

REGULATORY OVERVIEW

The following sets out a summary of certain aspects of Hong Kong laws and regulations which are relevant to our Group’s business operations in Hong Kong.

(A) LAWS AND REGULATIONS IN RELATION TO FOOD SAFETY AND PHARMACEUTICAL PRODUCTS

1. Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)

The legal framework governing food safety in Hong Kong is primarily set out in Part V of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) (“**PHMSO**”) and its subsidiary legislation. Under the PHMSO, food manufacturers and sellers are required to ensure that all food intended for sale is fit for human consumption and complies with applicable requirements on food safety, food standards and labelling.

Given that the Group’s business encompasses the retail and wholesale sale of, *inter alia*, pharmaceuticals, wellness products, and grocery items (including food and beverages), its operations fall within the regulatory ambit of the PHMSO and its subsidiary legislation. The Group is required to ensure that all such products offered for sale comply with the applicable statutory requirements on food safety, standards, and labelling.

Section 50 of the PHMSO prohibits the manufacture, advertising and sale in Hong Kong of food that is injurious to health. A contravention of this provision constitutes an offence punishable by a level 3 fine of HK\$10,000 and imprisonment for 3 months. Section 52 provides that, subject to the statutory defences set out in Section 53 of PHMSO, a seller who sells to the prejudice of a purchaser any food which is not of the nature, substance, or quality demanded commits an offence which likewise carries a penalty of level 3 fine of HK\$10,000 and imprisonment for 3 months.

According to Section 54, any person who sells or offers for sale any food that is intended for, but unfit for, human consumption commits an offence punishable by a level 5 fine of HK\$50,000 and imprisonment for 6 months.

Section 61 of the PHMSO makes it an offence for any person for any person to sell or display for sale any food accompanied by a label that falsely describes the food or is likely to mislead as to its nature, substance, or quality, unless it can be shown that the person neither knew nor could, with reasonable diligence, have discovered the false or misleading nature of the label. It is likewise an offence to publish, or to be involved in the publication of, any advertisement that falsely describes food or is likely to mislead as to its nature, substance, or quality. An offence under Section 61 is punishable by a level 5 fine of HK\$50,000 and imprisonment for 6 months.

The FEHD is the authority responsible for the enforcement of the relevant food safety laws and regulations. It may take samples of all kinds of food products at their point of entry to Hong Kong. It may prohibit or restrict their importation. In addition, under Section 59 of the PHMSO, the FEHD may examine any food which is, or which appears to be, intended for human consumption, and seize and remove such food or its packaging if appears to be unfit for human consumption.

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2. Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong)

Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong) ("FDCLR") is a subsidiary legislation of PHMSO which regulates the advertising and labelling of food.

Regulation 3 of the FDCLR requires that food manufactured shall conform to the standards set out in Schedule 1 thereof. Any person who advertises for sale, sells or manufactures for sale any food which does not meet these standards commits an offence and is liable to a level 5 fine of HK\$50,000 and imprisonment for 6 months.

Regulation 4A provides that unless exempted under Schedule 4, prepackaged food must be marked and labelled in accordance with Schedule 3. The required particulars under Schedule 3 to the FDCLR in relation to prepackaged food include:

- (i) the food name or designation;
- (ii) the list of ingredients;
- (iii) durability indication, i.e. "best before" or "use by" date;
- (iv) statement of special conditions for storage or instructions for use;
- (v) name and address of manufacturer or packer;
- (vi) count, weight or volume; and
- (vii) language requirement, i.e. the marking or labelling of prepackaged food shall be in either English or Chinese or in both languages.

Regulation 4B further requires that prepackaged food to be marked and labelled with its energy value and nutrient content as prescribed in Part 1 of Schedule 5, and provides that any nutrient claims made on the packaging or in advertisement should comply with Part 2 of Schedule 5.

Contravention of Regulations 4A and/or 4B of the FDCLR is an offence punishable by a level 5 fine of HK\$50,000 and imprisonment for 6 months.

3. Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong)

The Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) ("FSO") was enacted to strengthen food safety control in Hong Kong. It establishes a regulatory framework that includes a mandatory registration scheme for food importers and food distributors under Sections 4 and 5, as well as record-keeping requirements to facilitate food traceability under Section 24. Under the FSO, all food traders must keep proper documentation of the source and distribution of their food products, enabling authorities to track food movement throughout the supply chain. This is crucial in the event of a food incident, such as contamination or a product recall, as it allows the Director of FEHD to quickly identify and contact affected traders.

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Under Section 8 of the FSO, FEHD may refuse an application for registration of food importer and food distributor if the applicant has repeatedly contravened the FSO within 12 months immediately preceding the application, or if the applicant's previous registration was revoked within that period. Further, FEHD, under Section 14, FEHD may revoke an existing registration where the registered person has repeatedly contravened the FSO in the preceding 12 months, or where the registered person (in the case of a natural person) has died or (in the case of a corporation) has been wound up.

FEHD has implemented a Demerit Point System in order to provide an objective basis for exercising its power to revoke a registration under section 14 of the FSO. Under this system, if a registered food importer or food distributor is convicted of an offence under the FSO in connection with its business, a prescribed number of demerit points will be imposed and entered against his registration. Upon conviction of the relevant offences, these points will be recorded by reference to the date of the offence rather than the date of conviction. Where the same offence is committed within a 12-month period, the specified demerit points will be doubled, trebled, or quadrupled on the second, third, and fourth occasions respectively. If a registrant accumulates 20 or more points within any 12-month period, its registration may be revoked.

Sections 21 to 24 of the FSO require that any person who, in the course of business, imports, acquires, or supplies by wholesale food in Hong Kong to keep record of their transactions. Essentially, the record must contain, *inter alia*: (i) the date the food was acquired, imported or supplied; (ii) the name and contact details of the person from whom the food was acquired or imported, or to whom the food was supplied; (iii) the place from where the food was imported (in the case of importation); (iv) the total quantity of the food; and (v) a description of the food.

Section 26 of the FSO requires that the records for food with shelf-life of 3 months or less be kept for at least 3 months, while records for food with shelf-life exceeding 3 months must be kept for 24 months. Under Sections 27 and 28, FEHD may inspect such records, make use them in exercising its statutory powers or performing its functions under the FSO, and disclose to the public any information contained in such records when FEHD is satisfied that public disclosure of the information is necessary for the protection of public health. A contravention of these provisions constitutes an offence punishable by a level 3 fine of HK\$10,000 and imprisonment for 3 months.

The subsidiary of our Company responsible for importation and wholesaling is registered as a food importer and a food distributor under the registration scheme, and is therefore subject to the relevant regulatory requirement under the FSO.

4. Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong)

The Pharmacy and Poisons Ordinance (Chapter 138, Laws of Hong Kong) ("PPO") regulates the importation, manufacture, labelling, distribution, and sale of pharmaceutical products and poisons in Hong Kong, with the primary aim of safeguarding public health. The PPO establishes a licensing and control framework to ensure that only safe, effective, and properly labelled pharmaceutical products are supplied in the market. Both PPO and its subsidiary legislation Pharmacy and Poisons Regulations ("PPR") are administered and enforced by the Drug Office of the Department of Health ("DOH").

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Under the PPO, pharmaceutical products must generally be registered with the Pharmacy and Poisons Board of Hong Kong before they can be manufactured, imported, or sold. The Board maintains a register of pharmaceutical products and determines applications for registration, taking into account product safety, efficacy, and quality.

PPO further classifies certain substances as “poisons,” divided into Part I and Part II of the Poisons List, as well as specific “Prescription-only Medicines.” Substances under Part I and all prescription-only medicines may only be sold at pharmacies under the supervision of a registered pharmacist and on presentation of a doctor’s prescription. Part II poisons, while still restricted, may be sold at pharmacies without prescription, but must be dispensed by or under the supervision of a registered pharmacist.

Licensing requirements are also imposed under the PPO. Any person who wishes to manufacture, wholesale, or retail pharmaceutical products or poisons must obtain the appropriate licence (e.g. manufacturer’s licence, wholesale dealer’s licence, or retailer’s licence). Licensees are subject to ongoing compliance obligations, including proper record-keeping, safe storage, and accurate labelling.

Pursuant to Sections 33 and 34 of the PPO, any person who is guilty of an offence under the PPO shall unless a penalty is otherwise expressly provided, be liable on conviction to a level 6 fine of HK\$100,000 and to imprisonment for 2 years.

As the Group engages in the retail sale of pharmaceuticals and health products, it must ensure that all pharmaceutical products offered for sale are duly registered with the Pharmacy and Poisons Board, and that prescription-only medicines and Part I poisons are dispensed strictly under the supervision of a registered pharmacist and in compliance with prescription requirements. The Group must also maintain valid retail licences where required, implement proper storage and labelling practices, and ensure staff are adequately trained in handling restricted medicines.

5. Antibiotics Ordinance (Chapter 137 of the Laws of Hong Kong)

The Antibiotics Ordinance and its subsidiary legislation, the Antibiotics Regulations, (Cap. 137A) regulate the sale and supply of substances as specified in Schedule 1 to the Antibiotics Regulations, both of which are also administered and enforced by the Drug Office of the DOH. Under Section 4 of the Antibiotics Ordinance, no person shall sell or otherwise supply any substance to which the Antibiotics Ordinance applies or any preparation of which any such substance is an ingredient or part unless he falls within the types of persons listed in Section 4(1)(a) to (c) of the Antibiotics Ordinance. Any person who contravenes this section commits an offence and is liable to a level 5 fine of HK\$50,000 and to imprisonment for 12 months.

6. Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong)

The Chinese Medicine Ordinance (Chapter 549 of the, Laws of Hong Kong) (“**CMO**”) establishes the statutory framework for the regulation of Chinese medicine in Hong Kong. Its objectives are to safeguard public health, ensure the safety, quality, and efficacy of Chinese medicines, and regulate the practice of Chinese medicine practitioners.

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The CMO provides for the regulation of both Chinese herbal medicines and proprietary Chinese medicines (pCm). Proprietary Chinese medicines must be registered with the CMC before they can be imported, manufactured, or sold in Hong Kong. The registration process assesses safety, quality, and efficacy, and requires products to be properly labelled in accordance with statutory requirements. CMO also imposes licensing requirements for wholesale and retail sale of proprietary Chinese medicines. Licensees must comply with conditions relating to storage, record-keeping, labelling, and safe supply. Under Section 134 of the CMO, no person shall sell or distribute by way of wholesale; or possess for the purpose of wholesale any propriety Chinese medicine without a wholesaler licence in proprietary Chinese medicine, Contravention of Section 134 constitutes an offence and is liable to a fine at level 6 of HK\$100,000 and imprisonment for 2 years.

As the Group engages in the retail sale of health and wellness products, including Proprietary Chinese medicines, it must ensure that all proprietary Chinese medicines offered for sale are properly registered under the CMO, and that relevant wholesale or retail licences are maintained. Labelling and advertising of Chinese medicines must comply with statutory requirements, and products should only be sourced from licensed manufacturers or distributors.

(B) LAWS AND REGULATIONS IN RELATION TO RETAIL BUSINESS

1. Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (“**TDO**”) seeks to prohibit false trade description, misleading, false or incomplete information, false marks and misstatements in relation to goods and services supplied in the course of trade. Under Section 2 of the TDO, the definition of trade description is broad and includes, *inter alia*, references to quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, approval by any person, a person by whom they have been acquired, the goods being of same kind as goods supplied to a person, place or date of manufacture, etc. Section 2 further provides that a trade description which is false to a material degree, or which, though not strictly false, is misleading such that it is likely to be taken as a materially false description, will be regarded as a false trade description.

Section 7 of TDO makes it an offence for any person who, in the course of any trade or business, applies a false trade description to any goods or supplies or offer to supply any goods to which a false description is applied. Section 7A extends this prohibition to services, making it an offence for a trader to apply a false trade description to a service supplied or offered to a consumer, or to supply or offer such a service. In addition, Section 12 prohibits the import or export of goods to which a false trade description or a forged trade mark has been applied.

Sections 13E, 13F, 13G, 13H and 13I of TDO provide that a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission, or is aggressive, or constitutes bait advertising, or constitutes a bait and switch, or wrongly accepting payment for a product.

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Any person who commits an offence under Sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be liable, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a level 6 fine of HK\$100,000 and imprisonment for 2 years. However, Sections 30L and 30M empower an officer authorised by the Commissioner of Customs and Excise, with the written consent of the Secretary for Justice, to accept a written undertaking from a business or individual not to continue, repeat or engage in conduct constituting an offence under the TDO. Upon acceptance of such an undertaking, neither the Commissioner of Customs and Excise nor the authorised officer may commence or continue an investigation or proceedings in respect of the matter to which the said undertaking relates.

2. Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong)

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) (“**UMAO**”) regulates the advertising of medicines and treatments in Hong Kong, with the purpose of protecting the public from misleading, false, or potentially harmful claims relating to medical products and services.

UMAO restricts certain advertisements relating to medical and health matters. It applies to health and beauty supplements and products companies like our Group to protect public health through prohibiting or restricting the publication of advertisements for medicine, surgical appliance or treatment that may induce the seeking of improper management of certain health conditions.

According to Section 3 of the UMAO, unless by or with due authorisation from relevant authorities, no advertisement shall be published or caused to be published if it is likely to lead to the use of any medicine, surgical appliance or treatment for: (a) the treatment or prevention of any disease or condition listed in column 1 of Schedule 1 to the UMAO, except for a purpose specified in column 2 of the said Schedule; and (b) the treatment of human beings for any purpose listed in Schedule 2 to the UMAO. Section 2 of the UMAO defines “medicine” to include any kind of medicament or other curative or preventive substance, and whether a proprietary medicine, a patent medicine, a Chinese herbal medicine, a proprietary Chinese medicine, or purported natural remedy. Section 2 of the UMAO further provides that the sale of medicine in a labelled container or package shall constitute the publication of an advertisement. Section 3B of the UMAO provides that no person shall publish, or cause to be published, an advertisement for an orally consumed product which makes for the product a claim specified in column 1 of Schedule 4 to the UMAO, or any similar claim, except as allowed under the provisions in column 2 of that Schedule 4. Any person who contravenes Section 3 or 3B of the UMAO commits an offence and shall be liable upon a first conviction to a fine at level 5 of HK\$50,000 and imprisonment for 1 year.

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3. Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (“**SOGO**”) governs the formation, performance and enforcement contracts for the sale of goods in Hong Kong and the transfer of title in goods sold. The SOGO also sets out certain implied terms or conditions and warranties relating to the safety and suitability of goods supplied under a contract of sale for goods in Hong Kong, including:

- (i) where there is a sale of goods by description, the goods shall correspond with the description;
- (ii) where the seller sells goods in the course of a business, the goods shall be of a merchantable quality, i.e. (a) as fit for the purpose or purposes for which the goods of that kind are commonly bought; (b) of such standard of appearance and finish; (c) as free from defects (including minor defects); (d) as safe; and (e) as durable, as it is reasonable to expect having regard to any description applied to them, the price (if relevant) and all the other relevant circumstances;
- (iii) where the seller sells goods in the course of a business and the buyer makes known to the seller (whether expressly or by implication) any particular purpose for which the goods are being bought, the goods supplied under the contract shall be reasonably fit for that purpose.

Section 55 of the SOGO provides that where a seller is in breach of a warranty, the buyer is not entitled, solely on that basis, to reject the goods. Instead, the buyer may either rely on the breach of warranty to reduce or extinguish the price payable, or bring an action against the seller for damages for such breach of warranty.

4. Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong)

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (“**CGSO**”) imposes a statutory duty on manufacturers, importers and suppliers of consumer goods (i.e. goods which are ordinarily supplied for private use or consumption) to ensure that such consumer goods are safe.

Section 6 of CGSO provides that no person may supply, manufacture or import consumer goods into Hong Kong unless such consumer goods comply with the general safety requirement under the CGSO or with any applicable safety standard(s) or safety specification(s) approved by the Secretary for Commerce and Economic Development for that category of consumer goods. A person who contravenes Section 6 commits an offence and is liable (i) on first conviction, to a level 6 fine of HK\$100,000 and imprisonment for 1 year; (ii) on subsequent convictions, to a fine of HK\$500,000 and to imprisonment for 2 years; and (iii) in case of a continuing offence, a further fine of HK\$1,000 for each day during which the offence continues, in addition to the penalties above.

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Where the Commissioner of Customs and Excise reasonably believes that consumer goods do not comply with an approved standard, or with a safety standard or safety specification established by regulation, the Commissioner is empowered under the CGSO to (i) serve a prohibition notice prohibiting a person from supplying those consumer goods for a specified period not exceeding 6 months; and (ii) serve a recall notice requiring the immediate withdrawal of any consumer goods if there is a significant risk that the consumer goods will cause a serious injury and do not comply with the approved standard or a safety standard or safety specification established by regulation. Any person who fails or refuses to comply with such prohibition notice or recall notice commits an offence and is liable (i) on first conviction, to a level 6 fine of HK\$100,000 and imprisonment for 1 year; (ii) on subsequent convictions, to a fine of HK\$500,000 and to imprisonment for 2 years; and (iii) in case of a continuing offence, a further fine of HK\$1,000 for each day during which the offence continues, in addition to the penalties above.

5. Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong)

The Dutiable Commodities Ordinance (Cap. 109, Laws of Hong Kong) (“**DCO**”) regulates the control, importation, manufacture, and sale of dutiable commodities in Hong Kong, including liquor, tobacco, hydrocarbon oil, and methyl alcohol.

Its subsidiary legislation, the Dutiable Commodities (Liquor) Regulations (Cap. 109B) (“**DCLR**”) provides under Regulation 37(1) that no person may, in the course of business, sell or supply intoxicating liquor to a minor. Regulation 37(4) further clarifies that where a non-alcoholic product is sold together with intoxicating liquor as a gift, the transaction will be regarded as a supply of liquor. A contravention of Regulation 37(1) constitutes an offence, punishable on summary conviction by a level 5 fine of HK\$50,000.

Further, Regulation 38(2) of DCLR provides a defence to a charge under Regulation 37 in respect of a face-to-face distribution of intoxicating liquor. If the defendant can establish that, before the intoxicating liquor was sold or supplied, the defendant (i) inspected a proof of identity purporting to be the proof of identity of the purchaser or the recipient of the liquor; and (ii) reasonably satisfied himself or herself from the inspection that the purchaser or the recipient was not a minor. In addition, under Regulation 38(3) of DCLR, where a person is charged as a result of another person’s act, it is a defence for the defendant to establish that, prior to the sale or supply, the defendant had taken reasonable measures to prevent intoxicating liquor from being sold or supplied by that other person in the course of business to a minor in a face-to-face distribution.

Under Regulation 39(2) of DCLR, if a person is charged with an offence under Regulation 37 in relation to a remote distribution, it is a defence for that person to establish that, before the intoxicating liquor was sold or supplied, (i) that person received a declaration to the effect that the purchaser or recipient of the liquor had reached the age of 18 years; and (ii) there was no circumstance that caused the person to reasonably suspect that the declaration was false. Under Regulation 39(3) of DCLR, where a person is charged as a result of another person’s act, it is a defence for the defendant to establish that, before the intoxicating liquor was sold or supplied, the defendant had taken reasonable measures to prevent intoxicating liquor from being sold or supplied by that other person in the course of business to a minor in the course of a remote distribution.

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Under Regulation 40 of DCLR, a person charged with an offence under Regulation 37 is taken to have established a fact that needs to be established for a defence under Regulation 38 or 39 if (i) there is sufficient evidence to raise an issue with respect to the fact; and (ii) the contrary is not proved by the prosecution beyond reasonable doubt.

Regulation 41 of DCLR requires that any person who, in the course of business, (a) sells or supplies intoxicating liquor in a face-to-face distribution at a place; or (b) offers to do so, must ensure a sign containing both the Chinese and English versions of the prescribed notice is displayed at a prominent position at the place. The prescribed notice must be rectangular in shape, with sides measuring at least 38 cm by 20 cm, set out in plain and readily legible characters and letters, and in a colour that contrasts with the background. According to the Schedule of DCLR, the prescribed content of the notice is “Under the law of Hong Kong, intoxicating liquor must not be sold or supplied to a minor in the course of business” and “根據香港法律,不得在業務過程中,向未成年人售賣或供應令人分醉的酒類.” A person who contravenes Regulation 41 commits an offence and is liable on summary conviction to a level 4 fine of HK\$25,000.

6. Pesticides Ordinance (Chapter 133 of the Laws of Hong Kong) and Pesticides Regulations (Chapter 133A of the Laws of Hong Kong)

Section 7 of the Pesticides Ordinance (Chapter 133 of the Laws of Hong Kong) prohibits any person from importing, causing to import into Hong Kong, manufacturing, selling, offering or exposing for sale, or supplying or offering to supply any registered pesticide save under and in accordance with a licence.

The Agriculture, Fisheries and Conservation Department (“AFCD”) maintains a register of pesticides with Part I listing those in a form ready for immediate use without processing and intended for general domestic use, and Part II listing all other pesticides. Any person who contravenes Section 7 commits an offence and is liable on conviction to a level 5 fine of HK\$50,000 and imprisonment for 1 year. In addition, any holder of a licence who contravenes any of the conditions of the licence commits an offence and is liable on conviction to a level 4 fine of HK\$25,000 and imprisonment for 6 months.

Applications for a pesticide licence shall be made in accordance with the Pesticides Regulations (Chapter 133A of the Laws of Hong Kong). The Pesticides Regulations further provide that a licensee shall not sell, expose for sale, or supply any registered pesticide, whether by retail or in a form ready for retail sale or supply, unless the container or any external packaging near, in a conspicuous position, a label in both English and Chinese setting forth clearly and distinctly and not in any way obscured or obliterated, the prescribed particulars of the pesticide, including but not limited to, the word “Poison” and the characters “毒藥”, the expression “Keep out of reach of children” and the characters “遠離孩童”, the registration number of the pesticide, the trade name, chemical name and common name of the pesticide, the composition by percentage of all active ingredients, the net weight etc. Any person who contravenes these labelling requirements commits an offence and is liable on conviction to a level 1 fine of HK\$2,000 and imprisonment for 6 months.

The subsidiaries selling pesticides have obtained a retail licence for Part I registered pesticides, details of which are set out in the section headed “Business — Licence and Registrations” hereof.

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7. Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)

The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (“**PDPO**”) aims to safeguard the privacy of individuals in relation to personal data. Section 2 of the PDPO defines “personal data” as any data (i) relating directly or indirectly to a living individual; (ii) from which it is practicable for the identity of the individual to be directly or indirectly ascertained; and (iii) in a form in which access to or processing of the data is practicable. The PDPO regulates the conduct of a data users, i.e. person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of the personal data.

The PDPO sets out six data protection principles which all data user need to comply with, namely:

- Principle 1 Purpose and manner of collection:
Personal data should be collected by means which are lawful and fair, and should be collected for a lawful purpose directly related to a function or activity of the data user. The data collected should be necessary, adequate but not excessive. The data subject should be informed of the purpose and the classes of persons to whom the data may be transferred.
- Principle 2 Accuracy and duration of retention:
Practicable steps shall be taken to ensure that the personal data is accurate and is not kept longer than is necessary.
- Principle 3 Use of personal data:
Unless consent of the data subject is obtained, personal data must only be used for the purpose for which the data is collected or for a directly related purpose.
- Principle 4 Security of personal data:
Practicable steps shall be taken to ensure that the personal data held by a data user are protected against unauthorised or accidental access, processing, erasure, loss or use.
- Principle 5 Information to be generally available:
Practicable steps shall be taken to ensure that personal data policies and practices are generally available to the public regarding the types of personal data it holds and the main purposes for which the personal data is used.
- Principle 6 Access to personal data:
Data subjects must be given access to their personal data and be allowed to mark corrections of their personal data.

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Section 38 of the PDPO empowers the Privacy Commissioner for Personal Data to initiate an investigation against a data user if a complaint is received, or if there is reasonable ground to believe that the data user has done an act or practice or engaged in an act or practice in relation to personal data that may contravene the PDPO. The Commissioner may, under Section 50, issue an enforcement notice directing the data user to remedy the contravention and/or take steps to prevent its recurrence. A data user who fails to comply with an enforcement notice commits an offence and is liable, on first conviction, to a level 5 fine of HK\$50,000 and imprisonment for 2 years.

As the Group collects personal information such as names, email addresses and telephone numbers from customers who joined its membership scheme and via online purchases, it qualifies as a data user pursuant to the PDPO and is subject to the principles and requirements as set out therein. In this regard, the Group has established internal guidelines to ensure compliance with the PDPO.

8. Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) aims, *inter alia*, to prohibit conduct that prevents, restricts or distorts competition in Hong Kong, and to prohibit mergers that have the effect of substantially lessening competition in Hong Kong. There are three competition rules under the Competition Ordinance, namely, the First Conduct Rule, the Second Conduct Rule and the Merger Rule.

The First Conduct Rule prohibits anti-competitive agreements if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. The Second Conduct Rule prohibits abuse of market power if the object or effect of the conduct is to prevent, restrict or distort competition in Hong Kong. The Merger Rule prohibits anti-competitive mergers and acquisitions, and currently only applies to mergers involving carrier licence holders within the meaning of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Penalties for infringement of the First Conduct Rule and the Second Conduct Rule that may be imposed by the Competition Tribunal include, *inter alia*, financial penalty that may amount to 10% of the turnover of the companies concerned for up to 3 years in which the contravention occurs (Section 93), disqualification order against a director (Section 101) and prohibition order (Section 151A) etc.

Pursuant to Section 67 of the Competition Ordinance, where the Competition Commissioner has reasonable cause to believe that (i) a contravention of the First Conduct Rule has occurred and the contravention involves serious anti-competitive conduct; or (ii) a contravention of the Second Conduct Rule has occurred, the Commissioner may, instead of commencing proceedings, issue an infringement notice to the person against whom it proposes to bring proceedings, offering not to bring those proceedings on the condition that the recipient undertakes to comply with the requirements specified in the said notice. Under Section 68, the recipient is not obliged to give such commitment to comply with the said requirements set out in the infringement notice, however, if no commitment is made within the compliance period, the Competition Commissioner may commence proceedings against that person in the Competition Tribunal in respect of the contravention of the relevant conduct rule.

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9. The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every entity which carries on a business in Hong Kong to apply for business registration. The Group held valid business registration certificates throughout the Track Record Period and as at the Latest Practicable Date.

10. The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“**IRO**”) is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, *inter alia*, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

(C) LAWS AND REGULATIONS IN RELATION TO PARALLEL IMPORTATION

1. Copyright Ordinance (Chapter 528 of the Laws of Hong Kong)

Section 30 of the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (“**Copyright Ordinance**”) provides that the copyright in a work is infringed if a person, without the licence of the copyright owner, imports into or exports from Hong Kong, otherwise than for his private or domestic use, a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

Further, Section 31 of the Copyright Ordinance provides that the copyright in a work is infringed by a person who, without the licence of the copyright owner:

- (i) possesses for the purpose of or in the course of any trade or business;
- (ii) sells or lets for hire, or offers or exposes for sale or hire;
- (iii) exhibits in public or distributes for the purpose of or in the course of any trade or business;
or
- (iv) distributes (otherwise than for the purpose of or in the course of any trade or business) to such an extent as to affect prejudicially the owner of the copyright,

a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

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Under Section 35(2) of the Copyright Ordinance, a copy of a work is regarded as an infringing copy if its making constituted an infringement of the copyright of the work in question. However, Section 35(4) provides that, for the purpose of the criminal provisions (Sections 118 to 133), an “infringing copy” does not include a copy of a work that (a) was lawfully made in the country, territory or area where it was made; (b) has been or is proposed to be imported into Hong Kong any time after the expiration of 15 months beginning on the first day of publication of the work in Hong Kong or elsewhere; and (c) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.

Section 35(5) further provides that, for the purposes of proceedings relating to the importation of infringing articles (Division VII of the Copyright Ordinance), an “infringing copy” does not include a copy of a work or a copy of an accessory work (a) that was lawfully made in the country, territory or area where it was made; (b) that has been or is proposed to be imported into Hong Kong; and (c) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.

2. Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (“TMO”) governs the registration, use and protection of registered trade marks in Hong Kong. Trade mark protection in Hong Kong is territorial in nature, therefore, trade marks registered in other countries or regions do not automatically enjoy protection in Hong Kong. In order to obtain protection as registered trade marks in Hong Kong, trade marks must be registered under TMO and the Trade Marks Rules (Chapter 559A of the Laws of Hong Kong).

According to Section 10 of the TMO, a registered trade mark is a property right obtained by registration under the ordinance, and the owner of a registered trade mark has the rights and is entitled to the remedies provided by the ordinance. Section 14 further provides that the owner of a registered trade mark has exclusive rights in the trade mark which are infringed by use of the trade mark in Hong Kong without his consent.

Our Group is the registered owner of the trade marks as set out in “Other Information — Intellectual property rights of our Group” in Appendix V hereto.

Conducts which amount to infringement of a registered trade mark are set out in Section 18 of TMO, which include, *inter alia*, (i) the use, in the course of trade or business, of a sign identical to the registered trade mark in relation to goods or services to those for which it is registered; (ii) the use, in the course of trade or business, of a sign identical to the trade mark in relation to goods or services which are similar to those for which it is registered; and the use of the sign in relation to such goods or services is likely to cause confusion on the part of the public.

Section 20 of TMO addresses the exhaustion of rights conferred by registered trade mark, It provides that once goods bearing a registered trade mark have been put on the market anywhere in the world by the trade mark owner or with his consent (whether express, implied conditional or unconditional), the registered trade mark in respect of such goods is not infringed unless (i) the condition of the goods has been changed or impaired after they have been put on the market and (ii) the use of the registered trade mark in relation to those goods is detrimental to the distinctive character or repute of the trade mark.

REGULATORY OVERVIEW

Pursuant to Section 22 of TMO, the registered owner of a trade mark is entitled to commence infringement proceedings once any infringement by third parties occurs, and is entitled to seek remedies including damages, injunctions, taking of accounts or such other relief as is available in respect of infringement of any other property right. The trade mark owner may also apply to the court for an order for delivery up and an order for disposal pursuant to Sections 23 and 25 of TMO.

3. The Law on Passing Off

Passing off is a common law action available to protect unregistered trade mark rights. To succeed in an action for passing off, the following elements must be established: (i) that an owner's goods or services have acquired a goodwill or reputation in the market and are known by some distinguishing feature; (ii) that there is a misrepresentation (whether intentional or unintentional) by a third party leading or likely to lead the public to believe that the goods or services offered by the third party are goods or services of the owner; and (iii) that damage has been or is likely to be suffered by the owner as a result of such misrepresentation.

Misrepresentation is an essential element of a passing off action. In *TWG Tea CO Pte Ltd and Another v Tsit Wing (Hong Kong) Co Ltd and Others (2016) 19 HKCFAR 20*, the Hong Kong Court of Final Appeal confirmed that mere dilution of goodwill, without deception or confusion of customers, does not amount to sufficient damage, and that the law of passing off in Hong Kong does not include the concept of 'dilution'. To establish a likelihood of deception or confusion in the absence of direct misrepresentation, two factual elements are generally required: (i) that a name, mark or other distinctive feature used by the owner has acquired a reputation among a relevant class of persons; and (ii) that members of that class would mistakenly infer from a third party's use of a name, mark or other feature which is the same or sufficiently similar that the third party's goods or business are from the same source or are connected with the owner.

Examples of misrepresentation recognised in common law passing off cases include: misrepresentation that the owner's goods of one class or quality are of another class or quality, misrepresentation that second-hand or used goods of the owner are new, misrepresentation that altered or adulterated goods are goods of the owner's original manufacture, misrepresentation that the goods are covered by the owner's guarantee when they are not so covered, and misrepresentation that a person is the authorised dealer of the owner when such person is not so authorised.

Under the common law, parallel import, i.e. the importation and resale of genuine goods that were lawfully put on the market elsewhere in the world by the intellectual property rights owner (or with the owner's consent, whether express or implied) and that such goods are imported in parallel with the rights owner's own authorised imports into the jurisdiction, does not generally amount to passing off, as there is no misrepresentation regarding the origin of the goods. However, where an importer alters the contents, names or labels of the products, such conduct may give rise to actionable passing off.

REGULATORY OVERVIEW

4. Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) and the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong)

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (“**IEO**”) provides for the regulation and control of, among others, the import of articles into Hong Kong. Under section 6C of the IEO, no person shall import any article specified in Schedule 1 to the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) (“**IEGR**”) except under and in accordance with an import licence. Any person who contravenes this section shall be guilty of an offence and shall be liable on conviction to a fine of HK\$500,000 and to imprisonment of 2 years.

Under Schedule 1 of IEGR, prohibited articles that require a licence for import includes, among others, pesticides.

5. Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong)

Regulations 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) provide that every person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article using services provided by a specific body with the Commissioner of Customs and Excise within 14 days after the importation or exportation of the article. As the Group import products from overseas, we are subject to the Import and Export (Registration) Regulations.

Any person who, without reasonable excuse, fails or neglects to declare within 14 days after importation or exportation is liable on summary conviction to a fine of HK\$1,000, together with a further fine of HK\$100 for each day during which such declaration remains outstanding. Furthermore, any person who knowingly or recklessly lodges with the Commission of Customs and Excise a declaration that is inaccurate in any material particular commits an offence and is liable on summary conviction to a fine of HK\$10,000.

Further, under Regulation 7, a penalty is payable by any person who fails to lodge the declaration within 14 days after the importation or exportation. Where the total value of the articles specified in a declaration does not exceed HK\$20,000, the penalty payable is: (i) HK\$20 for lodgment after 14 days but within 1 month and 14 days; (ii) HK\$40 for lodgment after 1 month and 14 days but within 2 months and 14 days; and (iii) HK\$100 for lodgment after 2 months and 14 days. If the total value of articles specified in a declaration exceeds HK\$20,000, the penalty amounts are doubled to HK\$40, HK\$80 and HK\$200 respectively. Any penalty payable under Regulation 7 constitutes a civil debt due to the Government of the HKSAR, recoverable by proceedings at the District Court, and is payable when the declaration to which the penalty relates is lodged with the Commissioner of Customs and Excise.

REGULATORY OVERVIEW

(D) GENERAL COMPLIANCE

1. Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

Our Group conducted our business in leased or licenced properties and we are considered to be the occupier of such properties under the Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (“OLO”). As such, we are required to comply with the Occupiers Liability Ordinance, which regulates the obligations of a person occupying or having control of premises on which injury or damage resulting to persons or goods lawfully on the land or other property from dangers.

The OLO imposes a “common duty of care” on an occupier of a premises to all his visitors to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

2. Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The purpose of the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (“OSHO”) is to ensure the safety and health of employees when they are at work; to prescribe measures that will contribute to making the workplaces of employees safer and healthier for them; to improve the safety and health standards applicable to certain hazardous process, plant and substances used or kept in workplaces; and generally to improve the safety and health aspects of working environments of employees.

The employer shall ensure the safety and health at work of all his employees by (i) providing and maintaining plant and work systems that are safe and without risks to health; (ii) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances; (iii) providing all necessary information, instruction, training and supervision as may be necessary to ensure the safety and health at work of his employees; (iv) maintaining the workplace in a condition that is safe and without risks to health; (v) providing or maintaining safe means of access to and egress from the workplace; and (vi) providing and maintaining a working environment that is safe and without risks to health.

Failure to comply with the above requirements constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to comply intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

Under Sections 9 and 10 of the OSHO, the Commissioner for Labour may serve an improvement notice on an employer, or an occupier of premises where a workplace is located, if the employer or occupier contravenes the provisions of the ordinance, or the Commissioner for Labour may serve a suspension notice to the employer or the occupier of premises where there is an imminent risk of death or serious bodily injury in the premises. Failure to comply with the improvement notice constitutes an offence and is liable to a fine of HK\$200,000 and to imprisonment for 12 months, while failure to comply with the suspension notice constitutes an offence and is liable to a fine of HK\$500,000 and to imprisonment for 12 months.

REGULATORY OVERVIEW

3. Gambling Ordinance (Chapter 148 of the Laws of Hong Kong)

The Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) regulates gambling-related activities in Hong Kong. Under Section 22(1) of the Gambling Ordinance, any person who promotes, conducts and/or organizes a lottery, a game of tombola, a game of amusement with prizes or a trade promotion competition in Hong Kong is required to obtain a licence. In particular, under Section 22(1)(a)(iv) of the Gambling Ordinance, any person engaged in trade or business and organising and conducting a trade promotion competition is required to obtain a trade promotion competition licence from the Home Affairs Department.

Under Section 2 of the Gambling Ordinance, trade promotion competition is defined as a competition or other scheme promoted, conducted or managed for the purpose of promoting a trade or business or the sale of any product. According to the Licensing Guidelines in the Guide for Applicants of Trade Promotion Competition Licence (“**Application Guide**”) published by the Office of the Licensing Authority of the Home Affairs Department, typical examples of a trade promotion competition are lucky draws organised by department stores or restaurants to boost sales and promote business.

Under Section 22(3) of the Gambling Ordinance, the trade promotion competition licence is subject to the prescribed conditions and to any other conditions which the public officer appointed by the Secretary for Home Affairs may impose. The prescribed conditions are set out in Form 4A under the Gambling Regulations (Chapter 148A of the Laws of Hong Kong) (“**Gambling Regulations**”), which include:

- (1) no prize offered shall be a money prize;
- (2) no fee shall be charged for entering the competition;
- (3) advertising in respect of the competition shall refer to the licence by stating its number in the prescribed manner; and
- (4) within ten days from the date of the drawing or judging of the competition, details of the results shall be published in one English and one Chinese newspaper circulating in Hong Kong, and a copy of the relevant newspaper cuttings shall be forwarded to the public officer appointed by the Secretary for Home Affairs.

Contravention of any condition of the trade promotion competition licence constitutes an offence, punishable by a fine of HK\$50,000 and to imprisonment for 2 years.

Pursuant to Section 22(2) of the Gambling Ordinance, a trade promotion competition licence may be granted either for a specific competition or for renewable period of 12 months. Nevertheless, according to the Licensing Guidelines in the Application Guide, the general rule is that a licence will not be granted for a period of more than three months, nor will it be extended. So, in essence, the law permits up to 12 months, but the licensing authority’s guidelines impose a practical constraint (in most cases) of no more than three months.

REGULATORY OVERVIEW

As the Group launches non-periodical lucky draw events as part of our trade promotion activities, we obtained the Trade Promotion Competition Licence issued by the Secretary for Home Affairs pursuant to the requirements under Gambling Ordinance and Gambling Regulations based on the nature of the events on short term basis which cover the duration of the lucky draw events.

4. Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (“**Employment Ordinance**”) regulates the general conditions of employment and matters connected therein in Hong Kong. It provides for the payment of wages, restrictions on deductions from wages, the grant of statutory holidays, and the termination of contract, among other things. Further, employees under a continuous contract are entitled to benefits such as maternity leave, sickness allowance, paid annual leave, rest days, severance and long service payment under the Employment Ordinance.

Under Section 25 of the Employment Ordinance, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as is practicable and in any case not later than 7 days after the date of termination. Any employer who willfully and without reasonable excuse contravenes this section commits an offence and is liable to a fine of HK\$350,000 and to imprisonment for 3 years. Further, pursuant to Section 25A, if any wages or any sum referred in Section 25(2)(a) (e.g. amount for payment in lieu of notice, long service payment) are not paid within 7 days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who willfully and without reasonable excuse contravenes this section commits an offence and is liable to a level 3 fine of HK\$10,000.

5. Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) provides for the establishment and regulation of non-governmental mandatory provident fund schemes, enabling for members of the workforce to accumulate financial benefits for retirement.

Unless otherwise exempted, employers are required to arrange their employees who are aged between 18 and 64 and employed for not less than 60 days to be enrolled as a member of a mandatory provident fund scheme (“**MPF Scheme**”). Employers and employees are both required to contribute 5% of the employee’s monthly relevant income as mandatory contribution to the MPF Scheme, subject to the minimum and maximum level of relevant income for contribution purpose, which are currently HK\$7,100 per month and HK\$30,000 per month respectively. An employer who without reasonable excuse fails to enroll his employees in a MPF Scheme commits an offence and is liable on conviction to a fine of HK\$350,000 and to imprisonment for 3 years, while an employer who without reasonable excuse fails to comply with the contribution requirement is liable to a fine of HK\$450,000 and to imprisonment for 4 years.

REGULATORY OVERVIEW

6. Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (“MWO”) provides that an employee is entitled to be paid wages not less than the minimum wage in respect of any wage period. The prescribed minimum hourly wage rate at present is HK\$42.10 per hour, effective from 1 May 2025. Pursuant to Section 15, a provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the MWO is void.

The MWO applies to every employee being engaged under a contract of employment to which the Employment Ordinance applies, except those who are employed as a domestic worker in, or in connection with, a household and who dwells in that household free of charge, a student intern, or a work experience student during a period of exempt student employment.

7. Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (“ECO”) establishes a no-fault, non-contributory employee compensation system for work injuries, and lays down the rights and obligations of employees and employers respectively in respect of injuries sustained by, or death of, employees as a result of an accident arising out of and in the course of employment, or in respect of specified occupational diseases suffered by the employees.

If an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer shall be generally liable to pay compensation in accordance with the ECO. Pursuant to Section 5(4), an accident is deemed to arise out of and in the course of employment even if the employee was at the time when the accident happened acting in contravention of any statutory or other regulation applicable to his employment, or of any orders given by or on behalf of his employer, or acting without instructions from his employer, if such act was done by the employee for the purposes of and in connection with his employer’s trade or business. Nevertheless, pursuant to section 5(3), where it is proved that the injury to an employee is attributable to the serious and willful misconduct of the employee, or the injury is deliberately aggravated by the employee, any compensation claimed in respect of that injury shall be disallowed.

Pursuant to Section 40 of the ECO, an employer is not allowed to employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than the specified amount. At present, the minimum insurance amount is HK\$100 million per event where the number of employees in relation to whom the policy is in force does not exceed 200, while the minimum insurance amount is HK\$200 million per event where the number of employees in relation to whom the policy is in force exceeds 200. An employer who fails to comply commits an offence and is liable on conviction upon indictment to a level 6 fine of HK\$100,000 and to imprisonment of 2 years.