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## REGULATORY OVERVIEW

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### HONG KONG REGULATORY OVERVIEW

This section sets forth the major areas of Hong Kong laws and regulations in relation to the operation of our business in Hong Kong during the Track Record Period.

#### **Gas Safety (Gas Supply) Regulations (Chapter 51B of the Laws of Hong Kong) (“GS(G)R”)**

Regulation 3(1) of the GS(G)R provides that no person shall (a) carry out any construction work in connection with the erection, relocation or major alteration of a notifiable gas installation, or major repairs of a structural nature to a notifiable gas installation unless such work has construction approval; or (b) use any notifiable gas installation to which any construction approval relates unless the use of such installation is approved by the Director of the Electrical and Mechanical Services Department. Under the GS(G)R, “notifiable gas installation” means a gas installation which is, or which consists of or uses, among other things, any terminal for the importation of liquefied petroleum gas or natural gas in liquid form.

Any person who contravenes regulation 3(1) commits an offence and is liable on conviction to a fine of HK\$25,000 and to imprisonment for six months and, in the case of a continuing offence, to a daily penalty of HK\$2,000.

As part of our Group’s warehouse is used for storing aerosol cans, which contained liquefied petroleum gas as propellant, compliance with the GS(G)R is required.

#### **Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations (Chapter 296A of the Laws of Hong Kong) (“RC(C)R”)**

Regulation 10 of the RC(C)R provides that the Director-General of Trade and Industry and any Deputy or Assistant Director-General of Trade and Industry may approve any godown, store or other place as a reserved commodity storage place either generally or limited to a specified period, a specified reserved commodity or a specified quantity of a reserved commodity and may attach to such approval such conditions as he thinks fit. Under the RC(C)R, “reserved commodity” means rice, with or without husk, and milled or unmilled. Entity approved as a rice storage place is required to submit monthly returns on storage of rice to the Trade and Industry Department.

As part of our Group’s warehouse is used as rice storage place, compliance with the RC(C)R is required.

#### **Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) (“FIUO”)**

The FIUO provides for the safety and health protection of workers in an industrial undertaking. Under the FIUO, “industrial undertaking” includes but not limited to the loading, unloading, or handling of goods or cargo at any dock, quay, wharf, warehouse or airport; and a “proprietor” means the person for the time being having the management or control of the business carried on in, inter alia, an industrial undertaking.

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Under section 6A of the FIUO, a proprietor of a relevant industrial undertaking must ensure the safety and health at work of all his employees. A proprietor who contravenes its duty under the FIUO commits an offence and is liable to a fine of HK\$500,000. In the case of a wilful contravention without reasonable excuse, such proprietor commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

Under the FIUO, there are 30 sets of subsidiary regulations covering various aspects of hazardous work activities in factories, building and engineering construction sites, catering establishments, cargo and container handling undertakings and other industrial workplaces. The subsidiary regulations prescribe detailed safety and health standards on work situations, plant and machinery, processes and substances.

### **Factories and Industrial Undertakings (Loadshifting Machinery) Regulation (Chapter 59AG of the Laws of Hong Kong) (“FIU(L)R”)**

Under regulation 3 of the FIU(L)R, the responsible person of a loadshifting machine shall ensure that the machine is only operated by a person who (a) has attained the age of 18 years; and (b) holds a valid certificate applicable to the type of loadshifting machine to which that machine belongs. Under the FIU(L)R, loadshifting machines used in industrial undertakings refer to fork-lift trucks.

Under regulation 8 of the FIU(L)R, a responsible person who without reasonable excuse contravenes regulation 3 commits an offence and is liable to a fine of HK\$50,000.

As fork-lift trucks are used in the warehouses of our Group, compliance with the FIU(L)R is required.

### **Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (“OSHO”)**

The OSHO provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Under section 6 of the OSHO, employers must ensure the safety and health in their workplaces, so far as reasonably practicable, by:

- (a) providing and maintaining plant and work systems that are safe and do not endanger health;
- (b) making arrangements for ensuring safety and health in connection with the use, handling, storage or transport of plants and substances;
- (c) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- (d) providing or maintaining safe means of access to and egress from the workplaces; and
- (e) providing or maintaining a safe and healthy working environment.

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Under section 6 of the OSHO, failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

Under section 9 of the OSHO, the Commissioner for Labour may also issue improvement notices against non-compliance of this ordinance or the FIUO. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and imprisonment of up to 12 months.

Under section 10 of the OSHO, the Commissioner of Labour may issue suspension notices against activities in workplaces where there is an imminent risk of death or serious bodily injury to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$500,000 and imprisonment of up to 12 months.

### **Food Business Regulation (Chapter 132X of the Laws of Hong Kong) (“FBR”)**

#### *Cold store licence*

Any person operating a cold store in Hong Kong is required to obtain a cold store licence from the Food and Environmental Hygiene Department (the “FEHD”) under the FBR before commencement of such business. It is provided under section 31(1)(e) of the FBR that no person shall carry on or cause, permit or suffer to be carried on the business of operating a cold store in Hong Kong except with a cold store licence. A cold store means any warehouse in which articles of food are stored under refrigeration. FEHD will consider all essential health, ventilation, building and fire services requirements, the proposed layout plan of the cold store and the adequacy of the facilities in the cold store (such as the cold storage room, food inspection room and sanitary fitments) before issuing a cold store licence. The FEHD also requires the applicant to employ a full time hygiene supervisor who has completed a hygiene supervisor training course organized or recognized by the FEHD and is awarded a certificate to supervise the food handling at the cold store. The FEHD may grant provisional cold store licences to new applicants who have fulfilled the basic requirements in accordance with the FBR pending fulfillment of all outstanding requirements for the issue of a full cold store licence.

A provisional cold store licence is valid for a period of six months or a lesser period and a full cold store licence is generally valid for a period of one year, both subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislation and regulations by the holder of the licence. A provisional cold store licence is renewable on one occasion and a full cold store licence is renewable annually.

### **Motor Vehicles Insurance (Third Party Risks) Ordinance (Chapter 272 of the Laws of Hong Kong) (“MVI(T)O”)**

Section 4(1) of the MVI(T)O provides that it shall not be lawful for any person to use, or to cause or permit any other person to use, a motor vehicle on a road unless there is in force in relation to the user of the vehicle by that person or that other person, as the case may be, such a policy of insurance or such a security in respect of third party risks as complies with the requirements of the MVI(T)O.

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Section 4(2) provides that if a person acts in contravention of section 4, he shall be liable to a fine of HK\$10,000 and to imprisonment for 12 months, and a person convicted of an offence under section 4 shall (unless the court for special reasons thinks fit to order otherwise) be disqualified from holding or obtaining a licence to drive a motor vehicle for such period as the court may determine being not less than 12 months nor more than three years from the date of conviction.

As our Group maintains its own vehicle fleet, compliance with the MVI(T)O is required.

### **Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (“IAEO”)**

The IAEO and its sub-legislation, provide for the regulation and the control of, among other things, the import and export of articles into or out of Hong Kong.

#### *Lodging of import or export declarations with the Customs and Excise Department of Hong Kong (“HK Customs”)*

Under regulation 4 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) (“IAERR”), an importer of articles other than an exempted article shall lodge with the HK Customs an accurate and complete import declaration through a specified provider of “Government Electronic Trading Services” within 14 days from the date of import, unless there is a reasonable excuse. Regulation 5 of IAERR imposes a similar obligation on an exporter of articles other than exempted article.

Any person who fails to lodge such declaration(s) within the prescribed 14 days period, with or without reasonable excuse, shall be liable, in addition to any other penalty or charge, to pay to the HK Customs a penalty in respect of such failure (the range of the late penalty is provided by regulation 7 of IAERR, from HK\$20 to HK\$200 per incident depending on the time of lodging the declaration and the total value of the articles specified in the declaration). In addition to the above late penalty, any person who fails to lodge the required declaration beyond the prescribed 14-day period without reasonable excuse (or where there is a reasonable excuse, but the declaration is not lodged as soon as is practicable after the cessation of such excuse) shall be guilty of an offence and shall be liable on summary conviction to a fine of HK\$1,000, 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 the declaration in that manner continues.

It is further provided under section 36(c) of the IAEO that, any person who, in respect of, among other things, any declaration, document or article required to be lodged with the Director-General of Trade and Industry, Deputy or Assistant Director-General of Trade and Industry, an authorised officer or member of the Customs and Excise Service, makes or causes to be made any statement or furnishes or causes to be furnished any information which is false or misleading in a material particular or omits any material particular shall be guilty of an offence and shall be liable on conviction to a fine of HK\$500,000 and to imprisonment for 2 years, unless he satisfies the court or magistrate that he did not know and had no reason to believe the statement or information to be false or misleading or the omission to be material.

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### *Importing or exporting cargo*

Under section 18 of the IAEO, any person who: (a) imports any unmanifested cargo; or (b) exports any unmanifested cargo, shall be guilty of an offence and shall be liable (i) on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years; and (ii) on conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 7 years. It shall be a defence to a charge under this section if the defendant proves that he did not know and could not with reasonable diligence have known that the cargo was unmanifested.

Under section 18A(1) of the IAEO, any person who knowingly (a) has possession of any cargo; (b) assists with the carrying, removing, depositing, harbouring, keeping or concealing of any cargo; or (c) otherwise deals with any cargo, with intent to export the cargo without a manifest or with intent to assist another person to export the cargo without a manifest, is guilty of an offence and liable (i) on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years; and (ii) on conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 7 years.

Under section 35A(1) of the IAEO, any person who knowingly: (a) has possession of any article, the carriage of which is restricted under the IAEO; (b) has possession of any article, the export of which is prohibited under any law in force in Hong Kong or is prohibited other than in accordance with a licence issued under the IAEO; (c) assists with the carrying, removing, depositing, harbouring, keeping or concealing of any article, the carriage of which is restricted under the IAEO; (d) assists with the carrying, removing, depositing, harbouring, keeping or concealing of any article, the export of which is prohibited under any law in force in Hong Kong or is prohibited other than in accordance with a licence issued under the IAEO; (e) otherwise deals with any article, the carriage of which is restricted under the IAEO; or (f) otherwise deals with any article, the export of which is prohibited under any law in force in Hong Kong or is prohibited other than in accordance with a licence issued under the IAEO, with intent to evade the restriction or prohibition or to assist another person to evade the restriction or prohibition, is guilty of an offence and liable: (i) in the case where contravention of the restriction or prohibition is punishable otherwise than as an indictable offence, on conviction to a fine of HK\$500,000 and to imprisonment for 2 years; or (ii) in the case where contravention of the restriction or prohibition is punishable as an indictable offence: (A) on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years; and (B) on conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 7 years.

### **Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (“BRO”)**

The BRO requires every person, whether a company or an individual, who carries on a business in Hong Kong to apply for business registration certificate from the Inland Revenue Department within one month from the date of commencement of the business, and to display the valid business registration certificate at the place of business. Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offence, and shall be liable to a fine of HK\$5,000 and to imprisonment for one year.

### **Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (“ECO”)**

The ECO establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the respective rights and obligations of employer and employee in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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Under the ECO, 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 generally liable to pay for the compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, under section 32 of the ECO, 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. Further, section 40 of the ECO provides that an employer is not permitted 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 that specified in the ECO.

### **Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (“MPFSO”)**

The MPFSO provides for, inter alia, the establishment of a system of privately managed, employment-related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement.

Under the MPFSO, the employer and its relevant employee, meaning an employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the plan at 5% of the relevant employees’ relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by an employer to the relevant employee in consideration of his employment under his employment contract. With effect from 1 June 2012, the maximum level of relevant income of a relevant employee was adjusted from HK\$20,000 to HK\$25,000, and thus the relevant maximum mandatory contribution was adjusted from HK\$1,000 to HK\$1,250. With effect from 1 June 2014, the maximum level of relevant income of a relevant employee was further adjusted from HK\$25,000 to HK\$30,000, and thus the relevant maximum mandatory contribution was adjusted from HK\$1,250 to HK\$1,500.

### **Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (“MWO”)**

The MWO provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the MWO is void.

## COMPLIANCE

As confirmed by our Directors, to the best of their knowledge, save for disclosed in this prospectus (if any), our Group had obtained all necessary permits, approvals and licences to operate its existing business in Hong Kong from relevant governmental bodies during the Track Record Period and up to the Latest Practicable Date.