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PRESS RELEASE

"GUANGDONG PROVINCE IMPLEMENTS NEW LABOR AND INDUSTRY STRATEGIES TO MAINTAIN SUSTAINABLE DEVELOPMENT"

Beijing, China – Tuesday 28 October, 2008 –

Today, China Daily reported that Guangdong province will invest more than 50 billion yuan ($7.32 billion) in the next five years to implement a new labor and industry strategy, known as "Double Transfer", to maintain sustainable development and remain a force in the mainland economy. The strategy aims to transfer labor-intensive industries from the Pearl River Delta (PRD) to less developed regions of the province. Workers from less developed areas will be encouraged to work in local manufacturing and service industries, or find employment elsewhere in the PRD. A purpose of the new policy is to accelerate the PRD from a traditional manufacturing industry base to a center of service-oriented, advanced manufacturing systems. So far, many small and medium-sized enterprises in the PRD have closed or suspended operation. There are several reasons for the change and pollution is one of them. The past two-plus decades were a golden development period for the labor-intensive enterprises in the PRD, but it came at high cost to the environment.

Enormous numbers of factories in the PRD are discharging thousands of gallons of industrial and domestic sewage daily into the waterways. The same factories, as well as the growing number of personal vehicles are also heavily polluting the air. "In order to fulfil the purpose of 'Double Transfer', the government's actions against polluting enterprises will be stricter," Ye Chunrong, head of the Taiwan enterprises association in Dongguan, says. Ye says he believes the shift of small- and medium-sized manufacturing enterprises out of the PRD is only natural.

Dongguan's growth in the last 30 years has reflected that of the PRD, growing from a backward agricultural town into an affluent city thanks to its manufacturing industry. Guangdong Governor

Huang Huahua says the 'Double Transfer' system would be the most effective measure to solve the problems and carry out a new round of development. But entrepreneurs say it would be a very long process if Guangdong is able to completely transform itself into an advanced manufacturing and service industry center. "Dongguan may need 10 years to complete in adjusting its current industrial structure from labor-intensive to technology-intensive," Mayor Liu said earlier this year. "The provincial government will not encourage new labor-intensive manufacturing enterprises to set up business in the PRD in the future," Pan Xudie, an official of the provincial government's development research center, says. Enterprises that want to survive must upgrade their facilities and improve productivity while becoming eco-friendly, Pan says.

Scott Garner of Lehman, Lee & Xu commented that "Over the past several months, we have certainly seen a shift in the attitudes of the local governments in Guangdong Province, particularly the city of Dongguan. In the past, our clients were encouraged to invest in Dongguan, usually setting up labor intensive manufacturing facilities. Now the investment environment has certainly changed. The local governments in Guangdong have, over the past couple of years, become increasingly strict about environmental standards, not allowing foreign investors to set up "polluting industries." This summer, Dongguan began requiring much higher capital requirements to set up companies. In the past, you could set up a company in Dongguan with a capital of USD 100,000 or less. Dongguan is now requiring a capitalization of around USD 400,000. Dongguan is also taking a more critical look at our clients feasibility studies, the type of industry they want to operate in, as well as requiring much more documentation than they have needed or requested in the past. If our clients industry does not match what the local government is trying to attract, they may not get approval to set up in Guangdong Province. For some clients, this may not be too much of an issue. The price of labor has been rising in Guangong and many of our clients were already looking to shift their operations to the inland provinces or further north. These new policies by the Guangdong government will only accelerate this process."

Lehman, Lee & Xu is a prominent Chinese corporate law firm and trademark and patent agency with offices in Beijing, Shanghai, Shenzhen, Hong Kong, Macau, and Mongolia. The firm is recognized as a leading expert in corporate law and an active member of the Shanghai community.

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