This section sets out a summary of certain aspects of the PRC laws and regulations, that are relevant to our operation and business.

PRC REGULATION ON PRODUCT LIABILITIES AND QUALITY CONTROL

1. The Law of the PRC on Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法)

Pursuant to the Law of the PRC on Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法) promulgated by the Standing Committee of the National People's Congress (全國人民代表大會) on 31 October 1993 and came into effect on 1 January 1994, both manufacturers and distributors will be held jointly liable for losses and damage suffered by consumers caused by the defective products they manufacture and distribute.

The Law of the PRC on Protection of Consumer Rights and Interests sets out standards of behaviour which business operators must observe in their dealings with consumers, including the following:

- Goods and services provided by the business operators to consumers must comply with the Law of the PRC on Products Quality and other relevant laws and regulations, including requirements regarding personal safety and protection of property;

- Business operators shall provide consumers with authentic information concerning their commodities or services, and may not make any false and misleading propaganda. Business operators shall give truthful and definite replies to inquiries from consumers about the qualities of the commodities or services they supply and the operation methods thereof. Business operators shall mark in their stores clearly the prices of the commodities they supply;

- Business operators who supply commodities or services shall make out for consumers invoices for purchases or documents of services in accordance with relevant regulations of the State or commercial practices; business operators must produce such invoices or documents in case consumers so demand;

- Business operators who are under the obligation of repair or caveat venditor, or other responsibilities in accordance with regulations of the State or agreements with consumers shall carry out such obligations correspondingly according to such regulations or agreements, and may not delay deliberately or refuse unreasonably to do so;

- Business operators shall indicate their real names and marks, and business operators who lease counters or grounds from others shall indicate their own real names and marks; and

- Business operators may not, through format contracts, notices, announcements, entrance hall bulletins and so on, impose unfair or unreasonable rules on consumers or reduce or escape their civil liability for their infringement of the legitimate rights and interests of consumers. Format contracts, notices, announcements, entrance hall bulletins and so on with contents mentioned in the preceding paragraph shall be invalid.

Violations of the above articles 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 Law of the PRC on Protection of Consumer Rights and Interests, Consumers whose legitimate rights and interests are infringed upon in their purchasing or using commodities may demand compensation from the sellers concerned. In case the liability is on the manufacturers or other sellers who supply the commodities to the said sellers, the said sellers shall, after paying the compensations, have the right to recover the compensations from the manufacturers or the other sellers. Consumers or other victims suffering personal injuries or property damage resulting from defects of commodities may demand compensations either from the sellers or from the manufacturers. If the liability is on the manufacturers, the sellers shall, after paying the compensations, have the right to recover the compensations from the manufacturers; if the liability is on the sellers, the manufacturers shall, after paying the compensations, have the right to recover the compensations from the sellers. Consumers whose legitimate rights and interests are infringed upon in receiving services may demand compensations from suppliers of the services.

2. Product Quality Law of the People's Republic of China (中華人民共和國產品質量法)

According to Product Quality Law of the People's Republic of China (中華人民共和國產品質量法) promulgated by the Standing Committee of the National People's Congress on 22 February 1993 and amended on 8 July 2000, consumers who sustain losses or damages from defective products are entitled to be indemnified by either manufacturers or distributors. Nevertheless, if manufacturers are responsible for the defective products and the losses or damage caused thereby, the distributors which have indemnified consumers for their losses may seek claims on the indemnities against the manufacturers.

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

- Sellers shall adopt measures to maintain the quality of products for sale;

- Sellers may not sell any product that has been put into disuse by order of the state and therefore the sale of which has been prohibited or those that have lost effect or have deteriorated;

- Sellers are not allowed to fake the place of origin or fake or use the names and addresses of other producers;

- Sellers are not allowed to fake or use quality marks such as certification marks and fine quality marks;

- Sellers are not allowed to adulterate the products for sale or pose fake ones as genuine or shoddy ones as good or sub-standard ones as standard; and

- Sellers shall ensure that the marks on the products or the packaging of the products are true.

Pursuant to the Product Quality Law, a producer shall have the following obligations:

- Products shall be free from any irrational dangers threatening the safety of people and property. If there are State standards or trade standards for ensuring the health of the human body and safety of lives and property, the products shall conform to such standards. Products shall have the property they are due to have, except cases in which there are explanations about the defects of the property of the products. Products shall tally with the standards prescribed or specified on the packages and with the quality specified in the instructions for use or shown in the providing samples;

- The marks on the products or the package of products shall be true to the fact and satisfy the relevant requirements;

- For products which 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 package thereof shall meet the corresponding requirements, carry warning marks or warnings written in Chinese or points of attention in handling in accordance with the relevant provisions of the state;

- Producers are forbidden to produce products eliminated according to State laws or decrees;

- Producers are not allowed to fake the place of origin or fake or use the names and addresses of other producers;

- Producers are not allowed to fake or use the quality marks such as certification marks and fine quality product marks; and

- Producers shall not adulterate their products or pose fake products as genuine or shoddy products as good or non-standard products as standard.

Violation 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, producers shall be responsible for compensating for damages done to the person or property except the defective products themselves (hereinafter referred to as "property of others") due to the defects of products. Producers shall not be held responsible if they can prove one of the following cases: (a) The products have not been put into circulation; (b) The defects are non-existent when the products are put into circulation; (c) The defects cannot be found at the time of circulation due to scientific and technological reasons.

PRC ENVIRONMENTAL PROTECTION LAWS

The main PRC environmental protection laws and regulations include: the Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Water Pollution, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Pollution From Environmental Noise and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge.

Pursuant to The Environmental Protection Law of the PRC (the "Environmental Protection Law") (中華人民共和國環境保護法) effective as at 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council ("ASDEP") shall establish national standards for environmental quality control. The governments of provinces, autonomous regions and municipalities directly under the Central Government may establish their own local standards for environmental quality control for the items not specified in the national standards and shall report them to the ASDEP for its record.

The Environmental Protection Law requires all enterprises and institutions that cause environmental pollution and other public hazards to incorporate and implement environmental protection policies into their plans and establish a responsibility system for environmental protection. These enterprises and institutions shall adopt effective measures to prevent and control the pollution and damage to the environment from 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 in a construction project shall be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned, until its installations for the prevention and control of pollution are examined and assessed to be up to the standard by the competent department of environmental protection administration which examines and approves the environmental impact statement.

New construction projects, expansion, reconstruction projects and other installations which directly or indirectly discharge pollutants into the water body shall be subject to the state regulations on environmental protection of construction projects according to the Law of the PRC on Prevention and Control of Water Pollution (中華人民共

和國水污染防治法) amended on 28 February 2008 and came into effect on 1 June 2008 and the Implementation Rules of the Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法實施細則) effective as at 20 March 2000. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall report to and register with the local environmental protection department at or above the county level their existing facilities for discharging and treating water pollutants, and the categories, quantities and concentrations of water pollutants discharged under their normal operation conditions, and also submit technical information concerning prevention and control of water pollution to such department.

Enterprises and institutions that discharge pollutants directly into a water body shall pay a pollutant discharge fee counted on the basis of categories, quantities and collection standards of the water pollutants discharged.

New construction projects, expansion, or reconstruction projects that discharge pollutants into the air shall be subject to state regulations on environmental protection of construction projects under the Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) amended on 29 April 2000 and effective as at 1 September 2000. Enterprises and institutions that discharge atmospheric pollutants shall report their existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions to the local concerning prevention and control of atmospheric pollution to such department.

The PRC government implements a system of collecting fees for discharging pollutants on the basis of the categories and quantities of the atmospheric pollutants discharged, and establishes reasonable standards for collecting the fees hereinbefore 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 Noise (中華人民共和國環境噪聲污染防治法) effective as at 1 March 1997, new construction projects, expansion, or reconstruction projects shall be subject to the state regulations on environmental protection of construction projects. If noise pollutions are generated due to the use of fixed facilities during industrial production, the industrial enterprise shall report to the competent local administrative department of environmental protection at or above the county level about the categories and quantities of noise discharging facilities, the noise volume of noise discharged under normal operation conditions and the conditions of the facilities that prevent and control noise pollution. Meanwhile, the enterprise shall submit to the same department their technical information concerning prevention and control of noise pollution. Industrial enterprises which discharge noise shall take treatment measures and pay a fee for excess discharge according to State regulations.

As at 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 under the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) amended on 29 December 2004 and effective as at 1 April 2005.

PRC LABOR LAWS

Effective as at 1 January 2008, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers under the Labor Contract Law of the PRC (the "Labor Contract Law") (中華人民共和國勞動合同法). Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, the labor wages shall not be lower than local standards on minimum wages and shall be paid to the laborers timely.

According to the Labor Law of the PRC (中華人民共和國勞動法) promulgated on 5 July 1994 and effective as at 1 January 1995, enterprises and institutions shall establish and perfect their system of work place safety and sanitation, strictly abide by State rules and standards on work place safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with State-fixed standards. The enterprises and institutions shall provide laborers with work place safety and sanitation conditions which are in compliance with State stipulations and relevant articles of labor protection.

The PRC Law for Promotion of Employment (中華人民共和國就業促進法), promulgated by NPC Standing Committee on 30 August 2007 and effective as at 1 January 2008, provides that no employee can be discriminated in employment by reason of ethical group, race, gender, or religious belief. The employer should neither refuse, nor request higher conditions for, the employment of any woman, merely because of such gender; and no provision limiting any woman employee in marriage and child-bearing is allowed in the labor contract. The employer should not refuse the employment of anybody just because of such person being an infection pathogen carrier, unless otherwise stated by laws and regulations. Additionally, enterprises should allocate the employee education fund intended for occupational training and further education of employees, violation of which may result in punishment imposed by the labor administration.

SOCIAL INSURANCE REGULATIONS

Pursuant to the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費徵繳暫行條例) promulgated and implemented on 22 January 1999 by the State Council, the Interim Measures Concerning the Maternity Insurance of Enterprise Employees (企業職工生育保險試行辦法) promulgated on 14 December 1994 and implemented on 1 January 1995 by former Ministry of Labor, the Regulation Concerning the Administration of Housing Fund (住房公積金管理條例) promulgated and implemented on 3 April 1999 and amended on 24 March 2002 by the State Council, the Regulation on Occupational Injury Insurance (工傷保險條例) promulgated on 27 April 2003 by the State Council and implemented on 1 January 2004, the employer shall pay the pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational injury insurance fund, maternity insurance fund and housing fund for the employees.

PRODUCTION SAFETY LAWS

Effective as at 1 November 2002, enterprises and institutions shall be equipped with the measures for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards under the PRC Production Safety Law (the "Production Safety Law") (中華人民共和國安全生產法). Any entity that is not equipped with the measures for safe production is not allowed to engage in production and business operation activities. Enterprises and institutions shall offer education and training programs to the employees thereof regarding production safety.

The designing, manufacturing, installation, using, checking, maintenance, repairing, reforming and disposal of safety equipments shall be in conformity with the national standards or industrial standards. In addition, enterprises and institutions shall provide labor protective equipments and articles that reach the national standards or industrial standards to the employees thereof, supervise and educate them to use these equipments and articles according to the prescribed rules.

PRC INCOME TAX LAW

According to the Enterprise Income Tax ("EIT") Law of the PRC (中華人民共和國企業所得稅法) enacted on 16 March 2007 and the Implementation Regulations of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) enacted on 6 December 2007 (collectively the "Income Tax Law"), which both took effect on 1 January 2008, the EIT for both domestic and foreign-invested enterprises are unified at 25%. For those enterprises established before 16 March 2007 and entitled to preferential income tax treatments by tax related laws and administrative regulations, the Income Tax Law provides for a five-year transitional period, during which the applicable EIT rate shall be converted to the unified rate at 25% gradually.

According to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (國務院關於實施企業所得稅過渡優惠政策的通知) issued on 26 December 2007 and took effect on 1 January 2008, enterprises that enjoy "2-year exemption and 3-year half payment," "5-year exemption and 5-year half payment" of the enterprise income tax and other preferential treatments in the form of periodic tax deductions and exemptions in the past may, after the Income Tax Law took effect on 1 January 2008, continue to enjoy the relevant preferential treatments under the preferential measures and the time period set out in the previous tax law, administrative regulations and relevant documents until the expiration of the said time period. However, the preferential time period applicable to an enterprise shall start to run from 2008 if such enterprise has not enjoyed the preferential treatments yet because of its failure to make profits. In addition, enterprises which were entitled to a preferential income tax at the rate of 15% will gradually be levied on the unified 25% tax within five years commencing on 1 January 2008. The transitional tax rates applied to the enterprises entitled to the 15% preferential rate are 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012. Enterprises which previously enjoyed the 24% preferential tax rate are imposed with the unified 25% tax rate from 1 January 2008. Further, the tax preferential treatments applied to enterprises within the designated great western development region in the PRC of western area will continue to be applied.

According to the Income Tax Law, income such as dividends, rental, interest and royalty from the PRC derived by a Non-Resident enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to FIEs and their investors.

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 effective on 1 January 2007 (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), 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 issues relating to the administration of the dividend provision in tax treaties promulgated on 20 February 2009 (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), 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.

INTERIM PROVISIONS RELATING TO THE DOMESTIC INVESTMENT OF FOREIGN-FUNDED ENTERPRISES

According to the Interim Provisions on the Domestic Investment of Foreign-funded Enterprises formulated by the Ministry of Foreign Trade and Economic Cooperation and the State Administration for Industry and Commerce promulgated and came into force as at September 1, 2000, in the event a FIE invest in and establish a company in the encouraged or permitted category, the FIE may directly apply for registration procedures with the AIC authority of the place where the said investee company is located, while a FIE invest in and establish a company in the restricted category, the FIE shall submit an application for approval to the provincial level authority for foreign trade and economic cooperation of the place where the said investee company is located. A FIE is not allowed to invest in or establish a company in the prohibited category.

REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE

Under the Foreign Currency Administration Rules (中華人民共和國外匯管理條例) promulgated by the State Council in 1997 and amended in 1998 and 2008 and various regulations issued by SAFE, and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires prior approval from SAFE or its local office. Domestic entities are permitted to free retain their current exchange earnings according to their needs of operation.

PRC REGULATION ON FOREIGN INVESTORS INVESTING IN COMMERCIAL SECTORS

On 25 June 1999, with the approval from State Council, the State Economic and Trade Commission and Ministry of Foreign Trade and Economic Cooperation issued and implemented Measures for Commercial Enterprises with Foreign Investment (the "Measures") (外商投資商業企業試點辦法). The Measures allowed Sino-foreign equity joint venture or Sino-foreign cooperative joint venture commercial retail enterprises ("Joint Venture Commercial Enterprises") to be incorporated in capital cities of provinces and autonomous regions, municipalities directly under the central government, municipalities under independent development plans and special economic zones ("Trial Zones"). Wholly foreign-funded commercial enterprises were not permitted to be incorporated for the time being. Joint Venture Commercial Enterprises were subject to review and approval of the State Economic and Trade Commission and Ministry of Foreign Trade and Economic Cooperation. The Measures set higher standards for both Chinese and foreign investors:

(1) foreign investors of Joint Venture Commercial Enterprises applying for retail businesses engagement must maintain an annual average turnover of more than US$2 billion three years prior to the application and total assets of over US$200 million a year prior to the application;

(2) foreign investors of Joint Venture Commercial Enterprises applying for wholesale businesses engagement must maintain an annual average turnover of more than US$2.5 billion three years prior to the application and total assets of more than US$300 million a year prior to the application.

(3) Chinese substantial investors should be liquid enterprises with comparatively stronger economical background and higher operating capacity, with total assets of more than RMB50 million (RMB30 million for middle and western regions of the PRC). In the case of Chinese investors as commercial enterprises, an annual average turnover of more than RMB300 million (RMB200 million for western region of the PRC) three years prior to the application must be maintained; in the case of Chinese investors as foreign trading business, an annual average import and export turnover of more than US$50 million (with no less than US$30 million for export) three years prior to the application must be maintained.

The Measures also mentioned that the registered capital of Joint Venture Commercial Enterprises engaged in retail business could not be less than RMB50 million (RMB30 million for middle and western regions of the PRC) and the registered capital of Joint Venture Commercial Enterprises engaged in wholesale business could not be less than RMB80 million (RMB60 million for middle and western regions of the PRC).

In order to fulfill the undertaking in respect of the opening up of commercial sector for PRC's entry to WTO, the Ministry of Commerce issued the Measures for Administration on Foreign Investment in Commercial Fields (the "Measures of Administration") (外商投資商業領域管理辦法) on 16 April 2004 which took effect on 1 June 2004. The Measures of Administration abolished the original higher standard of requirements for foreign investors, allowed Sino-foreign equity joint venture, Sino-foreign cooperation and wholly foreign-funded commercial enterprises (collectively the "Foreign-invested Commercial Enterprises") to engage in commission agency, wholesale, retail and franchise businesses. The establishment of shops of those Foreign-invested Commercial Enterprises which engage in retail business was restricted to the Trail Zones prior to 11 December 2004. Since 11 December 2004, the restriction of zones has been abolished; the restriction of zones for those Foreign-invested Commercial Enterprises which engage in wholesale business has been abolished since 1 June 2004. The incorporation of Foreign-invested Commercial Enterprises is subject to review and approval of the MOC and its authorized provincial ministry of commerce and should nevertheless meet the following conditions:

(1) registered capital in compliance with the requirement of PRC Companies Law;

(2) compliance with the standard total investment and registered capital requirements for foreign-invested enterprises; and

(3) in general, Foreign-invested Commercial Enterprises' term of operation not exceeding 30 years and Foreign-invested Commercial Enterprises' term of operation in the middle and western regions of the PRC not exceeding 40 years.

According to the Measures of Administrations and Notice of the Ministry of Commerce on Entrusting Local Departments to Check Foreign-Funded Commercial Enterprises (關於委託地方部門審核外商投資商業企業的通知) issued by the MOC on 9 December 2005 and took effect on 1 March 2006, Foreign-invested Commercial Enterprises fulfilling the conditions below and were engaged in retail business by opening stores in provincial administrative regions or China national economic and technical development zones were subject to rights of review and approval of the local authorities and report to the MOC:

(1) no more than 3 stores and the total gross floor area of a single store shall not exceed 5000 sq.m. and the total number of similar stores opened by the foreign investors through Foreign-invested Commercial Enterprises in the PRC shall not exceed 30;

(2) no more than 5 stores and the total gross floor area of a single store shall not exceed 3000 sq.m. and the total number of similar stores opened by the foreign-investors through Foreign-invested Commercial Enterprises in the PRC shall not exceed 50; or

(3) total gross floor area of a single store shall not exceed 300 sq.m.

In terms of wholesale enterprises, except for those operations involving television, phone, mailing order, internet, vending machines, or sales products involving steel, precious metal, ironstone, fuel oil, caoutchouc and other significant raw materials, and specific commodities such as books, newspapers, magazines, vehicles, medicines, pesticide, agricultural film, chemical fertilizers, refined oil, food, vegetable oil, sugar and cotton, other wholesale enterprises are subject to review and approval of local authorities and required to report to the MOC.

According to Article 23 of the Measures of the Administration, where a foreign-funded enterprise invests in commercial fields within the PRC, it shall accord with the Interim Provisions on Investment of Foreign-funded Enterprises in China (關於外商投資企業境內投資的暫行規定) ("Interim Provisions"), and refer to the Measures of the Administration. According to the Interim Provisions, a "re-investment company of foreign-funded enterprise" means a foreign-invested limited company which is duly established within the PRC, which then either, sets up a new company or acquires equity interest in the other company within the PRC. As the shareholder of Guangzhou Changyue, Evergreen Guangdong, is a foreign-funded limited company established in the PRC, Guangzhou Changyue shall be regarded as a re-investment company of a foreign-funded enterprise in commercial fields and therefore fell within the scope of the Measures of the Administration.

According to the Notice of Ministry of Commerce on Delegation of Approval Power for Foreign-Funded Commercial Enterprises (商務部關於下放外商投資商業企業審批事項的通知) issued by the MOC on 12 September 2008 and taking effect on the same day, all the establishments of foreign-funded commercial enterprises and all the alterations of established foreign-funded commercial enterprises shall be subject to review and approval by competent provincial Ministries of Commerce (省級商務主管部門), and report to the MOC; however, the MOC retains the approval power upon the enterprises which are doing business not by opening stores but via television, telephone, mail, internet, vending machine and the enterprises which are engaged in the wholesale of audio-visual products or the sales of books, newspapers and magazines.

With respect to our two self-operated Retail Stores located in shopping malls in Shanghai and Guangzhou which were set up on 20 July 2009 and 6 April 2010 by Guangzhou Changyue, respectively, the PRC Legal Advisor has respectively confirmed with the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳), which is the competent authority to approve the establishment and organizational changes of Guangzhou Changyue, and Shanghai Municipal Commission of Commerce (上海市商務委會員), which is the competent authority to approve the establishment and organizational of a foreign-funded enterprise in Shanghai Municipal, that since Guangzhou Changyue is a re-investment company of a foreign-funded enterprise and engaged in clothing wholesale and retail businesses, no approval was required in relation to the establishment of the two retail stores. The PRC Legal Advisor advised that according to the major responsibilities (主要職能) of the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳), it is a department of the People's Government of Guangdong Province which is in charge of foreign trade and economic cooperation and responsible for administrating foreign investment, drafting and implementation of administrative

measures relating to foreign investment. Department of Foreign Trade and Economic Cooperation of Guangdong Province and Shanghai Municipal Commission of Commerce are similar authorities in respect of its administration of foreign investment. Both of them are the provincial branches of MOC (省級商務主管部門). As advised by the PRC Legal Advisor, based on the above confirmation, Guangzhou Changyue is not required to obtain the approval from the competent provincial ministry of commerce for its retail outlets. The relevant laws of the PRC only stipulate that setting up retail stores by a foreign-funded enterprise shall obtain the approval from the Provincial Ministries of Commerce but do not specify whether an approval from the Provincial Ministries of Commerce is required for setting up of retail stores by a re-investment company of a foreign-funded enterprise. As the Department of Foreign Trade and Economic Cooperation of Guangdong Province and Shanghai Municipal Commission of Commerce are competent authorities in charge of foreign investment in commercial fields, the PRC Legal Advisor is of the opinion that such government departments have the relevant authorities to decide whether or not the Group is required to obtain approval for setting up of the two self-operated Retail Stores. Since the aforesaid two Retail Stores were set up by Guangzhou Changyue rather than Evergreen Guangdong, Evergreen Guangdong was not required to obtain any approvals for the establishment of the two Retail Stores. The PRC Legal Advisor has further confirmed that all necessary approvals have been obtained for our wholesale distribution and retail business. The Directors have also confirmed that these two Retail Stores are the only Stores in the PRC operated by us to sell products directly to ultimate customers as our other self-operated Stores in shopping malls and department stores operate on a concessionary basis.

According to Article 3 and Article 9 of the Measures for Administration, the definition of "wholesale" refers to the selling of goods to retailers, customers of industry, commerce and organizations, or to other wholesalers or providing relevant ancillary services, and "retail" is defined as selling goods for consumption and use of individuals or groups or providing relevant ancillary services at fixed locations or through television, telephone, mail order, internet, and automat. Therefore, the PRC Legal Advisor is of the opinion that since the self-operated Stores of Guangzhou Changyue and Guangzhou Changzhuxing settle the concessionary sale of products with department stores and shopping malls rather than receive payment directly from the ultimate customers, such distribution model shall be regarded as wholesale sales. Further, the wholesale business is within the approved business scope of Guangzhou Changyue and Guangzhou Changzhuxing approved by the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳), the competent provincial Ministry of Commerce in Guangdong Province. So, Guangzhou Changyue and Guangzhou Changzhuxing are permitted by relevant laws and regulations in the PRC to engage in wholesale business. In rendering such legal opinion, the PRC Legal Advisor has confirmed that all relevant registration and approval procedures required have been obtained and the distribution model adopted by us was in compliance with the Measures and the approved business scope of Guangzhou Changyue and Guangzhou Changzhuxing.

The Measures for the Administration of Sales Promotion Activities of Retailers (《零售商促銷行為管理辦法》) (the "Measures for Promotion") is applicable to Guangzhou Changyue which has two Retail Stores selling our products to the ultimate customers and is regarded as a retailer as described in the Measures for Promotion. The Measures for Promotion, however, do not apply to Evergreen Guangdong or Guangzhou Changzhuxing because these companies did not engage in retail business during the Track Record Period.

According to the Measures for Promotion, a retailer, when undertaking sales promotion activities, should follow the principles of lawfulness, fairness and good faith and may not impair the lawful rights and interests of consumers and other business operators. Furthermore, when undertaking sales promotion activities, a retailer should show the promotion contents at an eye-catching place in its business site and clearly mark the prices on the price tags; a retailer may not cheat or induce the consumers to buy commodities by taking a misleading price method or reduce the quality of the promotion commodities. No retailer may undertake any sales promotion activity by making up a reason such as rummage sale or shifting to another business. Where any retailer's act is in violation of the Measures for Promotion and such act is also in violation of any other laws or regulations, such other laws or regulations shall govern. Otherwise, the Measures for Promotion apply and the retailer may be ordered to make corrections and imposed a fine of not exceeding RMB30,000.

We enter into distributorship agreements with our distributors directly to sell our self-owned brands products. Based on the fact that our distributors and us are independent entities and the distributorship agreements expressly stipulate that our distributors shall be responsible for their own liability and indebtedness in relation to the distribution of our products within their defined geographic area, the PRC Legal Advisor is of the view that any non-compliance with relevant laws and regulations by our distributors will not result in any liability to our Group. Since our distributors are independent entities and do not constitute members of our Group, we are not in a position to ascertain whether all of our distributors' Retail Stores have obtained all licenses, permits and approvals necessary for their operations or complied with all applicable laws and regulations.

We do not have direct contractual relationship with the sub-distributors during the Track Record Period. We rely on our distributors to oversee them. Should any of the distributors deviate from the terms in the distributorship agreements with respect to the actions of the sub-distributors, we may terminate the agreements with such distributors. Therefore, we are not in a position to ascertain whether these sub-distributors' Retail Stores have obtained all licenses, permits and approvals necessary for their operations.

RULES ON MERGER AND ACQUISITION

On 18 August 2007, Mr. Chan, through Evergreen Guangdong, acquired all the equity interests in each of Guangzhou Changyue and Guangzhou Changzhuxing from several domestic persons in the PRC. For details, please refer to the subsection headed "Corporate Development and Structure" in the "History, Reorganization and Group Structure" section. As Evergreen Guangdong is a foreign-invested enterprise established in the PRC, the PRC Legal Advisor is of the opinion that the acquisition of 100% equity

interest in each of Guangzhou Changyue and Guangzhou Changzhuxing, respectively, by Evergreen Guangdong shall be governed by Interim Provisions rather than Article 2 of the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors which is only applicable to the acquisition of a PRC domestic enterprise by a foreign investor. As Evergreen Guangdong is a foreign-funded limited company established in the PRC rather than a foreign investor and both Guangzhou Changyue and Guangzhou Changzhuxing upon acquisition by Evergreen Guangdong are re-investment companies of a foreign-funded enterprise rather than foreign-funded enterprises, the PRC Legal Advisor confirmed that the Article 2 of the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investor are not applicable to the aforesaid acquisitions. Furthermore, the aforesaid acquisitions have been approved by The Department of Foreign Trade and Economic Cooperation of Guangdong Province, being the competent authority for granting such approval in August 2007, and relevant required registration procedures with Guangzhou AIC, as required under the Interim Provisions, have been completed, the PRC Legal Advisor is of the opinion that the Group has complied with the applicable legal requirements.

FOREIGN INVESTMENT INDUSTRIAL GUIDANCE

According to applicable PRC regulations on Foreign-invested enterprise, capital contributions from a foreign holding company to its PRC subsidiaries, which are considered foreign-invested enterprises (or foreign-funded enterprises), may only be made when the approval by the Ministry of Commerce or its local counterpart is obtained. In approving such capital contributions, the Ministry of Commerce or its local counterpart examines the business scope of each foreign-invested enterprise (or foreign-funded enterprise) under review to ensure it complies with the Foreign Investment Industrial Guidance Catalogue, which classifies industries in China into three categories: "encouraged foreign investment industries," "restricted foreign investment industries" and "prohibited foreign investment industries".

According to the "Guideline Catalogue of Foreign Investment Industries" promulgated on 30 November 2004, by the State Development and Reform Commission and the Ministry of Commerce, revised on 7 November 2007 and enforced on 1 December 2007, investments and operation in the area of menswear are classified as permitted foreign investment projects. None of the companies within the Group is engaged in any of the "restricted foreign investment industries" or "prohibited foreign investment industries".

REGULATIONS RELATING TO DIVIDENDS DISTRIBUTION

The principal regulations governing dividend distributions by wholly foreign owned enterprises includes: The PRC Company Law (中華人民共和國公司法); The Wholly Foreign Owned Enterprise Law (1986), as amended (中華人民共和國外資企業法); and The Wholly Foreign Owned Enterprise Law Implementing Rules (1990), as amended (中華人民共和國外資企業法實施細則).

Under these law and regulations, wholly foreign owned enterprises in the PRC may pay dividends only out of their retained earnings, if any, determined in accordance with the PRC accounting standards and regulations. Additionally, a wholly foreign-owned enterprise is required, as other enterprises subject to PRC laws, to set aside at least 10% of its after tax profits each year, if any, to fund statutory reserve funds until the cumulative amount of such funds reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Under the relevant PRC law, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

PRC TRADEMARK LAW

The period of validity of a registered trademark shall be ten years, to be counted from the date of approval of the registration under the Trademark Law of the PRC (中華人民共和國商標法) promulgated on 23 August 1982, amended as at 22 February 1993 and 27 October 2001. The administrative authority for industry and commerce has the power to investigate and handle any act of infringement of the exclusive right to use a registered trademark according to the Trademark Law and relevant regulations Where the case is so serious that it constitutes a crime, in addition to compensating for the losses suffered by the infringed, shall be investigated into for the criminal responsibilities according to law.

Any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

(1) using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;

(2) selling the commodities that infringe upon the right to exclusive use of a registered trademark;

(3) forging, manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;

(4) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and

(5) 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.

Saved as disclosed above and in this section, our business and operations in the PRC are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses operating in the PRC.

VALUE-ADDED TAX

Pursuant to the Provisional Regulations of the PRC Concerning Value-Added Tax ("VAT Regulations") promulgated by the State Council which was subsequently amended and came into effect on 1 January 2009 and its Implementation Rules, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

A company, if it is not qualified as a small-scale VAT tax payer, is subject to value added tax at the rate of 17% on the sale and import of goods (unless (i) the goods fall within Article 2(2) of the VAT Regulations, such as grain, water, gas and newspapers, in which case the VAT rate is 13%; and (ii) the goods are agricultural products produced by a company itself specified in the Notice on issuing Interpretation of Tax Range of Agricultural Products, in which case the VAT is exempted) as well as on processing, repair and replacement services. Goods exported will be taxed at a rate of 0%, except where otherwise determined by the State Council. A company importing goods will pay value added tax on the total value of the goods. Our applicable value-added tax rate is 17%.

COMPETITION LAW

The relevant PRC laws in relation to competition in the commercial field is Anti Unfair Competition Law of the PRC and Anti-monopoly Law of the PRC, both of which are applicable to us.

Pursuant to the Anti-unfair Competition Law of the PRC (the "Competition Law"), which was promulgated on 2 September 1993 and came into effect on 1 December 1993. The Competition Law provides that business operators shall not undermine their competitors by engaging in the following improper market activities:

- infringement of trademark rights or confidential business information;
- false publicity through advertising or other means, or forgery and dissemination of false information that infringes upon the goodwill of competitors or the reputation of their products; and
- other improper practices, including commercial bribery, cartels, dumping sales at below-cost prices, and offering prizes as sales rebates illegally.

Violations of the Competition Law may result in the imposition of fines and, in serious cases, revocation of its business license as well as incurrence of criminal liability.

Pursuant to the Anti-monopoly Law of the PRC, which was promulgated on 30 August 2007 and came into effect on 1 August 2008, monopoly agreements shall not be made between operators. Those operators that have dominant market positions shall not abuse their positions to eliminate or restrict competition. Operator consolidation which has or may have the effect of eliminating or restricting market competition is prohibited. Where an operator violates the Anti-monopoly Law of the PRC, the competent authorities order a halt to illegal activities, confiscate illegal earnings and impose a fine.

REGULATORY COMPLIANCE

As at the Latest Practicable Date, the PRC Legal Advisor, has advised us, and the Directors have confirmed that except as may be otherwise disclosed in this prospectus, we have in all material aspects complied with all relevant laws and regulations in the PRC necessary for conducting our business operations and we have obtained all the necessary permits and licenses for our current operations in the PRC.