OVERVIEW

Our operations are subject to various laws, rules, regulations and policies in Hong Kong where we operate. This section sets out summaries of certain aspects of Hong Kong laws, rules, regulations and policies which are relevant to our Group's operation and business.

LAWS AND REGULATIONS

Regulations on Medical Practitioners and Medical Facilities

There is presently no specific legislation which exclusively governs the provision of medical aesthetic services in Hong Kong. However, our operations in Hong Kong are subject to certain general laws and regulations in relation to medical practitioners, trade description and safety of consumer goods, medical advertisement and importation and dealing in and sale of pharmaceutical products and drugs and skin care products.

Medical Registration Ordinance

All practising medical practitioners in Hong Kong are required to be registered with the Hong Kong Medical Council. Section 20A(1) of the Medical Registration Ordinance (Chapter 161 of the Law of the Hong Kong), as amended, supplemented or otherwise modified from time to time ("**Medical Registration Ordinance**") provides that "a registered medical practitioner shall not practise medicine, surgery or midwifery in Hong Kong, or any branch of medicine or surgery in Hong Kong, unless he is the holder of a practising certificate which is then in force."

To register with the Hong Kong Medical Council, a medical practitioner should, subject to certain exceptions, *inter alia:*

- have been awarded a degree of medicine and surgery by the University of Hong Kong or The Chinese University of Hong Kong or passed the licensing examination conducted by the Hong Kong Medical Council;
- have attained a certificate of experience of employment in a resident medical capacity in approved hospitals for a certain prescribed period;
- not have been convicted of any criminal offence punishable with imprisonment;
- not have been found guilty of professional misconduct; and
- be of good character.

Medical practitioners registered with the Hong Kong Medical Council are included in the General Register (as defined in the Medical Registration Ordinance) kept by the Hong Kong Medical Council.

Medical practitioners registered with the Hong Kong Medical Council will generally be issued with a practising certificate which will be valid for one year. Medical practitioners are required to renew their practising certificates each year which shall be in force for a period of 12 months commencing on 1

January in that following year and the practising certificate for each year shall be obtained before 30 June of that year, failing which their names may be subject to removal from the register maintained by the Hong Kong Medical Council.

All our doctors are medical practitioners included in the General Register registered to practise medicine, surgery and midwifery in Hong Kong pursuant to practicing certificates issued to them under the Medical Registration Ordinance and are therefore subject to the regulation of the Medical Registration Ordinance.

Under section 28 of the Medical Registration Ordinance, subject to certain exceptions, the practice of medicine or surgery in Hong Kong must be carried out by a registered medical practitioner. The carrying out of consultation services that involve the practice of medicine, medical diagnosis, prescription of pharmaceutical products and medicines (each as defined under the Pharmacy and Poisons Ordinance (defined below)) and certain types of treatments (such as injection of botulinum toxin type A) at our CWB Centre and Central Centre constitute the practice of medicine and therefore must be carried out by our doctors, as registered medical practitioners.

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, the Medical Registration Ordinance.

Hong Kong Medical Code of Professional Conduct

All our doctors have to comply with the Hong Kong Medical Code of Professional Conduct issued by the Hong Kong Medical Council (as may be amended from time to time) which covers, inter alia, the following aspects:

(i) medical practitioners' professional responsibilities to patients such as their confidentiality obligations as well as the obligations to act in the interest of patients and, whenever an examination or treatment is beyond his capacity, to consult with or refer to another doctor who has the necessary ability;

(ii) communication in medical practitioners' professional practice, including restriction on practice promotion from being carried out by medical practitioners;

(iii) requirements in relation to prescription and labelling of medicine/drugs to be dispensed;

(iv) regulations in respect of the relationship between medical practitioners and other practitioners and/or organisations;

(v) criminal conviction and disciplinary proceedings of medical practitioners;

(vi) medical practitioners' financial arrangements;

(vii) regulations in relation to new medical procedures, clinical research and alternative medicine;

(viii) regulations against abuse of professional position; and

(ix) regulations governing serious infectious disease and other special areas.

Contravention of this Hong Kong Medical Code of Professional Conduct may render a Hong Kong doctor liable to disciplinary action. All our doctors are required to comply with the Hong Kong Medical Code of Professional Conduct.

Each of our doctors has confirmed that during the Track Record Period and up to the Latest Practicable Date, he/she has (a) been complying with the Hong Kong Medical Code of Professional Conduct; and (b) not been involved in any actual, pending or threatened litigation or claims against or associated with his/her medical practice.

Medical Clinics Ordinance

The Medical Clinics Ordinance (Chapter 343 of the Law of Hong Kong), as amended, supplemented or otherwise modified from time to time ("**Medical Clinics Ordinance**") provides for the registration, control and inspection of medical clinics. It requires a medical clinic (meaning any premises used or intended to be used for the medical diagnosis or treatment of persons suffering from, or believed to be suffering from, any disease, injury or disability of mind or body, with specific exceptions, including private consulting rooms used exclusively by registered medical practitioners in the course of their practice on their own account and not bearing any title or description which includes the word "clinic" or "polyclinic" in the English language) to be registered, with name and address and other prescribed particulars.

According to section 5 of the Medical Clinics Ordinance, an application of registration may be refused if:

(i) the income derived or to be derived from the establishment or operation of the clinic is not, or will not be, applied solely towards the promotion of the objects of the clinic; or

(ii) any portion of such income, except payment of remuneration to employed registered medical practitioners, nurses and menial servants, will be paid by way of dividend, bonus or otherwise howsoever by way of profit to the applicant himself, or to any persons properly so employed, or to any other persons howsoever.

Furthermore, in the prescribed application documents under the Medical Clinics Ordinance, an applicant for registration is required to make a declaration ("**Non-Profit Making Declaration**") that the income derived from the operation of the clinic will be applied solely towards the promotion of the objects of the clinic and any portion of such income, except payment in good faith of remuneration to certain employees, will not be paid by way of dividend or otherwise howsoever by way of profit to the applicant or any other person howsoever.

We have sought confirmation from the Counsel and the Counsel has opined that the Medical Clinic Ordinance is not applicable to the business of our Group, having considered, among other things, the following:

(i) the legislative intent behind the Medical Clinics Ordinance was to provide for registration of non-profit making clinics;

(ii) the Food and Health Bureau of Hong Kong published a consultation document, "Regulation of Private Healthcare Facilities" in December 2014 ("**Consultation Paper**") which specifically states that the Medical Clinics Ordinance and the Code of Practice For Clinics Registered Under The Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong) set out the regulatory framework for non-profit-making medical clinics and that other private healthcare facilities, such as ambulatory medical centres and clinics operated by medical groups or individual medical practitioners, are not subject to direct statutory control beyond the regulation of an individual's professional practice. It was also commented in the Consultation Paper that the Medical Clinics Ordinance was outdated and had outlived its usefulness and the Working Groups and Steering Committee were fully aware of the existence of incorporated companies set up by non-medical investors, operated by non-medical managers providing services by registered medical practitioners while at present there is no regulatory framework under the Medical Clinics Ordinance or otherwise to govern activities of such companies;

(iii) our business is one which makes and intends to continue making profit as a [REDACTED] entity. The payment of bonuses to some of our doctors is clearly a reflection of the profit-making nature of our business; and

(iv) an application for registration may be refused pursuant to section 5 of the Medical Clinics Ordinance mentioned above as we have been remunerating and will continue to remunerate our doctors by way of bonus and may distribute our profit by way of dividends or other forms of distributions before and after the [REDACTED] and the impossibility of our making the Non-Profit Making Declaration required for an application for registration under the Medical Clinics Ordinance.

Hence, our medical aesthetic centres in Hong Kong are not qualified or required to be registered under the Medical Clinics Ordinance.

Regulations on the Supply of Goods and Services in Hong Kong

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time ("**Trade Descriptions Ordinance**") prohibits false trade descriptions, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of trade or suppliers of such goods; and false trade descriptions in respect of services supplied by traders.

The Trade Descriptions Ordinance also confers power to require information or instruction relating to goods to be marked on or to accompany the goods or to be included in advertisements; to restate the law relating to forgery of trademarks; prohibits certain unfair trade practices; confers power to require any services to be accompanied by information or instruction relating to the services or an advertisement of any services to contain or refer to information relating to the services; and for purposes connected therewith.

A false trade description means:

- a trade description which is false to a material degree; or
- a trade description which, though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree.

False trade description of goods

In relation to goods, "trade description" means 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 any of the following matters:

(i) quantity (which includes length, width, height, area, volume, capacity, weight and number), size or gauge;

(ii) method of manufacture, production, processing or reconditioning;

(iii) composition;

(iv) fitness for purpose, strength, performance, behaviour or accuracy;

(v) availability;

(vi) compliance with a standard specified or recognised by any person;

(vii) price, how price is calculated or the existence of any price advantage or discount;

(viii) liability to pay duty on them under the laws of Hong Kong, generally or in specified circumstances;

(ix) testing by any person and results thereof;

(x) approval by any person or conformity with a type approved by any person;

(xi) a person by whom they have been acquired, or who has agreed to acquire them;

(xii) their being of the same kind as goods supplied to a person;

(xiii) place or date of manufacture, production, processing or reconditioning;

(xiv) person by whom manufactured, produced, processed or reconditioned;

(xv) other history, including previous ownership or use;

(xvi) availability in a particular place of (a) a service for the inspection, repair or maintenance of the goods; or (b) spare parts for the goods;

(xvii) warranty given in respect of the service or spare parts referred to in item (xvi) above;

(xviii) the person by whom the service or spare parts referred to in item (xvi) above are provided;

(xix) the scope of the service referred to in item (xvi)(a) above;

(xx) the period for which (and the price at which) the service or spare parts referred to in item (xvi) above are available; and

(xxi) the charge or cost at which the service or spare parts referred to in item (xvi) above are available.

Any person who in the course of any trade or business applies a false description to any goods, or supplies any goods to which a false trade description is applied, or has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied, commits an offence.

False trade description of services

In relation to a service, "trade description" means an indication, direct or indirect, and by whatever means given, with respect to the service or any part of the service including an indication of any of the following matters:

(i) nature, scope, quantity (including the number of occasions on which, and the length of time for which, the service is supplied or to be supplied), standard, quality, value or grade;

(ii) fitness for purpose, strength, performance, effectiveness, benefits or risks;

(iii) method and procedure by which, manner in which, and location at which, the service is supplied or to be supplied;

(iv) availability;

(v) testing by any person and the results of the testing;

(vi) approval by any person or conformity with a type approved by any person;

(vii) a person by whom it has been acquired, or who has agreed to acquire it;

(viii) the person by whom the service is supplied or to be supplied;

(ix) after-sale service assistance concerning the service; and

(x) price, how price is calculated or the existence of any price advantage or discount.

A trader who applies a false trade description to a service supplied or offered to be supplied to a consumer or who supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence.

Unfair trade practices

Further, the Trade Descriptions Ordinance also prohibits certain specified trade practices:

Misleading omissions

A trader commits an offence of misleading omissions if it omits or hides material information, or provides material information in a manner that is unclear, unintelligible, ambiguous or untimely, or fails to identify its commercial intent (unless this is already apparent from the context), and as a result it causes or is likely to cause an average consumer to make a transactional decision that the consumer would not have made otherwise.

Aggressive commercial practices

A trader commits an offence of aggressive commercial practices if the commercial practice in its factual context, (a) significantly impairs or is likely to significantly impair the consumer's freedom of choice or conduct in relation to the product concerned through the use of harassment, coercion or undue influence and (b) therefore causes or is likely to cause the consumer to make a transactional decision that the consumer would not have made otherwise.

Bait advertising

A trader commits an offence of bait advertising if a trader advertises products for supply at a specified price, but there are no reasonable grounds for believing that the trader will be able to offer for supply those products at that price, or the trader fails to offer those products for supply at that price, for a period that is, and in quantities that are, reasonable, having regard to (a) the nature of the market in which the trader carries on business; and (b) the nature of the advertisement.

However, advertising by a trader of products for supply at a specified price is not bait advertising if the advertisement states clearly the period for which, or the quantities in which, the products are offered for supply at that price; and the trader offers those products for supply at that price for that period or in those quantities.

Bait and switch

A trader commits an offence of bait and switch if a trader makes an invitation to purchase a product at a specified price and, with the intention of promoting a different product, the trader (a) refuses to show or demonstrate the product to consumers, or (b) refuses to take orders for the product or deliver it within a reasonable time, or (c) shows or demonstrates a defective sample of the product.

Wrongly accepting payment

A trader commits an offence of wrongly accepting payment if the trader accepts payment or other consideration for the product and at the time of that acceptance, (a) the trader intends not to supply the product, or (b) the trader intends to supply a product that is materially different from the product in respect of which the payment or other consideration is accepted, or (c) there are no reasonable grounds

for believing that the trader will be able to supply the product (i) within the period specified by the trader at or before the time at which the payment or other consideration is accepted, or (ii) if no period is specified at or before that time, within a reasonable period.

Definition of "trader"

"Trader" means any person (other than an exempt person under Schedule 3) who, in relation to a commercial practice, is acting, or purporting to act, for purposes relating to the person's trade or business. The definition of an "exempt person" under the Trade Descriptions Ordinance includes, among others, a registered medical practitioner under the Medical Registration Ordinance. Under item 9 of Schedule 3, medical services provided by our doctors who are registered medical practitioners under the Medical Registration Ordinance are exempted from the regulations applicable to traders under the Trade Descriptions Ordinance. However, our Group is still subject to the regulations under the Trade Descriptions Ordinance as skin care products are made available for clients at our medical aesthetic centres.

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, the Trade Descriptions Ordinance.

Consumer Goods Safety Ordinance and Consumer Goods Safety Regulation

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time ("**Consumer Goods Safety Ordinance**") imposes a statutory duty on manufacturers, importers and suppliers of certain consumer goods (excluding for example pharmaceutical products) to ensure that the consumer goods supplied are safe and for incidental purposes.

Under the Consumer Goods Safety Ordinance, a person who supplies, manufactures or imports into Hong Kong consumer goods which do not comply with the general safety requirement for consumer goods (or where a standard has been approved by the Secretary for Commerce and Economic Development to apply to consumer goods, the approved standard for the particular consumer goods) commits an offence. General safety requirement in respect of consumer goods means that such goods are reasonably safe having regard to all of the circumstances, including, among others, the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed.

Certain defences are available under the Consumer Goods Safety Ordinance. One of the defences is that the relevant person supplied the consumer goods in the course of carrying on a retail business and at the time he supplied the consumer goods, he neither knew nor had reasonable grounds for believing that the consumer goods failed to comply with the general safety requirement.

The Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time ("**Consumer Goods Safety Regulation**") requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods (excluding pharmaceutical products) must be given in both Chinese and English.

Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods, any package of the consumer goods, or on a label securely affixed to the package, or a document enclosed in the package.

Skin care products available at our medical aesthetic centres in Hong Kong which are not pharmaceutical products are subject to the Consumer Goods Safety Ordinance and Consumer Goods Safety Regulation.

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, the Consumer Goods Safety Ordinance or the Consumer Goods Safety Regulation.

Sale of Goods Ordinance

Contracts for the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time. For consumer transactions, certain terms are implied into sales contracts to strengthen protection to consumers.

Examples include the implied undertaking that the goods are of merchantable quality, requiring that the goods should be fit for the purpose(s) for which goods of that kind are commonly bought, of such standard of appearance and finish, free from defects (including minor defects), safe, and durable as reasonably expected having regard to the relevant circumstances.

Supply of Services (Implied Terms) Ordinance

There are also implied terms prescribed in respect of the supply of services under the Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.

Apart from the contractual aspects of liability, retailers in Hong Kong may also owe a duty of care to consumers and be liable for damages resulting from defects in the goods caused by their negligent acts or for any fraudulent misrepresentation made in the selling of the goods. Liability may arise if a retailer disregards the instructions of the manufacturers or suppliers in handling the relevant goods or fails to pass on to the buyers instructions for use and warnings received from such manufacturers or suppliers. If a retailer knows or reasonably believes that the goods may be defective or dangerous, it may have to cease to supply such goods and take basic precautions such as warning the buyers and informing the relevant manufacturers or suppliers.

Unconscionable Contracts Ordinance

The Unconscionable Contracts Ordinance (Chapter 458 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time empowers the court, with respect to a consumer contract, to refuse to enforce the contract, enforce the remainder of the contract without the unconscionable part, or limit the application of, revise or alter any part which is found to be unconscionable so as to avoid any unconscionable result.

Control of Exemption Clauses Ordinance

Contracts for the sale of goods or supply of services in which one party deals as a consumer, among others, are subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.

Pursuant to the Control of Exemption Clauses Ordinance, any exemption clauses contained in the contract purporting to exclude or restrict liabilities for loss or damage to property due to negligence are valid only in so far as such clauses satisfy the requirement of reasonableness.

Regulations on Advertisements in Hong Kong

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time ("**Undesirable Medical Advertisements Ordinance**") aims to protect public health through prohibiting or restricting advertisements relating to certain diseases, consumable products and abortion.

Among other restrictions, according to the Undesirable Medical Advertisements Ordinance, no person shall publish, or cause to be published, any advertisements likely to lead to the use of any medicine, surgical appliance or treatment for:

- the purpose of treating human beings for, or preventing them from contracting any of the diseases or conditions specified in the Undesirable Medical Advertisements Ordinance which include, among others, any disease of the skin, hair or scalp except for a purpose specified in the Undesirable Medical Advertisements Ordinance which, among others, include prevention of pimples and relief or prevention of minor skin conditions including dry and chapped skin; or

- treating human beings for any purpose specified in the Undesirable Medical Advertisements Ordinance which include, among others, the restoration of lost youth and the correction of deformity or the surgical alteration of a person's appearance.

As defined in the Undesirable Medical Advertisements Ordinance, "advertisement" includes any notice, poster, circular, label, wrapper or document, and any announcement made orally or by means of producing or transmitting light or sound. These would include advertisements 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.

If a person named in that advertisement is held out (a) as being a manufacturer or supplier of medicine or surgical appliances; or (b) as being able to provide any treatment, that person is presumed, until the contrary is proved, to have caused the advertisement to be published.

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, the Undesirable Medical Advertisements Ordinance.

Regulations on Pharmaceutical Products and Drugs in Hong Kong

Pharmacy and Poisons Ordinance and its sub-legislations

The Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time ("**Pharmacy and Poisons Ordinance**") regulates the sale and labelling of products which are classified as pharmaceutical products and medicine. As stipulated under Regulation 36(1) of the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time ("**Pharmacy and Poisons Regulations**"), "pharmaceutical products" must be registered before they can be sold, offered for sale, distributed or possessed for the purposes of sales, distribution or other use in Hong Kong.

Under the Pharmacy and Poisons Ordinance, "pharmaceutical product" and "medicine" mean any substance or combination of substances:

- presented as having properties for treating or preventing disease in human beings or animals; or

- that may be used in, or administered to, human beings or animals, either with a view to (i) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action, or (ii) making a medical diagnosis.

Ingredients that are classified as poisons are listed in the Poisons List under the "Tenth Schedule" of the Pharmacy and Poisons Regulations. According to their potency, toxicity and potential side effects, some poisons are further categorised under different parts of the Poisons List and different schedules under the Pharmacy and Poisons Regulations. The levels of control over the sale of the poison depend on its categorisation.

Pharmaceutical products that do not contain any poisons or contain "Part II" poisons as set out in the "Tenth Schedule" of the Pharmacy and Poisons Regulations are referred as over-the-counter medicines. The former can be sold in any retail shops while the latter can be sold by authorised sellers of poisons (usually known as pharmacies or dispensaries) and listed sellers of poisons (usually known as medicine stores). Pharmaceutical products containing "Part I" poisons as set out in the "Tenth Schedule" of Pharmacy and Poisons Regulations can only be sold by authorised sellers of poisons in the presence and under the supervision of registered pharmacists.

Some Part I Poisons as set out in the "Tenth Schedule" of the Pharmacy and Poisons Regulations are further classified into the "First Schedule" and the "Third Schedule" of the Pharmacy and Poisons Regulations with additional restrictions on their sale by retailers. The sale of pharmaceutical products containing Part I First Schedule Poisons as set out in the Pharmacy and Poisons Regulations further requires keeping sale records which include *inter alia*, the name and quantity of the poison supplied, the date on which the poison was supplied, the name and address of the person to whom the poison was supplied, and the name of the person who supplied the poison or gave the prescription upon which it was supplied, as well as the signature and purpose for which it is required (for wholesale dealing). The sale of pharmaceutical products containing prescription only medicines (Part I Third Schedule Poisons as set out in the Pharmacy and Poisons Regulations) must be authorised by a prescription from a registered medical practitioner, a registered dentist or a registered veterinary surgeon.

However, the supply of medicine by a doctor for the purposes of medical treatment is not subject to the conditions and limitations mentioned above in relation to the sale of Part I and Part II poisons as set out in the "Tenth Schedule" of the Pharmacy and Poisons Regulations imposed by the Pharmacy and Poisons Ordinance.

In order to be exempted from the conditions and limitations mentioned above imposed by the Pharmacy and Poisons Ordinance, all ordering and dispensing of medication and substances which may include Part I and Part II poisons at our CWB Centre and Central Centre are carried out by or conducted under the supervision of our doctors. Medicines are checked by our doctors before being prescribed and dispensed to our clients with full records being kept. On the other hand, to the best of our Directors' knowledge after due care and making of reasonable enquiries, our private-label products under our brands and other branded products supplied at our CWB Centre and Central Centre do not contain any medication or poisons and are therefore not regulated and not required to be registered under the Pharmacy and Poisons Ordinance or Pharmacy and Poisons Regulations.

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warning in relation to, the Pharmacy and Poisons Ordinance or Pharmacy and Poisons Regulations.

Dangerous Drugs Ordinance

The Dangerous Drugs Ordinance (Chapter 134 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time ("**Dangerous Drugs Ordinance**") regulates the import, export, procuring, supply, dealing in or with, manufacture and possession of drugs or substances which are classified as dangerous drugs under the Dangerous Drugs Ordinance.

Dangerous drugs are not allowed to be supplied to any person except to a person authorised or licensed to be in possession of such drugs in accordance with the Dangerous Drugs Ordinance. However, the Dangerous Drugs Ordinance provides that the administration of a dangerous drug by or under the direct personal supervision of, and in the presence of, a Hong Kong doctor is exempted. A Hong Kong doctor is also authorised by the Dangerous Drugs Ordinance, so far as may be necessary for the practice or exercise of his profession and in his capacity as such, to be in possession of and to supply a dangerous drug as well as to have in his possession equipment or apparatus fit and intended for the injection of a dangerous drug.

Furthermore, the Dangerous Drugs Regulations (Chapter 134A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time regulates the prescriptions, labelling and record keeping of dangerous drugs and monitors the sale of such drugs.

As mentioned above, all ordering and dispensing of medications at our CWB Centre and Central Centre are carried out by or conducted under the supervision of our doctors. Moreover, as confirmed by our doctors, neither of our CWB Centre and Central Centre keep any dangerous drugs regulated under the Dangerous Drugs Ordinance.

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, the Dangerous Drugs Ordinance.

Regulations on Clinical Waste Disposal

Waste Disposal Ordinance

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time ("**Waste Disposal Ordinance**") and the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (the "**Waste Disposal (Clinical Waste) (General) Regulation**") provide for, among others, the control and regulation of the production, storage, collection and disposal of clinical waste.

Under the Waste Disposal Ordinance, clinical waste means waste consisting of any substance, matter or thing generated in connection with:

- a dental, medical, nursing or veterinary practice;
- any other practice, or establishment (howsoever described), that provides medical care and services for the sick, injured, infirm or those who require medical treatment;
- dental, medical, nursing, veterinary, pathological or pharmaceutical research; or
- a dental, medical, veterinary or pathological laboratory practice,

but does not include chemical waste or radioactive waste, and which consists wholly or partly of any of the materials specified in one or more of the groups listed below:

- used or contaminated sharps;
- laboratory waste;
- human and animal tissues;
- infectious materials;
- dressings; and
- such other wastes as specified by the Director of Environmental Protection.

The Waste Disposal (Clinical Waste) (General) Regulation requires all waste producers to arrange for their clinical waste to be properly disposed of. Waste producers comply with this duty if they consign the waste to a licensed clinical waste collector for delivery to a reception point, deliver the waste to a reception point or collection point, or dispose of their waste at a licensed clinical waste disposal facility according to the requirements specified in the Waste Disposal (Clinical Waste) (General) Regulation. The Waste Disposal (Clinical Waste) (General) Regulation also requires waste producers to keep records of the clinical waste consigned to licensed collectors or delivered to a collection point or licensed disposal facility, and to produce such records for inspection upon request by the Director of Environmental Protection.

A Code of Practice for the Management of Clinical Waste-Clinical Waste Producers and Waste Collectors ("**Code of Practice**") has been published by the Secretary for the Environment under the Waste Disposal Ordinance to provide guidance to major clinical waste producers and small clinical waste producers to assist them to comply with the legal requirements of the Waste Disposal Ordinance and the Waste Disposal (Clinical Waste) (General) Regulation. Private medical clinics or practices are classified as small clinical waste producers under the Code of Practice.

Given the medical aesthetic services provided at our medical aesthetic centres may produce used or contaminated sharps such as syringes and needles as well as dressings, our Group is subject to the Waste Disposal Ordinance, Waste Disposal (Clinical Waste) (General) Regulation and the Code of Practice.

Aside from the Waste Disposal (Clinical Waste) (General) Regulation, the Waste Disposal (Chemical Waste) General Regulations (Cap. 354C), as amended, supplemented or otherwise modified from time to time ("**Waste Disposal (Chemical Waste) General Regulations**") may also be relevant to our business. According to the provisions of the Waste Disposal (Chemical Waste) General Regulations, an unwanted substance or by-product arising from the application of or in the course of any process or trade activity, and which is or contains any substance or chemical specified in Schedule 1 of the Waste Disposal (Chemical Waste) General Regulations shall be regarded as chemical waste if such substance or chemical occurs in such form, quantity or concentration so as to cause pollution or constitute a danger to health or risk of pollution to the environment. Schedule 1 of the Waste Disposal (Chemical Waste) General Regulations includes, among other things, antibiotics, pharmaceutical products and medicines. There is no mention in the Waste Disposal (Chemical Waste) General Regulations as to what quantity or concentration of antibiotics/pharmaceutical products/medicines will amount to pollution or danger to health or risk to the environment. The requirements under the Waste Disposal (Chemical Waste) General Regulations for the disposal of chemical wastes are very similar to those as relates to clinical wastes under the Waste Disposal (Clinical Waste) (General) Regulation. In gist, the waste producer will need to register with the Director of Environmental Protection and the chemical wastes will need to be properly packed, labelled and stored until disposal is collected by a licensed waste collector or is delivered to a registered collection point.

Our Group has registered under the Environmental Protection Department as a clinical waste producer. We are also in compliance with the requirements under the Waste Disposal (Clinical Waste) (General) Regulation by consigning the waste to a licensed clinical waste collector for delivery to a reception point or collection point and keeping such records for inspection upon request by the Director of Environmental Protection.

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, the Waste Disposal Ordinance, the Waste Disposal (Clinical Waste) (General) Regulation, the Code of Practice or the Waste Disposal (Chemical Waste) General Regulations.

Regulations on possessing, maintaining and use of certain treatment devices

Under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) ("**Telecommunications Ordinance**"), for a person to possess or use any apparatus for radiocommunications or any apparatus of any kind that generates and emits radio waves notwithstanding that the apparatus is not intended for radiocommunications, the person must apply for an appropriate telecommunications licence from the Communications Authority.

Since we possess one Thermage CPT equipment in each of our CWB Centre and Central Centre for use in providing Thermage CPT treatments, being a type of energy-based procedure involving the use of radiofrequency that deploys high-frequency radio waves that excite water molecules within the skin to generate heat, we are required to apply for and maintain an Industrial, Scientific and Medical Electronic Machine Licences ("**ISMEM Licence**") as prescribed by the Communications Authority, which generally has a validity of one year and may be renewed for a period of one year at a time. Under the respective ISMEM Licence held by our CMM and CMM (Central), we are licensed to possess, maintain and use the licensed Thermage CPT equipment at our CWB Centre and Central Centre which address is specified under the relevant ISMEM Licence for the purpose of generating high frequency electro-magnetic energy which shall be used for industrial, scientific and medical purposes only, subject to certain conditions, which include:

(a) the licensed Thermage CPT equipment shall be used only under suppressed radiation conditions. Radiation outside the internationally allocated frequencies causing interference to communication services shall be suppressed to the satisfaction of the Communications Authority;

(b) the licensed Thermage CPT equipment shall be operated only be persons authorised by the licensee, namely, CMM or, as the case may be, CMM (Central), which is the holder of the relevant ISMEM Licence, on their behalf;

(c) The licensee shall not without the consent in writing of the Communications Authority (i) make any alternation or addition to the apparatus (apparatuses) covered by the ISMEM Licence; or (ii) change the address of the place where the apparatus (apparatuses) is maintained and used;

(d) If at any time the licensee wishes to make (i) any alteration or addition mentioned in sub-paragraph (c)(i) above; or (ii) a change of address mentioned in sub- paragraph (c)(ii), it shall make application in writing to the Communications Authority for consent to such alteration, addition or change not less than 10 days before the date on which it intends to make such alteration, addition or change; and

(e) the ISMEM Licence is not transferable.

It is our policy that in each of our CWB Centre and Central Centre, the licensed Thermage CPT equipment shall only be operated by our doctors.

During the Track Record Period and up to the Latest Practicable Date, (i) none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, the Telecommunications Ordinance; and (ii) we did not experience any material difficulties in renewing the ISMEM Licence for our Thermage CPT equipment.

Regulations on Personal Data Privacy

Personal Data (Privacy) Ordinance

The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time ("**Personal Data (Privacy) Ordinance**") places a statutory duty on data users to comply with the requirements of the six data protection principles contained in Schedule 1 to this ordinance. The Personal Data (Privacy) Ordinance provides that a data user shall not do an act, or engage in a practice, that contravenes a data protection principle unless the act or practice, as the case may be, is required or permitted under the Personal Data (Privacy) Ordinance. The six data protection principles are:

- Principle 1 — purpose and manner of collection of personal data;
- Principle 2 — accuracy and duration of retention of personal data;
- Principle 3 — use of personal data;
- Principle 4 — security of personal data;
- Principle 5 — information to be generally available; and
- Principle 6 — access to personal data.

The Personal Data (Privacy) Ordinance also gives data subjects certain rights, *inter alia:*

- the right to be informed of whether any data user holds their personal data;
- the right to be supplied with a copy of such data; and
- the right to request correction of any data they consider to be inaccurate.

Non-compliance with a data protection principle may lead to a complaint to the Privacy Commissioner for Personal Data. A claim for compensation may also be made by a data subject who suffers damage by reason of a contravention of a requirement under the Personal Data (Privacy) Ordinance.

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, the Personal Data (Privacy) Ordinance.

RECENT DEVELOPMENT IN RELATION TO REGULATION OF MEDICAL PROCEDURES AND BEAUTY SERVICES, AS WELL AS PRIVATE HEALTHCARE FACILITIES

Background

Recently, the Government of Hong Kong has been considering to tighten up regulation of the beauty industry and to provide a clear definition to differentiate beauty therapies from medical procedures. A Steering Committee on Review of the Regulation of Private Healthcare Facilities (the "**Steering Committee**") has been established to review the regulatory regime for private healthcare facilities ("**PHFs**"). A Working Group on Differentiation between Medical Procedures and Beauty Services (the "**Working Group**") has also been set up under the Steering Committee, which was tasked to differentiate between medical treatments and ordinary beauty services and to make recommendations on the regulatory approach. The Working Group, chaired by the Director of Health and includes representatives from relevant medical specialties, the beauty industry and consumer groups, is tasked to, among others, make recommendations on procedures that should be performed by registered medical practitioners. The Food and Health Bureau also published the Consultation Paper entitled "Regulation of Private Healthcare Facilities — Consultation Document" in December in 2014 to invite public views.

Recommendations made by the Working Group

According to the Consultation Paper, reviews by Working Groups had been completed with their recommendations ("**Recommendations**") which included, among others, a list of cosmetic procedures that should only be performed by registered medical practitioners:

1. Cosmetic procedures that involve injections should be performed by registered medical practitioners.

2. Procedures that involve the mechanical/chemical exfoliation of the skin below the epidermis should be performed by registered medical practitioners.

3. Traditional body tattooing and piercing should be exempted from being considered as a "medical procedure", but special care should be taken for procedures performed on body parts which have higher risk of complications (e.g. near the eyes, the tongue, etc.). All practitioners should be well trained and adopt infection control measures when performing the procedures. Practitioners should ensure that consumers are made aware of the inherent risks involved and allowed to make informed decisions before undergoing the procedure.

4. Hyperbaric oxygen therapy should not be performed as a form of beauty procedure. In view of its risks of complications, it should be performed by registered medical practitioners on patients with clinical indications.

5. Dental bleaching may lead to complications, especially if performed inappropriately or performed on inappropriate clients, such as those suffering from pre-existing dental conditions. The procedure should be performed by registered dentists.

6. It supports the plan of the Government of Hong Kong to introduce a new medical device ordinance to deal with the issue of control over the use of selected high-risk medical devices.

7. It recommends the setting up of an expert panel under the future medical device ordinance to advise on the risk and appropriate controls over new cosmetic procedures based on innovative technology.

Advisory note and letters issued by the Hong Kong Department of Health

The Hong Kong Department of Health issued an advisory note on the provision of cosmetic procedures to beauty service providers based on the Recommendations and the general infection control principles, reminding beauty service providers to refrain from procedures that should only be performed by registered medical practitioners or registered dentists. Failure to follow the advice may render oneself liable for offences under the Medical Registration Ordinance or the Dentists Registration Ordinance (Chapter 156 of the Laws of Hong Kong), as amended, supplemented or other wise modified from time to time.

An open letter was sent by the Hong Kong Department of Health to all registered medical practitioners reminding them to strictly observe the Hong Kong Medical Code of Professional Conduct when they provide cosmetic procedures in their medical practice, including providing formal medical consultation and keeping proper medical records.

Effect on our Group

Pursuant to the Recommendations, procedures involving injections and procedures involving mechanical/chemical exfoliation of skin below the epidermis should be performed by registered medical practitioners in Hong Kong. Our Directors consider that the Recommendations and the letters to registered medical practitioners do not have any material adverse effect on our medical aesthetic centres because, even before the commencement of the legislative review by the Government of Hong Kong and the increased public awareness on treatment safety, procedures of such nature are carried out by our doctors and there are controls in place to ensure these procedures are performed by our doctors.

REGULATORY AUTHORITIES IN HONG KONG

Our business operations in Hong Kong are principally subject to the regulation of the Hong Kong Medical Council and the Hong Kong Consumer Council.

Hong Kong Medical Council

The Hong Kong Medical Council is established under the Medical Registration Ordinance. The Hong Kong Medical Council was founded to assure and promote quality in the medical profession in order to protect patients, foster ethical conduct, and develop and maintain high professional standards. The Hong Kong Medical Council maintains a register of eligible medical practitioners, administers relevant licensing examinations, issues guidelines and the Hong Kong Medical Code of Professional Conduct, and exercises regulatory and disciplinary powers over the medical profession.

All our doctors are medical practitioners registered under the Medical Registration Ordinance and are therefore subject to the regulation of the Hong Kong Medical Council.

Hong Kong Department of Health

The Hong Kong Department of Health is the government agency in Hong Kong which is responsible for the execution of healthcare policies and statutory functions. There are two divisions under the department conduct duties that are particularly relevant to our business, namely the Drug Office and the Medical Device Control Office.

Hong Kong Consumer Council

The Hong Kong Consumer Council protects the rights of consumers. Consumers have a right to dispute the price or quality of services if they find it unsatisfactory. The Hong Kong Consumer Council also assists consumers in cases of false claims made by companies with respect to a specific service offered by them.