IN RELATION TO OUR OPERATIONS IN THE PRC

ESTABLISHMENT, OPERATION AND MANAGEMENT OF A WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of corporate entities in China is governed by the Company Law of the PRC (中華人民共和國公司法) (the "**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) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005. The Company Law generally governs two types of companies – limited liability companies and joint stock limited companies. The Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, verification and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are governed by 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**"), which was promulgated on 12 April 1986 and amended on 31 October 2000, and Implementation Regulation under the Wholly Foreign-owned Enterprise Law, which was promulgated on 12 December 1990 and amended on 12 April 2001.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the "**Catalogue**"), which was amended and promulgated by the Ministry of Commerce (商務部) and the National Development and Reform Commission (國家發展和改革委員會) on 31 October 2007. The Catalogue, as amended, became effective on 1 December 2007 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry not listed in the Catalogue is a permitted industry.

PRC REGULATIONS ON FOREIGN INVESTORS INVESTING IN COMMERCIAL SECTORS

Pursuant to the Provisions for Management of Foreign-invested Business Domains (外商投資商業領域管理辦法) which was issued by the Ministry of Commerce on 16 April 2004 and took effect on 1 June 2004, wholesale means the sales of products and related services to retailers and industrial, commercial and institutional customers or other wholesalers; retail means the sales of goods for individual or group consumption or related services at fixed location or through television, telephone, post, the internet and auto vending machines. Pursuant to the above provisions, foreign investors who wish to engage in wholesale and retail operating activities in the PRC could establish foreign-invested commercial enterprises.

Pursuant to the Notice of the Ministry of Commerce on Matters Relating to Additions to Distribution Business Scope of Foreign Invested Non-commercial Enterprises (關於外商投資非商業企業增加分銷經營範圍有關問題的通知) which was issued by the Ministry of Commerce on 2 April 2005 and took effect on the same day, foreign-invested non-commercial enterprises who wish to engage in wholesale and retail operating activities should apply for the additions to distribution business scope, report to the authority according to the related legal procedures of the extended business scope of the enterprise and apply for approval certificate for foreign-invested enterprises. The foreign-invested non-commercial enterprises should clearly detail their distribution methods (wholesale, retail and commission agent) for the additions to distribution business scope and submit their list of products upon application.

TAXATION

Income tax

Prior to 1 January 2008, income tax payable by foreign-invested enterprises in the PRC was governed by the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得税法) (the "**FIE Tax Law**") which was promulgated on 9 April 1991 and became effective on 1 July 1991 and the related implementation rules. Pursuant to the FIE Tax Law, a foreign-invested enterprise was subject to a national income tax at the rate of 30% and a local income tax at the rate of 3% unless a lower rate was provided by law or administrative regulations. The income tax on foreign-invested enterprises established in Special Economic Zones, foreign enterprises which have establishments or places in Special Economic Zones engaged in production or business operations, and on foreign-invested enterprises of a production nature in Economic and Technological Development Zones, was levied at the reduced rate of 15%. The income tax on foreign-invested enterprises of a production nature established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located, was levied at the reduced rate of 24%. Any foreign-invested enterprise of a production nature scheduled to operate for a period of not less than ten years was exempt from income tax for two years commencing from the first profit-making year (after offsetting all tax losses carried forward from previous years) and allowed a fifty percent reduction in the following three consecutive years.

According to the newly promulgated Corporate Income Tax Law of the PRC (中華人民共和國企業所得税法) (the "**New Tax Law**"), which was promulgated on 16 March 2007, the income tax for both domestic and foreign-invested enterprises will be at the same rate of 25% effective from 1 January 2008. However, there will be a transition period for enterprises that previously receive preferential tax treatments under the FIE Tax Law. Foreign-invested enterprises that are subject to an enterprise income rate lower than 25% may continue to enjoy the lower rate and gradually transit to the new tax rate after the effective date of the New Tax Law. Foreign-invested enterprises that enjoy a tax rate of 24% will have their tax rate increased to 25% in 2008. Foreign-invested enterprises which enjoy a fixed period of exemptions or reductions under the existing applicable rules and regulations may continue to enjoy such treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to lack of profit, such preferential tax treatment will commence from the effective date of the New Tax Law.

Withholding tax on dividend distribution

Before the promulgation of the New Tax Law, the principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include the FIE Tax Law, together with its implementation rules.

Under these regulations, wholly foreign-owned enterprises in China may only pay dividends from accumulated after-tax profit, if any, determined in accordance with PRC accounting standards and regulations. Dividends paid to its foreign investors are exempt from withholding tax. However, this provision has been revoked by the New Tax Law. The New Tax Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. However, the Implementation Rules reduced the rate from 20% to 10%, effective from 1 January 2008.

According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) which became effective on 1 January 2007, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5%, if the Hong Kong enterprise owns at least 25% of the PRC enterprise. According to the Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家税務總局關於執行税收協定股息條款有關問題的通知) promulgated on 20 February 2009, the corporate recipients of dividends distributed by Chinese enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

Value added tax

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax ("中華人民共和國增值税暫行條例") (the "**VAT Regulations**") promulgated by the State Council which was subsequently amended and took effect on 1 January 2009 and its implementation rules, all entities or individuals in the PRC engaged in the sale of goods, the supply of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax ("**VAT**"). VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is 17% or in certain limited circumstances, 13%, depending on the product type.

Business tax

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax ("中華人民共和國營業税暫行條例") promulgated by the State Council which was subsequently amended and took effect on 1 January 2009 and its Implementation Rules, businesses that provide services including entertainment business, assign intangible assets or sell immovable property became liable to business tax at a rate ranging from 3% to 20% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "**Environmental Protection Law**"), promulgated and became effective on 26 December 1989:

- any entity that discharges pollutants must establish environmental protection rules and adopt effective measures to control or properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation and other hazards it produces;

- any entity that discharges pollutants must report to and register with the relevant environmental protection authorities; and

- any entity that discharges pollutants in excess of the prescribed national or local standards must pay a fee for it.

Violation of the Environmental Protection Law may result in fines, suspension of operation, closedown or even criminal liabilities.

FOREIGN CURRENCY EXCHANGE

The principal regulations governing foreign currency exchange in China 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 on 29 January 1996, became effective on 1 April 1996 and was subsequently amended on 14 January 1997 and 1 August 2008. Under these rules, RMB is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of SAFE is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain supporting documents (such as board resolutions, tax certificates), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain their recurrent exchange earnings according to their needs of operation and the sums retained may be deposited into foreign exchange bank accounts maintained with the designated banks in the PRC. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary).

PRODUCT QUALITY

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中華人民共和國產品質量法) (the "**Product Quality Law**"), which was promulgated on 22 February 1993 and amended on 8 July 2000.

The Product Quality Law is applicable to the production and sale of any product within the PRC, and producers and sellers shall be liable for any failure of their products to meet quality standards in accordance with the Product Quality Law.

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.

IN RELATION TO OUR OPERATIONS IN INDONESIA

ESTABLISHMENT, OPERATION AND MANAGEMENT OF ENTERPRISE

The establishment, operation and management of corporate entities in Indonesia is governed by the Law No. 40 Year 2007 regarding Limited Liability Company (the "**Indonesian Company Law**"), which was promulgated on 16 August 2007 and took effect on the same day. The Indonesian Company Law requires establishment of limited liability company must be conducted by at least two parties.

In addition, there is also obligation of registration subjected to Indonesian entity as provided under the Law No. 3 Year 1982 regarding Mandatory Company Registry (the "**Indonesian Company Registration Law**"), which was promulgated on 1 February 1982 and took effect on the same day. The Indonesian Company Registration Law obliges any Indonesian entity to conduct registration in our Company registration office under the Department of Trade upon any change made to its articles of association.

FOREIGN OWNERSHIP

The ownership of limited liability company in Indonesia is subject to the Law No. 25 Year 2007 regarding Capital Investment (the "**Indonesian Investment Law**"), which was promulgated on 26 April 2007 and took effect on the same day. The Indonesian Investment Law provides direct investment in Indonesia by establishing foreign invested company. Moreover, foreign investor who wishes to engage in direct investment in Indonesia shall be by means of capital participation in a limited liability company. Moreover, the Indonesian Investment Law provides that save for which are listed as the closed and open with condition, all business fields shall be open for foreign investment in 100% ownership.

Reference for the list of business field is currently provided under the Presidential Rule No. 36 Year 2010 regarding List of Business Fields which are Closed and Open with Requirements for Investment (the "**Negative List of Investment**"), which was promulgated by the President of Republic of Indonesia on 25 May 2010 and took effect on the same day. Garment manufacturers are not listed on the Negative List of Investment which consequently entitles foreign investor to hold 100% ownership in respective business.

TAXATION

The provision on tax is governed under the Law No. 7 Year 1983 regarding Income Tax, which was promulgated on 31 December 1983 and became effective on 1 December 1984. It has been amended subsequently on 30 December 1991, 9 November 1994, 2 August 2000 and 23 September 2008. The last amendment is made by the Law No. 36 Year 2008 and became effective on 1 January 2009.

In general, the Indonesian Tax Law provides that an individual is considered to be a non-resident of Indonesia if the individual does not reside in Indonesia or does not stay in Indonesia for more than 183 days within a twelve-month period. A company will be considered as a non-resident of Indonesia if our Company is not established or domiciled in Indonesia. In determining the residency and tax status of an individual or corporation, consideration will also be given to the provision of any applicable double tax treaty which Indonesia has concluded with other countries. In this section, both a non-resident individual and a non-resident company will be referred to as "non-resident taxpayers".

Subject to the provisions of any applicable agreement for the avoidance of double taxation, non-resident taxpayers, namely individuals or corporations not domiciled or established in Indonesia, which derive income sourced in Indonesia from, among other things, the sale or transfer of assets situated in Indonesia, interest (including any payment in the nature of interest), royalty and dividends, are subject to a final withholding tax on that income at the rate of 20.0%, as long as the income is not effectively connected with a permanent establishment of such individuals or corporations in Indonesia. If the income is effectively connected with a permanent establishment in Indonesia, the income is subject to branch profit tax of 20.0% imposed on the net profit after being deducted with income tax applicable for permanent establishment (the income tax rate 25.0% starting from 2010 onwards). With regard to asset sales or transfer, income tax is imposed on the estimated net income.

VAT

Withholding of VAT is mainly governed under the Law No. 8 Year 1984 regarding VAT and Sales Tax on Luxury Goods (the "**Indonesian VAT Law**"), which was promulgated on 31 December 1983 and became effective on 1 July 1984. It has been amended subsequently on 27 October 1984, 9 November 1994, 2 August 2000, and 15 October 2009. The Indonesian VAT Law subjects all entities in Indonesia to pay 10% upon any engagement in delivery, utilisation and exportation of goods and services in Indonesia.

ENVIRONMENTAL PROTECTION

According to the Law No. 32 Year 2009 regarding Environmental Protection and Management (the "**Indonesian Environmental Law**"), promulgated and became effective on 3 October 2009:

- Any entity may discharge waste to environment media, provided that it:
  - Meets the environmental standard quality; and
  - Obtains approval from the authority.
- Any entity that pollutes and/or damages the environment must conduct management by means of:
  - Providing the society with information on pollution and/or damage;
  - Isolation of environmental pollution and/or damage;
  - Termination of source to environmental pollution and/or damage;
  - Other applicable methods.
- Any entity that pollutes and/or damages the environment must conduct environment recovery.
- Any entity that produces, transports, distributes, stores, uses, discharges, produces, and/or stacks the hazardous and toxic materials must conduct management of hazardous and toxic materials.
- Any entity is prohibited to conduct dumping of waste and/or other materials to environment media without any permission from the authority.
- Any entity that undertakes any business and/or activity is obligated to:
  - Provide relevant information on environment protection and management in true, accurate, open and due;
  - Maintain the environmental sustainability; and
  - Comply with environment standard quality and/or environment standard criteria.

- Any entity is prohibited to:
  - Conduct any action that may cause environmental pollution and/or damage;
  - Put in the hazardous and toxic materials which is prohibited under the prevailing laws and regulations (i.e., DDT, PCBs, and *dieldrin*);
  - Put in the waste which originated from overseas to the territory of Indonesian;
  - Put in the hazardous and toxic materials to the territory of Indonesia;
  - Discharge waste to environmental media;
  - Discharge the hazardous and toxic materials and its waste to environmental media;
  - Discharge genetic work into the environment which against the law regulations or environmental license;
  - Undertake land clearing with fire;
  - Arrange environmental impact assessment without any required certification; and
  - Provide false and misleading information, dismiss information, sabotage the information, or provide untruth explanation.

Violation of the Indonesian Environmental Law may result in suspension of operation, liability on damage recovery or even criminal liabilities in a form of fine or imprisonment.

FOREIGN CURRENCY EXCHANGE

According to the Law No. 24 Year 1999 regarding Foreign Exchange Trading and System, promulgated and became effective on 17 May 1999 (the "**Indonesian Foreign Exchange Law**"), any entity that conducts foreign currency exchange trading shall report to Bank Indonesia ("**BI**").

More specifically, the report obligation is provided under the BI Regulation No. 4/2/PBI/2002 regarding Supervisory on Foreign Exchange Trading (the "**BI Regulation No. 4/2002**"), which was promulgated 28 March 2002 and became effective on 1 June 2002. It has been amended by the BI Regulation No. 5/1/PBI/2003, which was promulgated and became effective on 31 January 2003. Under the BI Regulation No. 4/2002, any entity that conducts foreign exchange trading shall be subject to submit report consisting details and data regarding foreign exchange trading it conducts to BI in complete, accurate and due.

The report obligation is only subject to transaction which is not carried out through bank or non-bank finance institution in Indonesia. There shall be no different treatment on report obligation whether the entity is foreign-invested enterprise or local. The obligation shall be subject to any entity which owns the total asset or sales turnover in amount of or equal to IDR 100,000,000,000 (approximately USD11,178,068 based on the exchange rate of 1 USD to IDR 8,946.09). The entity is obligated to submit report on the transaction that affects asset and obligation towards any party outside Indonesia. They are also obliged to submit current position of its asset and/or obligation on the end of its reporting period.

Failing to comply with report obligation may result in fine, suspension of operation or even criminal liabilities.

IN RELATION TO OUR OPERATIONS IN OTHER PLACES

During the Track Record Period, our revenue was mainly generated from our customers in the U.S., Canada, the U.K., Mexico, Japan and the PRC and more than half of our total revenue for each year during the Track Record Period was generated from our customers in the U.S.. The products sourced by us for our customers are subject to anti-dumping actions, however, during the Track Record Period, none of the products sourced by our Group had been subject to any anti-dumping investigations nor measures. So far as our Directors are aware, there were about 35 anti-dumping investigations on textiles and clothing products (of which category the products we source for our customers, being apparel products, belong) in 2008 and none of them related to apparel products. As far as our Directors understand, anti-dumping measures could be applied by a member country of the World Trade Organisation when imports of a product is said to be at an export price below its normal value (measured against the price of the product in the domestic market of the exporting country) and if such "dumped import" causes injury to a domestic industry in the importing country. Our Directors believe that the export price of the products sourced by us for our customers are at market price of such products in their country of manufacture, therefore, the risk of such products being categorised as "dumped import" should not be high. Besides, our Directors also believe that the garment manufacturing industry in the U.S. and the E.U. is not as flourishing as in the past, it is also less likely that the importing garment products could be viewed as causing injury to their domestic industry. Accordingly, our Directors are of the view that the chance of the products sourced by us for our customers are subject to anti-dumping investigations or measures is very low.