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REGULATIONS

Set forth below are summaries of certain PRC laws and regulations applicable to our Group’s operations and business.

FOREIGN INVESTMENT INDUSTRIAL GUIDANCE

According to the Catalogue for the Guidance of Foreign Investment Industries brought into effect on 1 January 2005 and a newly updated one which was promulgated on 31 October 2007 and came into force on 1 December 2007, the area of production of menswear belongs to the Catalogue of Permitted Foreign Investment Industries, which means that foreign investors may invest in this area.

PRODUCT QUALITY

The principal legal provisions governing product liability are set out in the Product Quality Law, which was promulgated on 22 February 1993 and amended on 8 July 2000.

Pursuant to the Product Quality Law, a seller shall have the obligation:

- to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other labels of such stock;
- to take measures in keeping products for sale in good quality;
- not to sell defective or deteriorated products or products which have been publicly ordered to cease sales;
- to sell products with labels that comply with the relevant provisions;
- not to forge the origin of a product, or falsely use the name and address of another producer;
- not to forge or falsely use product quality marks such as authentication marks; and
- 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.

Pursuant to the Product Quality Law, a producer shall:

- be responsible for the quality of products it produces;
- not produce products that have been publicly ordered to cease production;
- not forge the origin of a product, or to forge or falsely use the name and address of another producer;
- not forge or falsely use product quality marks such as authentication marks of another producer;

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- not 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;
- ensure that the marks on the products or the packaging of the products are true; and
- ensure that, for products that are easily broken, inflammable, explosive, toxic, erosive or radioactive and products that cannot be handled upside down in the process of storage or transportation or for which there are other special requirements, the packaging thereof must meet the corresponding requirements, carry warning marks or warnings written in Chinese or draw attention to the method of handling in accordance with the relevant provisions of the state.

Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer will be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

According to the Product Quality Law, consumers or other victims who suffer injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa.

CONSUMER PROTECTION

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law, which was promulgated on 31 October 1993 and came into effect on 1 January 1994. The Consumer Protection Law sets out standards of behaviour which business operators must observe in their dealings with consumers, including the following:

- goods and services provided to consumers must comply with the Product Quality Law and other relevant laws and regulations, including requirements regarding personal safety and protection of property;
- providing consumers with true information and advertising concerning goods and services, as well as providing true and clear answers to questions raised by consumers concerning the quality and use of goods or services provided by them;
- issuing purchase or service vouchers to consumers in accordance with relevant national regulations or business practices or upon the request of a consumer;
- ensuring the quality, functionality, applications and duration of use of the goods or services under normal use and ensuring that the actual quality of the goods or services are consistent with that displayed in advertising materials, product descriptions or samples;

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- properly performing its responsibilities for guaranteed repair, replacement and return or other liability in accordance with national regulations or any agreement with the consumer; and
- not setting unreasonable or unfair terms for consumers or excluding themselves from civil liability for undermining the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices, etc.

Violations of the above Consumer Protection Law may result in the imposition of fines. In addition, the business operator will be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

According to the Consumer Protection Law, a consumer whose legal rights and interests are prejudiced during the purchase or use of goods may demand compensation from the seller. Where the responsibility lies with the manufacturer or another seller that provides the goods to the seller, the seller shall, after settling compensation, have the right to recover such compensation from that manufacturer or that other seller. Consumers or other injured parties who suffer injury or property losses due to product defects in commodities may demand compensation from the manufacturer as well as the seller. Where the responsibility lies with the manufacturer, the seller shall, after settling compensation, have the right to recover such compensation from the manufacturer, and vice versa.

TRADEMARK LAW

The PRC Trademark Law which was promulgated on 23 August 1982, amended on 22 February 1993 and on 27 October 2001, seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers and of producers and operators.

Under this law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a licence from the registrant of that trademark;
- selling the commodities that infringe upon the right to exclusive use of a registered trademark;
- 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;
- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and

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- causing other damage to the right to exclusive use of a registered trademark of another person.

In the event of any above mentioned acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately, and give the infringed party compensation.

ENVIRONMENTAL LAWS

According to the Environmental Protection Law of the PRC effective as of 26 December 1989, the units that cause environmental pollution and other public hazards shall incorporate the work of environmental protection into their plans and establish a responsibility system for environmental protection. These units shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, 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 or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of the environmental protection administration that examined and approved the environmental impact statement.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Noise effective as of 1 March 1997, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Industrial enterprises that discharge noise during industrial production with fixed facilities shall report to the local environmental protection department categories and quantities of their existing facilities for discharging noise, and the noise volume of noise discharged under their normal operation conditions as well as treating facilities against noise, and also submit to the same department technical information concerning prevention and control of noise pollution. Units discharge noise exceeding the relevant standards shall pay the discharge fee subject to the regulations.

According to the Law of the PRC on Prevention and Control of Atmospheric Pollution effective as of 1 September 2000, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Units that discharge atmospheric pollutants shall report to the local administrative department of environmental protection their existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions and submit to the same department their technical information concerning prevention and control of atmospheric pollution. The PRC implements a system of collecting fees for discharging pollutants on the basis of the categories and quantities of the atmospheric pollutants

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discharged, and establishing reasonable standards for collecting the fees therefore according to the needs of strengthening prevention and control of atmospheric pollution and the State's economic and technological conditions.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste amended and effective as of 1 April 2005, producers, distributors, importers and users of a product shall be responsible for the prevention and control of the solid wastes it generates or discharges.

According to the Law of the PRC on Prevention and Control of Water Pollution which was amended on 26 January 2008 and became effective on 1 June 2008, new construction project, expansion, reconstruction project and other installations on water that directly or indirectly discharges pollutants into the water body shall be subject to the state regulations on environmental protection of construction projects. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall report to and register with the local environmental protection department their existing facilities for discharging and treating pollutants, and the categories, quantities and concentrations of pollutants discharged under their normal operation conditions, and also submit to the same department technical information concerning prevention and control of water pollution. Enterprises and institutions that directly discharge pollutants into a water body shall pay a pollutant discharge fee according to the category and quantity of the pollutions and the collection standard of the pollutant discharge fee.

LABOUR CONTRACT LAW

According to the Labour Contract Law of the PRC effective as of 1 January 2008, labour contracts shall be entered into if labour relationships are to be established between the units and the labourers. The unit cannot require the labourers to work in excess of the time limit and shall provide the wages which are no lower than local standards on minimum wages to the labourers in time. The unit shall establish and perfect its system for labour safety and sanitation, strictly abide by rules and standards on labour safety and sanitation, educate labourers in labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall meet such standards. The unit shall provide labourers with labour safety and sanitation conditions meeting State stipulations and necessary articles of labour protection.

PRODUCTION SAFETY LAW

According to the PRC Production Safety Law effective as of 1 November 2002, the production facilities shall be equipped with the conditions 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 conditions for safe production may not engage in production and business operation activities. The unit shall offer education and training programs to the employees thereof regarding production safety. The designing, manufacturing, installation, using, checking, maintenance, reforming and claiming as useless of safety equipments shall be in conformity with the national standards or industrial standards. In addition, the unit shall provide labour protection articles that meet the national standards or industrial standards to the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules.

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SOCIAL INSURANCE REGULATIONS

According to Interim Measures concerning the Maternity Insurance effective as of 1 January 1995, the employers in the PRC shall pay the maternity insurance fees for their employees.

According to Interim Regulations concerning the Levy of Social Insurance effective as of 22 January 1999 and Interim Measures concerning the Management of the Registration of Social Insurance effective as of 19 March 1999, employers in the PRC shall conduct the registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance and unemployment insurance for their employees.

According to the Regulations on Occupational Injury Insurance effective as of 1 January 2004, employers in the PRC shall pay the occupational injury insurance fees for their employees.