

Bielefeld, 13.01.2009

Clarification of the processing of production orders with respect to chemical specifications

Dear Madams and Sirs,

Thank you for your enquiry. We are pleased to know that **the quality of the goods** you would like to obtain from us is of importance to you and your customers.

We emphatically support this concern.

The Halfar System GmbH has been producing and importing exclusively bags, backpacks and ready-made belts for many years.

That makes us a real bag specialist!

Since 2003 we've been a member company of the textile-oriented JCK Holding (Quakenbrück, Germany). Our group of companies maintains a large agency in Shanghai with a strong quality assurance team, which regularly inspects the production facilities and approves of the goods before shipping.

In addition to this, during our own visits to the facilities, we regularly promote more far-reaching measures for quality assurance, occupational safety and environmental protection.

The fact that bags are produced even in Germany is considered "exotic" in the eyes of our Chinese partner factories, and gives us enormous competence in the promotion of more far-reaching measures.

Depending on the size of the orders, we produce bags in Germany, the Czech Republic and in the People's Republic of China.

Your enquiry surely refers to the bags produced in China in particular, so this letter is formulated especially with the production in the People's Republic of China in mind.

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Chemical ingredients

a) General procedure (“EU Specification”)

All of the materials that are ordered from pre-suppliers for the production of our bags are ordered by us or by our factories in compliance with a concrete schedule (EU specification) of ingredients banned in the European Union or ingredients with a restricted threshold.

We choose only materials suppliers who categorically understand the principle of this specification and who can control their products accordingly.

One must understand that many of the ingredients banned or restricted in the EU are not a “component of the recipe” of the material, but rather, can be the result of a chemical reaction, such as heating, during the production process. Also the use of recycled raw materials leads to reactions which are harder to control than when new, and more expensive raw materials are used.

We monitor the compliance with our thresholds by making random tests on serial material in our certified laboratory.

For larger jobs, or even for smaller jobs involving particularly sensitive material or target groups, we initiate examinations of all of our specifications on concrete serial material.

The purpose of these measures taken by the Halfar System GmbH is to deliver bags and backpacks which comply with the legal situation and the various directives of the European Union for bags and backpacks.

Since many customers mix up standards for the various merchandise groups and request them in the sense of a “long wish list,” we would like to clarify something here:

One **cannot** expect that other chemical standards, which are specified for such things as *toys* or *electrical devices*, for example, are also covered automatically. Here a concrete differentiation and consultation with the customer is necessary (see Part b)).

b) Customized specifications regarding ingredients

Beyond the aforementioned requirements of the Halfar System GmbH itself, we often receive requests for ingredient requirements for bag materials which go beyond the EU standards owing to the customer's branch or the intended use. These have to be clearly defined in advance of placing an order, that is, at the time of the customer enquiry. Additional chemical specifications often means higher material costs.

We are more than willing to check whether the customer's requirements are covered by the usual materials or whether separate material batches would have to be produced to achieve this objective.

Sometimes it can occur that the desired material and a customized material specification are technically incompatible. In this event, we recommend suitable materials or clarify with the customer whether or not his or her specification is necessary and appropriate for the concrete application.

As detailed earlier, we check the compliance of the additional, customized specification on concrete serial material.

Only this serial material is compelling.

We strongly advise against testing some material for a customized specification during the offer phase. Such an examination costs money and usually doesn't allow an inference to be made about the quality of the future serial material, especially not within the limits of the technical feasibility.

If you have any questions, please do not hesitate to contact us.

Yours sincerely,

Managing Director
Halfar System GmbH