out in the General Construction Works Regulation, provided that such modification, maintenance or repair works do not alter the use of the unit or the building structure, or affect normal operation of the fire prevention system, and maintenance and repair work performed on the exterior walls of the facades of non-residential ground-floor units and replacement of fit-out or walls, which do not disturb other fractions of the same building. This includes modifying façade with brickworks, glass, slabs or other materials, opening doors on the wall. In the case of interior area of a unit, it includes general painting, furniture and equipment fitting, removal of existing partition, repair, replacement or change of false ceilings, interior wall finishes, room door, in-unit supply of electrical power, floor finishes, skirting, toilet accommodation, in-unit supply pine system or in-unit discharge pine system, construction of partition walls with brickworks, glass, slabs or other materials. In these cases, a simple prior notice to DSSOPT is satisfactory.

Sub-contractor's registration requirements

Registration requirements

In order to make a prior notice to, or to obtain a construction work license from DSSOPT, it is compulsory to submit a declaration of an individual or a corporate constructor registered with DSSOPT to undertake all liability arising from relevant works and to comply with all architectural technique requirements. If the prior notice or construction work license is made or obtained by the project's sub-contractors or trade contractors duly registered with DSSOPT, or any other entity carrying out and directing the works is works duly registered with DSSOPT, the main contractor or the first trade contractor of the works is not required to be registered with DSSOPT or to make or obtain an independent prior notice or license.

Registration procedure

The procedure for the registration with the DSSOPT, provided for in Article 8 of the General Construction Works Regulation, is routine and administrative in nature and, should all documents and information be provided to DSSOPT's satisfaction, no legal obstacle in completing registration is foreseeable. The abovementioned registration of an individual or corporate project designer, director, supervisor or constructor shall be renewed annually.

Based on the advice of the Macau counsel, our Directors confirm that our Group does not directly carry out any fit-out works on its own as a contractor or as a sub-contractor in Macau, and that all works sub-contracted to third parties do not qualify as construction works under the General Construction Works Regulation. Hence, the Group is not subject to the above registration, licensing or notification requirements. Our Directors further confirm that, in the event that fit-out works require notification to, or licensing from, DSSOPT, the sub-contractors appointed to carry out such works shall be duly registered with DSSOPT and that therefore the operation mode of the Group's business operations in Macau is valid and complies with the laws of Macau.

Foreign exchange, dividend distribution and repatriation of funds

The Macau Pataca is freely convertible and there are no restrictions affecting the remittance or repatriation of funds, namely, the repatriation of dividends. There are no currency control regulations, no currency control restrictions or approval requirements applicable to any outbound foreign currency transfers.

Unless otherwise stated in the respective articles of association, the shareholder of a Macau company is entitled to dividends in the proportion of its relevant shareholdings, as approved on the annual general meeting of the company and upon approval of the annual accounts of the previous financial year.

Distributable dividends are calculated on the basis of the profit of the company for each financial year, determined in accordance with the Macau accounting standards and regulations, which exceeds the aggregate of its share capital and the sums that shall integrate the mandatory and voluntary reserves on that financial year.

A Macau company may pay dividends before or after taxes.

(2) OVERSEAS MARKETS

During the Track Record Period, the fit-out work in relation to the interior solutions segment in Asian countries (excluding Hong Kong) were not carried out by us and no fit-out work was provided overseas (excluding Asian countries). Further, the installation of facade in overseas was conducted by local workers separately engaged by the respective client. For details, please see the section headed "Business — Our Services and Products". As such, we were not subject to any local import tax in relation to the products delivered to our clients overseas or any applicable laws in relation to employment and construction.

In addition, the millwork, furniture and facades were provided according to our clients' specifications and were not sold to any third party consumers. Therefore, our overseas clients were responsible for the registration of customs entries of the products as well as ensuring the products meet the relevant overseas laws and regulations (including import duties, product safety and anti-dumping regulations, etc.). For details about our quality control procedures, please see the section headed "Business — Quality control and warranty — Quality control". Accordingly, our Directors consider that our Group is not exposed to material liabilities as a result of any such overseas laws and regulations.

European Union

Product Compliance Laws

The interaction between domestic and European legislation

There are various European requirements that apply to the import of goods into the EU and which have been transposed into the law of the various member states. There may therefore be minor variations in relation to different member states but generally the following rules will apply to the product categories we are dealing with.

EU Product Safety legislation

All product entering the EU must comply with product law. If they do not they will either be refused entry at the point of import or will have to be recalled from the market with the consequent expense of that procedure. Placing non-compliant product on the market is also a criminal offence. There are two principal European Directives which deal with the compliance of products in the EU: (1) the General Product Safety Directive (2001/95/EC) ("GPSD") which imposes a general obligation on all those who place consumer products on the EU market to ensure that they are "safe", and (2) the Product Liability Directive (85/374/EEC) ("PLD") which sets out the circumstances in which a producer/supplier of a product may be liable for defective products.

The General Product Safety Directive

The GPSD imposes a general requirement that all products which are placed on the market for consumers, or which are likely to be used by consumers, should be "safe". A product is considered "safe" if it (i) conforms to the safety provisions set out in European legislation, (ii) in the absence of such legislation, the specific national regulations of the Member State in which it is being marketed or sold; or (iii) it conforms to one of the European standards established according to the procedures set out in the GPSD.

The GPSD also imposes obligations on producers and distributors consistent with marketing safe products, sets out a framework for assessing safety and requires Member States to give national enforcement authorities the necessary powers to take action to protect customers from unsafe products.

In the absence of any specific piece of legislation dealing with a particular product the GPSD will apply to all consumer products on the EU market.

The New Approach Directives

In addition to the GPSD there are a number of Directives which apply to specific products, or categories of products. For example, there are directives dealing with specific products. These are referred to generically as the "*New Approach*" Directives and, along with the GPSD, aim to ensure the free movement of goods across the EU by, among other things, harmonising the technical standards which apply to those products.

Broadly speaking, the way in the New Approach Directives work is that the legislation will set out the "*essential requirements*" that a product must meet (for example, protect health and safety, minimise any risk from fire or be waterproof under reasonably foreseeable conditions of use) when they are placed on the market. It is then for the person placing the products on the EU market to demonstrate and confirm that they have complied with those essential requirements. One of the ways in which they can do this is to manufacture the product in conformity with one of the technical specifications drawn up by one of several EU wide "standards bodies" to satisfy the essential requirements in the relevant Directive. These technical specifications are referred to as "*harmonised standards*" and once implemented apply equally across Europe to reduce barriers to trade between Member States.

Many European Member States will have their own standards in place covering many products which are regulated by Europe, for example, the UK had standards in place for the manufacture of machinery for many years before an equivalent European wide standard was introduced.

To avoid any overlap or contradiction between European and national standards each harmonised standard is issued with a "*co-existence period*" during which both standards can be used to demonstrate conformity. From the date on which this period expires (which is prescribed in the relevant legislation) any national standards which contradict or overlap with a harmonised standard must be amended or withdrawn and presumptions of conformity can only be based upon the harmonised standard.

Member States therefore have to transpose the European standard via their national standards body/bodies (in the UK this is the British Standards Institute). In practice, what usually happens is that Member States will simply translate the European standard into their national language and attach an explanatory front sheet explaining the development of the particular standard and what has happened to the relevant domestic standards as a result.

Whilst compliance with the various standards is generally voluntary (there are some directives for which they are mandatory), compliance with a harmonised standard provides the manufacturer/importer with a presumption of conformity with the essential requirements, against which they can affix the CE mark to their product if required. The standards are voluntary because, if the person responsible for placing a product on the market does not wish to manufacture their product according to a European

harmonised standard, they do not have to do so. However, they must be able to demonstrate that their product complies with the essential requirements of the relevant Directive and therefore it will need to develop other technical evidence to demonstrate that their product is satisfactory.

In practice, most manufacturers use harmonised standards as the benchmark for compliance, rather than, for example, develop their own.

CE Marking

There is a requirement in the EU for prescribed products to carry the "CE" mark. As a general rule, all New Approach Directives require the products they cover to carry the CE mark. In some circumstances, products covered by the GPSD will also require CE marking.

The CE mark is a mark which the responsible person applies to their product to declare that (i) the product conforms to all applicable EU requirements; and (ii) the appropriate conformity assessment procedures have been completed.

It is the manufacturer of the product who is ultimately responsible for the conformity of a product with the provisions of the relevant directive, although in some circumstances the person placing the product on the market may assume those responsibilities.

If a product is not covered by a specific statutory requirement which requires CE marking then it must not be CE marked. However, even if a CE marking requirement does not apply the manufacturer will still have a general duty to ensure that those products are safe for normal or reasonably foreseeable use under the general product safety legislation.

Placing products on the market

Obligations under EU product safety legislation will depend upon the role that a business plays in the supply chain. The position can be briefly described as follows.

The **manufacturer** will be the person with the primary responsibility for designing and manufacturing a product in accordance with the essential requirements laid down in the relevant Directive and for carrying out the conformity assessment in accordance with the procedures laid down by the relevant directive. For these purposes, the **manufacturer** is the person responsible for designing and manufacturing a product, either within or outside the EU, with a view to placing it on the EU market.

If the manufacturer is based outside of the EU they may appoint an **authorised representative** (who must be established within the EU) to act on their behalf and to whom they can formally delegate administrative tasks to. However, the ultimate responsibility for conformity will still remain with the manufacturer. The actor in the supply chain which is most likely to be relevant to the company is that of the **importer or person responsible for placing the product on the EU market**. This is someone who is established in the EU who is responsible for placing products from a non EU country on the EU market and they will be responsible for providing national authorities with the relevant conformity information about a product where necessary.

In practice, this will mean that the company will be ultimately responsible for ensuring that the products which it places on the market are safe and that they comply with the essential requirements of the relevant legislation and we suspect that the company will be looking to work with its suppliers to ensure that the products it sells are compliant. If the company is not the importer of a product (ie the product is sourced from a supplier within the EU) then it is going to be the responsibility of the manufacturer or first importer of those products to ensure that they are compliant. In this scenario the company will be a **distributor (**someone who sells products after they have first been placed on the EU market) for compliance purposes.

Therefore, a company will have to ensure that it supplies products which comply with the general safety requirements, monitor the safety of products on the market and take steps to, for example, notify the relevant competent authority and to remove a product from the market if the company discovers that it is unsafe.

Market Surveillance

One of the underlying principles of the New Approach directives is the principle of "Market Surveillance", which is an essential enforcement tool which obliges manufacturers and distributors to take steps to check that products meet the requirements of the applicable directives, that action is taken to rectify non-compliant products and that sanctions are applied where necessary. In effect, this requires Member States to carry out "Market Surveillance" in order to monitor products which are on the market in their jurisdiction and to have procedures in place to conduct product withdrawals and recalls where necessary.

The relevant national legislation imposes an obligation on manufacturers and distributors to notify local authorities when they become aware that they have either distributed or placed on the market an unsafe product.

In certain circumstances, regulators can require a manufacturer, distributor or retailer to conduct a withdrawal or recall of products which are deemed not to be safe.

RAPEX

RAPEX is the EU rapid alert system for dangerous consumer products (excluding food, pharmaceuticals and devices which are covered by other alert systems). Where a national competent authority identifies a dangerous product within its jurisdiction it must take all appropriate measures to eliminate the risk posed by that product (issue a warning, withdraw the product or issue a product recall) and must also notify the European Commission about the product, the risk it poses and the steps taken in that jurisdiction to manage that risk.

The European Commission will then disseminate that information to each Member State competent authority so that each country can take the necessary steps to address any unsafe products in their respective markets. As part of this, the Commission publishes a weekly overview of dangerous products and of the measures it has taken to prevent risks and accidents.

The legislation imposes a positive obligation on retailers, suppliers and manufacturers to notify the relevant enforcement authority when a product does not comply with the general safety requirement. This means that suppliers effectively have to monitor their products for potential risks, not least so they have advance warning of potential issue to enable them to take action before the authorities take the step of ordering a product recall.

These obligations pose two important questions for producers: (i) whether to notify; and (ii) when to notify. The answers to these questions will be different in each case and will depend upon the level of information which is available and the risk posed by the product in the market place but it is important that there are systems in place so that staff know when a notification has to be made. The other important obligation is a positive duty on producers to withdraw unsafe products from the distribution chain and/or recall them from customers. Significantly, enforcement authorities may order a recall to be undertaken if, for example, a product poses a "significant risk" and/or they are not satisfied with the steps being taken by the producer or distributor.

For these reasons it is vital for a company to have systems in place to manage the business response to a defective product being identified in the supply chain. This should set out:

- when a notification of a defective product must be made to the regulator;
- when a withdrawal of a product from the supply chain is necessary; and
- when a product recall is necessary.

The sort of facts that will need to be taken into account when determining the steps to be taken in respect of a potentially defective product are: the level of risk posed by that product in the market place; the likelihood of harm being caused by the product; the size of the affected product population; the practicalities of undertaking a withdrawal/recall and whether any other protective measures may be more suitable.

It is also important for a company to have systems in place to collect and analyse information about reports of incidents, complaints, warranty claims and insurance claims involving products sourced and sold and also that it maintains good records to help it trace products and identify customers and end users in the event of a problem. Problems with defective products can often arise quickly and require careful management using a "crisis management team" to oversee the business' response to the problem so that the issue is managed in a manner which minimises both the risk to the consumer and the risk to the reputation and standing of the business.

The European Union Timber Regulation 2013 (EUTR)

The European Union Timber Regulation puts obligations on businesses who trade in timber and timber related products. It applies to timber originating in the domestic (EU) market, as well as from third (non-EU) countries.

Those who trade in timber fall into the following 2 categories: (1) operators, and (2) traders. They each have a set of responsibilities which are detailed under Government Guidance in the relevant country. "Timber and timber products" refers to the timber products set out in the annex to the EUTR.

Due diligence systems are in place to minimise the possibility that products placed on the EU market contain illegally harvested timber. They provide information on the supply of timber products.

The Furniture and Furnishings (Fire Safety) Regulations 1998

The Furniture and Furnishings (Fire Safety) Regulations 1998 ("Fire Safety Regulations") set out the specific fire resistant properties and testing requirements for products such as sofas, beds, and other upholstered furniture.

There are six main elements of the Fire Safety Regulations: (1) filling materials must meet specified ignition requirements; (2) upholstery composites must be cigarette resistant; (3) upholstery covers must be match resistant; (4) a permanent label must be fitted to most items of new furniture; (5) a display label must be fitted to most items of new furniture at the point of sale; and (6) the first supplier of domestic upholstered furniture in the UK must maintain records for a period of five years to demonstrate compliance.

It is illegal to supply products which do not comply with the Fire Safety Regulations, regardless of whether they were manufactured in the UK or not.

Enforcement

Enforcement of the European legislation in this area falls to the relevant Member State, who will clearly also be responsible for enforcing their own domestic product safety/regulation regimes. This can include the imposition of criminal sanctions in the form of fines and imprisonment in more serious cases.

United States

During the Track Record Period, we had no material activities in the United Sates other than our provision of millwork and furniture. Certain federal and state product safety laws and regulations and other laws and regulations are applicable to our products sold to the United States. The laws, rules and regulations with the most significant impact on our operations are described below. However, other federal, state and local laws may also impose certain obligations on us and affect our products sold within the United Sates.

Product Safety Laws

Enacted in 1972, the Consumer Product Safety Act ("CPSA") is the umbrella statute of product safety which sets forth various laws pertaining to products sold in the United Sates. It established and defined the authority of the Consumer Product Safety Commission ("CPSC"). Pursuant to this authority, the CPSC had promulgated a series of regulations under the CPSA. In 2008, the Consumer Product Safety Improvement Act ("CPSIA") was enacted and provided the CPSC with significant new regulatory and enforcement tools.

Section 14 of the CPSA provided that imported consumer products shall bear certificates specifying the compliance with applicable rules and standards under this act. According to Section 17 of the CPSA, the importation of consumer products which fail to comply with relevant safety rules or to be accompanied by a certificate required by the CPSA will be refused to be imported into the United States. The CPSA also provides for civil and criminal penalties with respect to the violation of the act.

Furthermore, the CPSA contains several reporting requirements for manufacturers of consumer products sold in the U.S. First, Section 15(b) of the CPSA requires manufacturers to inform the CPSC within 24 hours of obtaining information that one of their products (1) fails to comply with certain consumer product safety rules, (2) contains certain defects or (3) creates an unreasonable risk of serious injury or death. The CPSC may require the manufacturer to cease distribution of the product and notify persons to whom the product was sold or distributed of such non-compliance, defects or risk. In certain circumstances, the CPSC may require the manufacturer to bring the product into conformity with applicable consumer protection laws or regulations, repair the defect in the product, replace the product with an equivalent product that complies with relevant consumer safety rules, effect a product recall and/or refund the purchase price of the product.

Additionally, Section 37 of the CPSA requires a manufacturer to report to the CPSC any model of a consumer product that is the subject of the filing of at least three civil actions related to death or grievous bodily injury that result in final settlement or a court judgment in favor of the plaintiff within a specified 24-month period.

The CPSC has also adopted flammability standards under the U.S. Flammable Fabrics Act ("FFA") for upholstered furniture such as interior furnishings. In addition, certain states continue to consider open flame regulations for upholstered furniture that may be different or more stringent than any standards adopted by the CPSC under the FFA. It is possible that if the relevant states to which we sell our products adopt and enforce more stringent standards, it could increase our manufacturing, sales and compliance costs.

Federal and state laws regulate the use of certain materials in furniture and other goods. The CPSA and similar state laws bar the sale of furniture intended for use by children if it is coated in paint with lead content exceeding a specified amount. The sale of products containing polybrominated diphenyl ethers, used as a flame retardant in foam furnishings, has been restricted by various states, including California. The sale of goods containing formaldehyde in composite wood material has also been restricted under the Federal Formaldehyde Standards for Composite Wood Products Act and similar rules promulgated by California's Air Resources Board. The use of "previously used filling" in furniture requires labels identifying the use of such filing under the Textile Fiber Products Identification Act, and the laws of the majority of states require that furniture with filling provide labels describing the filling materials as a percentage of those filling materials by weight. It is anticipated that laws and regulations regarding the sale of products containing certain materials will change over time and that additional materials and chemicals may be restricted as safety concerns become apparent.

Product Liability Laws

In terms of product liability, it is not governed by federal law but state law in the United Sates, most of which is based on common law. Although differences do exist, the vast majority of states have adopted similar laws that share common principles as discussed below. Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect

in that product. There are three types of product defects, namely, design defects, manufacturing defects and defects in marketing. Product liability claims may be based on negligence, strict liability or breach of warranty. In a negligence claim, the defendant could be held liable for a personal injury or property damage caused by a failure to use due care. Strict liability claims, however, do not depend on the degree of carefulness by the defendant. A defendant is liable when it is shown that an injury (personal or to property) occurred as the result of a product's defect. Breach of warranty is also a form of strict liability in the sense that a showing of fault is not required. The plaintiff need only establish the warranty was breached, regardless of how that came about.

Import Regulations

Our shipments of products to the United States are subject to custom inspection and compliance. All of our imported millworks and furniture must be classified in the Harmonized Tariff Schedule of the United States and valued in accordance with applicable laws. The goods must also bear markings of the country-of-origin which identify where the product is made.

The Bureau of Customs and Border Protection ("CBP"), which is part of the US Department of Homeland Security, is responsible for enforcing all laws and regulations on the importation of carriers and commodities. An importer of goods and commodities to the US is responsible to exercise reasonable care to confirm that all information declared to the CBP is complete and accurate. Depending on the specific millwork and furniture imported to the US, the regulations of other government agencies may also be relevant. For example, the US Department of Agriculture's Animal and Plant Health Inspect Services ("APHIS") requires an importer of timber product to obtain an import permit and comply with certain specific regulations before timber products can be imported to the United States. The APHIS also requires wood and wood products (including wooden furniture) to undergo phytosanitary procedures prior to importation in order to eliminate the risk of introducing non-native pests and diseases to the United States.

Competition and Antitrust Laws

The US antitrust laws are developed in response to unfair business practices and anticompetitive conduct by companies, corporate monopolies and trusts. At the heart of US antitrust laws is the Sherman Antitrust Act ("Sherman Act"), which prohibits agreements that unreasonably restrain trade and the unilateral abuse of monopoly power. Conduct such as price-fixing, bid-rigging, limitation of output, allocation of territories or customers and exclusionary conduct to achieve monopoly are prohibited under the Sherman Act. Violation of the Sherman Act and other anti-trust laws and regulations would lead to criminal and/or civil sanctions.

The US antitrust laws apply to businesses and individuals alike. Certain laws and regulations also have an extraterritorial reach. Pursuant to the Foreign Trade Antitrust Improvement Act of 1982, the Sherman Act would apply to conduct that occur outside of the US if such conduct (1) has a direct, substantial and reasonably foreseeable effect on US commerce, including US import or export commerce; and (2) give rise to a claim under the Sherman Act. Our trade and commerce with our US clients are therefore subject to the US antitrust laws.

Foreign Exchange

The U.S. dollars is freely convertible and there are no restrictions affecting the remittance of funds. There are no currency control regulations, currency control restrictions or approval requirements applicable to outbound foreign currency transfer.