LAWS AND REGULATIONS RELATING TO OUR BUSINESS OPERATIONS IN HONG KONG

Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) provides for, inter alia, certain implied conditions in relation to the safety and quality of goods supplied under a contract of sale in Hong Kong, including: (i) where there is a sale of goods by description, there is an implied condition that the goods shall correspond with the description; (ii) where the seller sells goods in the course of a business, there is an implied condition that the goods shall be of merchantable quality; and (iii) where the seller sells goods in the course of a business and the buyer makes known to the seller any particular purpose for which the goods are being bought, there is an implied condition that the goods shall be reasonably fit for that purpose.

Chinese Medicine Ordinance and Chinese Medicines Regulation

The Chinese Medicine Ordinance makes provisions for the registration of practitioners in Chinese medicines, the licensing of traders in Chinese medicines, and the registration of proprietary Chinese medicines, as defined in the said ordinance, and other related matters. Under the said ordinance, "proprietary Chinese medicine" is defined as any proprietary product that is (i) composed solely of the following as active ingredients: (a) any Chinese herbal medicines and/or (b) any materials of herbal, animal or mineral origin customarily used by the Chinese; (ii) formulated in a finished dose form; and (iii) known or claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or any symptom of a disease in human beings, or for the regulation of the functional states of the human body, while "Chinese herbal medicine" refers to any substances specified in Schedule 1 or 2 of the said ordinance. All of our branded PCM products are either classified as proprietary Chinese medicines under such definition and are registered with the Chinese Medicines Board or as Chinese herbal medicines which are regulated under the Chinese Medicine Ordinance.

Registration of proprietary Chinese medicines

According to the Chinese Medicine Ordinance, no person shall sell, import or possess any proprietary Chinese medicines unless the proprietary Chinese medicines are registered with the Chinese Medicines Board. A certificate of registration would be issued to the applicant in respect of the relevant proprietary Chinese medicines upon approval of the registration application. Any person who is found guilty of an offense under the said ordinance shall upon conviction be liable to a maximum fine of HK$100,000 and to imprisonment for two years.

Furthermore, the particulars of a proprietary Chinese medicine, namely Chinese and English name, dose form, name and quantity of each of its active ingredient, name and quantity of each of its excipient (if any), specification, indication (if any), dosage and method of usage, each of its labels to be attached or printed on its package, package insert to be supplied for its sales inside Hong Kong, each of the package inserts to be supplied for its sales outside Hong Kong (if any), name and address of each of its manufacturer, and function or pharmacological action, are required by the Chinese Medicines Regulation (Chapter 549F of the Laws of Hong Kong) to be registered.

License to manufacture proprietary Chinese medicines

Pursuant to the Chinese Medicine Ordinance, no person shall manufacture any proprietary Chinese medicines, whether registered or not, without a manufacturer license issued by the Chinese Medicines Board; or at any place other than the premises specified in such license. Furthermore, manufacturers are required to comply with the licensing requirements under the Chinese Medicines Regulation.

License to trade in Chinese medicines and Chinese herbal medicines

According to the Chinese Medicine Ordinance, no person shall sell or distribute by way of wholesale, or possess for the purpose of wholesale, any proprietary Chinese medicines or Chinese herbal medicines without a wholesaler license in proprietary Chinese medicines or Chinese herbal medicines, as applicable, issued by the Chinese Medicines Board, or at any place other than the premises specified in such license. An application for a retailer license or a license for wholesale dealer in Chinese herbal medicines shall be made to the Chinese Medicines Board in accordance with sections 114 and 115 of the ordinance, respectively. The retailer or wholesaler in Chinese herbal medicines must also comply with the licensing requirements set out in sections 3 and 4 of the Chinese Medicines Regulation, respectively.

Furthermore, wholesalers of proprietary Chinese medicines and Chinese herbal medicines are required to maintain the premises in suitable condition for storage and to keep transaction records under the Chinese Medicines Regulation. The duties of licensed retailers and wholesalers in Chinese herbal medicines are set out in sections 7 to 10 and sections 11 to 14 of the Chinese Medicines Regulation respectively, which require the licensed retailers and wholesalers, inter alia, to maintain the relevant premises in suitable condition for storage etc. and to keep proper records.

Labeling and packaging requirements

Pursuant to the Chinese Medicine Ordinance, no person shall sell or have in his possession for the purpose of selling any proprietary Chinese medicines if such proprietary Chinese medicine is without a package label or package insert in the prescribed manner in accordance with the Chinese Medicines Regulation. However, these do not apply to proprietary Chinese medicines imported by a licensed wholesaler for the purpose of re-exporting by the same wholesaler, and the case where a person is in possession of a proprietary Chinese medicine manufactured in Hong Kong for the purpose of exporting the same, according to the said regulation.

Registration of Chinese Medicine Practitioners

Pursuant to sections 75 and 76 of the Chinese Medicine Ordinance, a person may only practice Chinese medicine if he is (i) a registered Chinese medicine practitioner who is registered under section 69 of the Chinese Medicine Ordinance with a practicing certificate; (ii) a listed Chinese medicine practitioner under the transitional provisions listed under section 90 of the Chinese Medicine Ordinance; or (iii) a person with limited registration for treating patients in the course of educational or research purposes who is registered under section 85 of the Chinese Medicine Ordinance.

Under section 108(2) of the Chinese Medicine Ordinance, any person who is not a registered Chinese medicine practitioner or listed Chinese medicine practitioner practices Chinese medicine commits an offense and is liable to a fine of HK$100,000 and imprisonment for three years, or on conviction upon indictment to imprisonment for five years.

Section 158 of the Chinese Medicine Ordinance exempts the registered Chinese medicine practitioners from obtaining licenses for dispensing Chinese herbal medicines listed in Schedule 1 to the Chinese Medicine Ordinance to persons on prescription.

Dangerous Goods Ordinance and its subsidiary legislation

The Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) sets forth the regulation relating to "dangerous goods" and shall apply to, inter alia, all explosives, compressed gasses, petroleum and other substances giving off inflammable vapors, substances giving off poisonous gas or vapor, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature and radioactive material.

The Dangerous Goods Ordinance prescribes that no person shall manufacture, store, convey or use any dangerous goods except under and in accordance with the license granted by the Hong Kong Fire Services Department. The manufacture, store, convey or use any dangerous goods not under and in accordance with a license granted under the ordinance constitutes an offense which shall be liable (i) for a first offense, to a fine of HK$100,000 and to imprisonment for six months, and (ii) for a subsequent offense, to a fine of HK$200,000 and to imprisonment for 12 months. Notwithstanding any other liability which may arise under the provisions of such ordinance or otherwise, the breach of any term or condition endorsed upon any license issued shall constitute an offense which shall be punishable on summary conviction (i) for a first offense, by a fine of HK$50,000 and imprisonment not exceeding one month, or (ii) for a subsequent offense, by a fine of HK$100,000 and imprisonment not exceeding three months. If a company is found guilty of an offense under the said ordinance, the directors and officers concerned in the management of the company shall be guilty of the like offense unless he proves that the act constituting the offense took place without his knowledge or consent.

The Dangerous Goods (Application and Exemption) Regulation 2012 (Chapter 295E of the Laws of Hong Kong) and Dangerous Goods (Control) Regulation (Chapter 295G of the Laws of Hong Kong) classify "dangerous goods" into different classes and further regulates the manufacture, storage, use, conveyance, packing, marking and labeling of each corresponding class.

Public Health and Municipal Services Ordinance and the Regulations thereunder

The Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) (the "**Public Health Ordinance**") regulates food and drugs. Under this ordinance, "food" has the same meaning as that under the Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) as further described in the section headed "— Food Safety Ordinance" below, and "drug" includes any medicine, Chinese herbal medicine or proprietary Chinese medicines for internal or external use by man. As our business involves the sales and distribution of PCM products and ancillary CM products in Hong Kong, we are subject to the regulation of the Public Health Ordinance.

The Public Health Ordinance makes provision for the safety of food and drugs, and regulates the preparation and sale of adulterated food or drugs, among others. In particular, (i) no person shall add any substance to food, use any substance as an ingredient in the preparation of food, abstract any constituent from food, or subject food to any other process or treatment, so as (in any such case) to render the food injurious to health, with intent that the food shall be sold for human consumption in that state; (ii) no person shall add any substance to, or abstract any constituent from, a drug so as to affect injuriously the quality, constitution or potency of the drug, with intent that the drug shall be sold

in that state; and (iii) no person shall sell for human consumption, offer, expose or advertise for sale for human consumption, or have in his possession for the purpose of such sale, any food rendered injurious to health or any drug injuriously affected in its quality, constitution or potency by any operation described above. In determining whether an article of food is injurious to health, the probable effect of that article on the health of a person consuming it as well as the probable cumulative effect of articles of substantially the same composition on the health of a person consuming such articles in ordinary quantities shall be taken into account. Any person who contravenes the said provisions commits an offense.

Furthermore, the Public Health Ordinance prohibits false labeling and advertisement of food or drugs and provides that: (i) if any person gives with any food or drug sold by him, or displays with any food or drug exposed for sale by him, a label, whether or not the same is attached to or printed on the wrapper or container, which falsely describes the food or drug, or is calculated to mislead as to its nature, substance or quality, he shall be guilty of an offense, unless he proves that he did not know, and could not with reasonable diligence have ascertained, that the label was of such a character as aforesaid; (ii) if any person publishes, or is partly to the publication of, an advertisement, other than a label which falsely describes any food or drug, or is likely to mislead as to the nature, substance or quality of any food or drug, he shall be guilty of an offense, and, in any proceedings against the manufacturer, producer or importer of the food or drug, it shall rest on the defendant to prove (a) that he did not publish, and was not a party to the publication of, the advertisement; or (b) that he did not know, and could not with reasonable diligence have ascertained, that the advertisement was of such a character as is described in that subsection; or (c) that being a person whose business it is to publish, or arrange for the publication of, advertisements, he received the advertisement in the ordinary course of business.

According to the Public Health Ordinance, any person who is guilty of an offense under the ordinance shall be liable on summary conviction to a fine of HK$10,000 to HK$50,000 and to imprisonment for three to six months. Furthermore, the regulations made under the Public Health Ordinance make provision for, inter alia, sweeteners in food, metallic contamination of food, composition and labeling of food and drugs, harmful substances in food, and mineral oil in food. Any person who contravenes these said regulations shall be guilty of an offense and shall be liable on summary conviction to a fine of HK$50,000 and to imprisonment for six months.

Food Safety Ordinance

The Food Safety Ordinance establishes a registration scheme for food importers and food distributors, to require the keeping of records by persons who acquire, capture, import or supply food and to enable food import controls to be imposed. Under this ordinance, "food" is defined to include, inter alia, drink and articles and substances used as ingredients in the preparation of food, which does not include Chinese herbal medicine or proprietary Chinese medicines as defined under the Chinese Medicine Ordinance.

For the purpose of the Food Safety Ordinance, any food commonly used for human consumption is presumed, unless there is evidence to the contrary, to be intended for human consumption. As such, our ancillary CM products, insofar as they do not constitute Chinese herbal medicines or proprietary Chinese medicines and are for human consumption for the purpose of the Chinese Medicine Ordinance, are likely to be considered "food" for the purpose of the Food Safety Ordinance.

Registration as food importer or distributor

The Food Safety Ordinance requires that any person who carries on a food importation business or food distribution business to register with the Food and Environmental Hygiene Department as a food importer or food distributor. Any person who does not register but carries on a food importation or distribution business, without reasonable excuse, commits an offense and is liable to a maximum fine of HK$50,000 and imprisonment for six months.

Record-keeping requirements relating to movement of food

The Food Safety Ordinance sets forth the record-keeping requirements for local acquisition of food, acquisition of imported food, capture of local aquatic products, and wholesale supply of food. In general, a food importer or food distributor should keep the record, including details such as the date the food was acquired or imported, name and contact details of the supplier or purchaser, and total quantity of the food and description of the food, for the specified period. Any person who fails to comply with the record-keeping requirements, without reasonable excuse, commits an offense and is liable to a maximum fine of HK$10,000 and imprisonment for three months.

Waste Disposal Ordinance and Waste Disposal (Chemical Waste) (General) Regulation

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) provides for the control and regulation of the production, storage, collection and disposal including the treatment, reprocessing and recycling of waste of any class or description, the licensing and registration of places and persons connected with any such activity, the protection and safety of the public in relation to any such activity and to provide for matters incidental thereto.

Pursuant to the Waste Disposal Ordinance, only licensed or authorized collection service provider can provide any services for the removal and disposal of general waste. The collection and disposal of chemical waste is further regulated by the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) (the "**Chemical Waste Disposal Regulation**"). All of our general waste and chemical waste generated during our manufacturing process during the Track Record Period were collected by licensed waste collecting service providers listed by the Environmental Protection Department.

According to the Chemical Waste Disposal Regulation, a person shall not produce or cause to be produced chemical waste unless he is registered with the Environmental Protection Department as a chemical waste producer. A person who contravenes the requirement for registration commits an offense and is liable on conviction to a fine of HK$200,000 and to imprisonment for six months. Furthermore, a chemical waste producer shall ensure that chemical waste is properly packed, labeled and stored before disposal and shall keep and furnish records of its chemical waste disposal information for inspection. Any waste producer who fails to comply with any of such requirements commits an offense and is liable to a maximum fine of HK$100,000 and to imprisonment for six months.

Fire Safety (Buildings) Ordinance

The Fire Safety (Buildings) Ordinance (Chapter 572 of the Laws of Hong Kong) provides for fire safety improvements to be made to certain composite buildings and domestic buildings and to provide for related matters. The purpose of the said ordinance is to provide better protection from the risk of fire for occupants and users of, and visitors to, certain kinds of composite buildings.

As prescribed by the Fire Safety (Buildings) Ordinance, an owner or occupier of a composite building may be directed by the Buildings Department and the Fire Services Department of Hong Kong to comply with fire safety measures in relation to the planning, design and construction of a composite building, and the fire service installation or equipment. An owner or occupier who, without reasonable excuse, fails to comply with a fire safety direction is guilty of an offense and is liable on conviction to a fine of HK$100,000 and to a further fine of HK$10,000 for each day or part of a day during which the failure continues after the expiry of the period specified in the direction.

Fire Safety (Commercial Premises) Ordinance

The Fire Safety (Commercial Premises) Ordinance (Chapter 502 of the Laws of Hong Kong) provides better protection from the risk of fire for occupants and users of, and visitors to, certain kinds of commercial premises and commercial buildings.

Similar to the provision under the Fire Safety (Buildings) Ordinance, the owner or occupier of such a commercial building may be directed by the relevant enforcement authorities to comply with fire safety measures in relation to the planning, design and construction of the building, and fire service installation or equipment. An owner or occupier who, without reasonable excuse, fails to comply with the fire safety direction is guilty of an offense and is liable on conviction to a fine at HK$25,000 and to a further fine of HK$2,500 for each day or part of day during which the failure continues after the expiry of the period specified in the direction.

Boilers and Pressure Vessels Ordinance

The Boilers and Pressure Vessels Ordinance (Chapter 56 of the Laws of Hong Kong) controls the use and operation of boilers and pressure vessels, to provide for the holding of inquiries into accidents in or to boilers and pressure vessels and to provide for matters connected with the purposes aforesaid. Under the said ordinance, no boiler or pressure vessel may be operated until it is registered with the Boilers and Pressure Vessels Authority, and it has been examined and certified (with a certificate of fitness) or it has been granted an exemption by the Boilers and Pressure Vessels Authority. As we use and operate pressure vessels in some of our manufacturing processes, we are subject to the regulation of this ordinance.

In accordance with the Boilers and Pressure Vessels Ordinance, periodic examination of boilers and pressure vessels shall be carried out. Depending on the type of boiler or pressure vessel, after the date of any certificate of fitness issued in respect thereof, each boiler or pressure vessel should be examined by an appointed examiner within 14 or 26 months, or any shorter period as suggested by the appointed examiner and endorsed by the Boilers and Pressure Vessels Authority. Furthermore, the owner of a boiler or pressure vessel shall keep the latest certificate of fitness issued, or a copy thereof, at the premises or place at which the boiler or pressure vessel is installed. The owner of a boiler or pressure who, without reasonable excuse, contravenes these requirements shall be guilty of an offense and shall be liable on summary conviction to a fine of HK$10,000.

Protection of Endangered Species of Animals and Plant Ordinance

The Protection of Endangered Species of Animals and Plant Ordinance (Chapter 586 of the Laws of Hong Kong) (the "**Protection of Endangered Species Ordinance**") regulates the import, introduction from the sea, export, re-export, and possession or control of certain endangered species of animals and plants and parts and derivatives of those species, and provides for incidental and connected

matters. As we import artificially propagated Saussurea costus (雲木香) which is used as an ingredient for manufacturing one of our branded PCM products, and export such branded PCM products which contains artificially propagated Saussurea costus, we are subject to the regulation of the said ordinance. We are however not required to obtain a license for the possession or control of a specimen of a scheduled species as none of the Saussurea costus we imported during the Track Record Period were live plant.

According to the Protection of Endangered Species Ordinance, a person may obtain a license for the import, export or re-export of a specimen of a scheduled species from the Agriculture, Fisheries and Conservation Department. A person shall not import, export or re-export a specimen of an appendix II species (in our case, Saussurea costus) except, inter alia, under and in accordance with a license issued in respect of that specimen prior to the import, and a Convention certifying document showing that (i) the specimen is not a live animal or plant of wild origin, nor is it a live animal or plant that shall be treated as a specimen of an appendix II species, and (ii) the species is not of a population included in appendix I if the species is specified in both appendix I and appendix II. A "Convention certifying document" in this context means a permit, certificate or other document that is issued by a relevant authority of that place in respect of that specimen and remains in force when relied on to show compliance with the said ordinance, and that conforms to the provisions applicable to such a permit, certificate or other document as the case may be issued in respect of that specimen. A person who contravenes an offense under the said ordinance is liable on summary conviction to a fine of HK$500,000 and to imprisonment for one year or liable on conviction on indictment to a fine of HK$1,000,000 and to imprisonment for seven years.

Import and Export Ordinance, Import and Export (General) Regulations, and Import and Export (Registration) Regulations

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) regulates and controls, inter alia, the import of articles into and the export of articles from Hong Kong. As we import certain herbs which are toxic herbs in schedule 1 (namely unprocessed Radix Aconiti, unprocessed Rhizoma Arisaematis, unprocessed Rhizoma Pinelliae and unprocessed Radix Aconiti Lateralis) for the manufacturing purposes of our business, and we export our branded PCM products, we are subject to the regulation of this ordinance.

The Import and Export Ordinance stipulates that no person shall import or export any articles specified in schedule 1 to the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) without a proper import or export license. The articles in the said schedule 1 include, inter alia, proprietary Chinese medicines as defined under the Chinese Medicine Ordinance, and certain Chinese herbal medicines. Any person who contravenes an offense under the Import and Export Ordinance in respect of pharmaceutical products, medicines, and proprietary Chinese medicines shall be liable on conviction to a fine of HK$500,000 and to imprisonment for two years.

As dictated by the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), every person who imports or exports any article other than an exempted article shall lodge with the Hong Kong Customs and Excise Department an accurate and complete import or export declaration. Any person who fails or neglects, without reasonable excuse, to lodge the required declaration within 14 days shall be guilty of an offense and shall be liable on summary conviction to a fine of HK$2,000, and, commencing on the day following the date of conviction, to a fine of HK$100 in respect of every day during which his failure or neglect to lodge such declaration in that manner

continues. Furthermore, any person who knowingly or recklessly lodges any declaration that is inaccurate in any material particular shall be guilty of an offense and shall be liable on summary conviction to a fine of HK$10,000.

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) aims to protect public health through restricting certain advertisements relating to medical and health matters. The labeling and advertising of certain of our products are subject to the regulation of this ordinance.

The Undesirable Medical Advertisements Ordinance prohibits the publishing of any advertisements likely to lead to the use of any medicine, surgical appliance or treatment for (i) the purpose of treating human beings for, or preventing human beings from contracting, any diseases or condition specified in column 1 in schedule 1 to the said ordinance (including, among others, parasitic diseases, diseases of the heart or cardiovascular system, gastro-intestinal diseases, diseases of the nervous system, diseases of the blood or lymphatic system, diseases of the musculoskeletal system, diseases of the skin, hair or scalp, and viral, bacterial, fungal or other infectious diseases); or (ii) treating human beings for any purpose specified in schedule 2 to the said ordinance (including (a) the induction of menstruation or relief of amenorrhea or delayed menstruation or any other gynecological or obstetrical disease; (b) the promotion of sexual virility, desire or fertility, or the restoration of lost youth; and (c) the correction of deformity or the surgical alteration of a person's appearance).

According to the Undesirable Medical Advertisements Ordinance, "advertisement" includes any notice, poster, circular, label, wrapper or document, and any announcement made orally or by any means of producing or transmitting light or sound, published in newspapers and magazines, leaflets, on radio, television, and internet, as well as on the label of a container or package containing any medicine, surgical appliance, treatment, or orally consumed product. However, the supply, inside any container or package containing any medicine, surgical appliance or treatment, of information relating to that or any other medicine, surgical appliance or treatment shall not constitute the publication of an advertisement.

Any person who contravenes a provision under the Undesirable Medical Advertisements Ordinance shall be guilty of an offense and shall be liable upon a first conviction to a maximum fine of HK$50,000 and to imprisonment for six months and upon a second or subsequent conviction for an offense under the same provision to a maximum fine of HK$100,000 and to imprisonment for one year.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) prohibits false trade description, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of trade or suppliers of such goods. Under the said ordinance, "trade description" in relation to goods is defined as an indication, direct or indirect, and by whatever means given, with respect to the goods or any part of the goods including an indication of the specified matters, including, inter alia, quantity, size or gage, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognized by any person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned. The labeling and advertisements in respect of our products are subject to the relevant provisions therein.

The Trade Descriptions Ordinance provides that it is an offense to (i) in the course of any trade or business apply a false trade description to any goods, or supply or offer to supply any goods to which a false trade description is applied; or (ii) have in one's possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied; (iii) apply a false trade description to a service supplied or offered to be supplied to a consumer; (iv) supply or offer to supply to a consumer a service to which a false trade description is applied; or (v) have the importation or exportation of any goods to which a false trade description or forged trade mark is applied. The Trade Descriptions Ordinance further prescribes that a trader who engages in relation to a consumer in a commercial practice that is (i) a misleading omission; (ii) aggressive; or (iii) constitutes (a) bait advertising, (b) a bait and switch, or (c) wrongly accepting payment for a product, commits an offense.

Any person who commits an offense under the Trade Descriptions Ordinance shall be liable, on conviction on indictment, to a fine of HK$500,000 and to imprisonment for five years, and on summary conviction, to a maximum fine of HK$100,000 and to imprisonment for two years.

Trade Marks Ordinance

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) provides for the registration of trade marks, the use of registered trade marks and connected matters. Under the said ordinance, "trade mark" is defined as any sign which is capable of distinguishing the goods or services of one undertaking from those of other undertakings and which is capable of being represented graphically. The registration and maintenance of trade marks for our self-manufactured own brand products, and the distribution of products under third-party trade marks are subject to the regulation of this ordinance.

The Trade Marks Ordinance provides territorial protection for trade marks. As such, trade marks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trade marks must be registered with the Trade Marks Registry of the Intellectual Property Department. Upon registration of the trade mark, the owner is conferred exclusive rights in the trade mark which are infringed by use of the trade mark in Hong Kong without his consent. In respect of any infringement of a registered trade mark, the owner is entitled to remedies under the said ordinance, including, inter alia, damages, injunctions, accounts, order for delivery up and order for disposal.

Companies Ordinance

Pursuant to the Companies Ordinance, a private company incorporated in Hong Kong must in respect of every year (except the year of its incorporation) deliver to the Registrar of Companies (the "**Registrar**") for registration an annual return in the specified form within 42 days after the anniversary of the date of the company's incorporation in that year. In the event of certain corporate changes, including but not limited to alteration of articles of association, change of company name, change of place at which the register of members is kept, that company must also notify the Registrar of such change in prescribed form and be delivered to the Registrar within the specified period. A company that fails to do any of the above, and every responsible person of the company, shall be guilty of an offense and liable to a fine and, in the case of a continuing offense, to a further fine for each day during which the offense continues.

The Companies Ordinance also imposes certain obligations on, among other matters, registration of transfer of shares, keeping records of all proceedings at meeting of directors, notification on passing of written resolutions and holding of annual general meetings. A company that fails to do any of the above, and every responsible person of the company, shall be guilty of an offense and liable to a fine.

Business Registration Ordinance

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) sets forth the law relating to the registration of businesses in Hong Kong. Under this ordinance, "business" is defined as any form of trade, commerce, craftsmanship, profession, calling or other activity carried on for the purpose of gain and also defined as a club.

Under the Business Registration Ordinance, every person carrying on any business or commencing to carry on any business shall make application to the Inland Revenue Department in the manner prescribed for the registration of that business. A business registration application shall be made within one month of the commencement of such business. In addition, any person carrying on business at a branch of business shall make application in the manner prescribed for the registration of that branch within one month of the commencement of business at the branch. The valid business registration certificate or branch registration certificate must be displayed in a conspicuous place at the address where the business is carried on and should be produced for official inspection on demand. Where business registration certificates are issued in electronic form under the one-stop company and business registration service, companies must display a printed copy of such certificates. Any person who fails to make any registration application as required under the said ordinance shall be guilty of an offense and shall be liable to a maximum fine of HK$5,000 and to imprisonment for one year.

Personal Data (Privacy) Ordinance

The Personal Data (Privacy) Ordinance protects the privacy interests of living individuals in relation to personal data. It covers any automated and non-automated data relating directly or indirectly to a living individual and applies to both public and private bodies as data users that control the collection, holding, processing or use of personal data. There are six principles in respect of the purpose and manner of collection of data, the accuracy and duration of retention of data, the use of personal data, the security of personal data, the information to be generally available and the access to personal data. In general, the personal data shall be lawfully and fairly collected and steps should be taken to ensure that the data subject is explicitly or implicitly informed on or before collecting the data. Personal data should also be accurate, up-to-date and kept no longer than necessary while unless with the consent from the data subjects, personal data should be used for the purposes for which they were collected or a directly related purpose.

The Office of the Privacy Commissioner for Personal Data (the "**PCPD**") is the governing body to promote, administer and oversee the enforcement of the Personal Data (Privacy) Ordinance. It has the power to carry out inspections of any personal data systems, to receive complaints from individuals and to investigate data users in respect of the complaints filed. The PCPD may issue an enforcement notice to the person or company who committed the breach, with intent to direct that wrongdoer to stop violating the data collection principles and take any necessary remedial action. Non-compliance with the PCPD's enforcement notice is an offense and is liable (i) for a first offense, to a fine of HK$50,000, imprisonment for two years and a daily penalty of HK$1,000 for an offense which continues after the conviction, and (ii) for a subsequent offense, to a fine of HK$100,000, imprisonment for two years and

a daily penalty of HK$2,000 for an offense which continues after the conviction. Those who suffer damage, including injury to feelings, as a result of such violation may also be entitled to compensation from the wrongdoer through civil proceedings.

Competition Ordinance

The Competition Ordinance prohibits (i) making or giving effect to agreements, engaging in a concerted practices, or, in the case of associations of undertakings, making or giving effect to decisions, that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong; (ii) unilateral abuses of substantial market power that are engaged in with the object or effect of the prevention, restriction or distortion of competition in Hong Kong; and (iii) mergers of telecommunications carriers that have, or are likely to have the effect of substantially lessening competition in Hong Kong. This ordinance came into effect on December 14, 2015. There will be no retrospective application of these three prohibitions. Therefore, this ordinance applies to the entry into and giving effect of agreements that we concluded after the coming into effect of the Competition Ordinance. The ordinance also applies to agreements, if any, that we entered into before the effective date of the Competition Ordinance, insofar as the parties continued to give effect to such agreements after the effective date.

Upon contravention of a competition rule by an offender, the Competition Tribunal may impose penalties including pecuniary penalty, injunctive orders, disqualification orders, costs orders, award of damages, and other orders. If a pecuniary penalty is to be imposed, the maximum amount of such pecuniary penalty imposed in relation to conduct constituting a single contravention is 10% of the turnover of the undertaking concerned for each year the contravention occurred, or, if the contravention occurred in more than three years, 10% of the turnover of the undertaking concerned for the three years in which the contravention occurred that saw the highest, second highest and third highest turnover.

Employees' Compensation Ordinance

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. This ordinance applies to all full-time or part-time employees who are employed under contracts of service or apprenticeship, but does not apply to casual employees (but still applies to employees employed for the purposes of the employer's trade or business), outworkers, or members of the employer's family who live with him.

According to the Employees' Compensation Ordinance, 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 is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. We, as an employer, shall report work injuries of our employees to the Labor Department not later than 14 days after the accident, irrespective of whether the accident gives rise to any liability to pay compensation.

As imposed by the Employees' Compensation Ordinance, all employers are required to take out insurance policies to cover their liabilities both under such ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). The minimum insurance cover is: (i) HK$100 million per event where the number of employees in relation to whom the policy is in force does not exceed 200; and (ii) 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 with the said ordinance to secure an insurance cover commits an offense and is liable on conviction upon indictment to a fine of HK$100,000 and imprisonment for two years and on a summary conviction to a fine of HK$100,000 and to imprisonment for one year.

According to the Employees' Compensation Ordinance, an employer shall not, without the consent of the Labor Department, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under such ordinance) before occurrence of certain events. Any person who commits breach of this provision is liable on conviction to a maximum fine of HK$100,000.

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) provides for the protection of the wages of employees, regulates general conditions of employment and employment agencies, and for matters connected therewith. Subject to limited exceptions, this ordinance applies to all employees engaged under a contract of employment, to employers of such employees and to the contract of employment between such employers and employees, and makes provision for, inter alia, payment of wages, end of year payment, rest days, holidays, and leave, sickness allowance, maternity protection and paternity leave. An employer who, without reasonable excuse, fails to comply with the relevant provisions, shall be guilty of an offense and shall be liable on conviction to a fine ranging between HK$10,000 and HK$350,000.

The Employment Ordinance also requires an employer to keep records of, inter alia, sickness days, annual leave, wage and employment history in relation to each employee. An employer who fails to keep such record is shall be liable on conviction to a fine of HK$10,000.

Mandatory Provident Fund Schemes Ordinance

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "**MPF Schemes Ordinance**") specifies that employers shall participate in a registered mandatory provident fund scheme for employees employed under the jurisdiction of the Employment Ordinance.

Under the MPF Schemes Ordinance, employers are required to enroll their regular employees (full-time and part-time) and self-employed persons, except for exempt persons, who are at least 18 but under 65 years of age who have been employed for a continuous period of 60 days or more within the first 60 days of employment. For both employees and employers, it is mandatory to make regular contributions into a registered mandatory provident fund scheme. For an employee, subject to the maximum and minimum levels of income (HK$30,000 and HK$7,100 per month, respectively), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered mandatory provident fund scheme with a ceiling of HK$1,500. An employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the registered mandatory provident fund scheme, subject only to the maximum level of income (HK$30,000 per month).

According to the MPF Schemes Ordinance, employers found to have evaded or delayed payment of MPF contributions, deducted employer contributions from an employee's pay, or failed to enroll their employees to a registered mandatory provident fund scheme, may be liable to a financial penalty and potential criminal prosecution.

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) aims to ensure the safety and health of persons when they are at work and provides for related matter. This ordinance and its subsidiary regulations impose general duty of care on employers, occupiers of premises and employees, and formulate basic requirements in accident prevention, fire prevention, working environment, workplace hygiene, first aid, manual handling operation and use of display screen equipment. Under the Occupational Safety and Health Ordinance, an employer is responsible to ensure the safety and health of its employees, which includes, inter alia: (i) providing or maintaining plant and systems of work that are, so far as reasonably practicable, safe and without risks to health; (ii) making arrangements for ensuring, so far as practicable, safety and absence of risks to health in connection with the use, handling, storage and transport of plant or substances; (iii) providing such information, instruction, training and supervision as may be necessary to ensure, so far as reasonably practicable, the safety and health at work of the employer's employees; (iv) maintaining the workplace in a condition that is, so far as reasonably practicable, safe and without risks to health; (v) providing or maintaining means of access to or egress from the workplace that are, so far as reasonably practicable, safe and without such risks; and (vi) providing or maintaining a working environment for its employees that is, so far as reasonably practicable, safe and without risks to health. An employer who fails to comply with the said provisions commits an offense and is liable on summary conviction to a fine of HK$3 million or conviction on indictment to a fine of HK$10 million. An employer who fails to comply with the said provisions intentionally, knowingly or recklessly commits an offense and is liable on summary conviction to a fine of HK$3 million and to imprisonment for six months, or conviction on indictment to a fine of HK$10 million and to imprisonment for two years.