

To:

Eternal Beauty Holdings Limited

22/F, Enterprise Square Two,
No. 3 Sheung Yuet Road,
Kowloon, Hong Kong
(the “**Company**”)

BNP Paribas Securities (Asia) Limited

60/F. and 63/F. Two International Finance Centre
8 Finance Street,
Central, Hong Kong
and

CITIC Securities (Hong Kong) Limited

18/F, One Pacific Place,
88 Queensway, Hong Kong
(the “**Joint Sponsors**”)

RE: PROJECT BEAUTY

LEGAL OPINION

1. Those instructing me act for Eternal Beauty Holdings Limited (穎通控股有限公司) (the “**Company**”, together with its subsidiaries, the “**Group**”), a Cayman Islands incorporated company, in the proposed listing (the “**Listing**”) of the shares of the Company (the “**Shares**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
2. The Group, with various subsidiaries and operations in Hong Kong, Macau and the PRC, principally engages in one-stop brand management services for international brands of perfumes, skincare products, color cosmetics, eyewear and home fragrances. The Group provides, inter alia, supply chain management, execution and formulation of bespoke market entry and expansion plans, data analysis and localised capability for operation and distribution for the international brands operating in China, Hong Kong and Macau. The

Company's Hong Kong subsidiaries (the "Subsidiaries" and each, a "Subsidiary") include :-

- (1) B & E China Holdings Limited ("BEC");
- (2) E & C (Hong Kong) Trading Limited ("ECHK");
- (3) E & C Holdings Limited ("ECH") (ECH ceased to be a subsidiary of the Group on 30 May 2025, as detailed in the section titled 'Major Acquisitions, Disposals and Mergers – Disposal of E&C Holdings and its Subsidiaries' of the Prospectus. For the purposes of this Legal Opinion, compliance matters relating to ECH will nonetheless be addressed);
- (4) E China Trading Limited ("ECT");
- (5) Eternal China Limited ("ECL");
- (6) Eternal Optical & Perfumery (Far East) Limited ("EOP");
- (7) Excellent Fareast Limited ("EFL");
- (8) Moral Happiness Limited ("MHL");
- (9) Talent Crown Limited ("TCL"); and
- (10) Visual Promotions Limited ("VPL")

3. I have been instructed to advise on the following:-

A. Due Incorporation and Corporate Information

- (1) The current registration status of each Subsidiary, including the company name, registered address, type of company, business scope, and date of incorporation.
- (2) The due incorporation, good standing and valid and continuous existence of each Subsidiary.
- (3) Whether each Subsidiary has obtained a current valid business registration certificate (or equivalent certificate or approval or license) from competent authority (for example, for a Hong Kong-incorporated company, whether it has obtained a current valid business registration certificate from the Inland Revenue Department of Hong Kong).
- (4) Description of principal business and operation (including but not limited to the principal products or services, principal place of business and operation) of each Subsidiary and segments of its main business revenue, and whether there is any franchise rights obtained by each Subsidiary.
- (5) Whether there are any restrictions under each Subsidiary's constitution affecting its ability, power and capacity to own, use, lease or operate its properties and assets and carry on its current business under the laws of its place of incorporation and its constitutional documents.
- (6) Each Subsidiary is a separate legal entity which can sue and be sued in its own name and is not entitled to immunity under the relevant Hong Kong laws.

- (7) Each Subsidiary's current constitution is not in breach or violation of any laws or regulations of its place of incorporation.
- (8) From 1 April 2022 to 31 March 2025 based on the actual listing timetable| ("**Track Record Period**" or "**TRP**") and thereafter up to the date of the legal opinion, the identity of the shareholders of and their respective shareholding in each Subsidiary (including all changes within such period). Whether such shareholding is free and clear of all charges, security, liens, encumbrances, equities or claims. Confirmation in respect of whether each historical change of the shareholding structure (including but not limited to issuance of new shares and transfer of shares) was lawful and valid; whether the stamp duty (if any) in respect of all issuance and transfer of shares has been duly paid); and the shareholders are qualified to be the shareholders of each Subsidiary under the constitutional documents and all applicable laws and regulations.
- (9) During the Track Record Period and thereafter up to the date of the legal opinion, the identity of the directors of each Subsidiary (including all changes within such period) and they are appointed in accordance with applicable laws and each Subsidiary's constitution.
- (10) The identity (including name, nationality, and address) and legal compliance of the ultimate controller of each Subsidiary for the past 3 years.
- (11) As at the date of legal opinion, information on the share capital of each Subsidiary, including:
 - (i) the authorised and issued share capital;
 - (ii) whether the issuance of the shares has been duly authorised, and the shares were validly issued and are fully paid and non-assessable in accordance with the laws of its place of incorporation and the constitutional documents of the Subsidiary;
 - (iii) whether each issued share rank pari passu in all respects with each other;
 - (iv) whether all consents, approvals and authorisations of, and all filings, registrations and qualifications with, any court, governmental or regulatory department or agency or other regulatory body in Hong Kong required under the laws of Hong Kong with respect to the issuance of the shares have been obtained; and
 - (v) whether there are any outstanding rights, warrants or options to acquire, or instruments convertible into, any shares or equity interest in the Subsidiary.

- (12) As at the date of legal opinion, whether there are any outstanding mortgages, charges or other kinds of security granted over or registered against any of the assets of each Subsidiary.
- (13) Whether each Subsidiary has the full power and authority to declare and effect dividend payments in or out of the place of incorporation freely in any foreign currencies, without any withholding or other taxation and freely transferable out of Hong Kong without the necessity of obtaining any governmental approvals or permits.
- (14) Whether any of the Subsidiary is currently prohibited from or is subject to any restrictions in, directly or indirectly, paying any dividends or other distributions to the holders of their respective shares under the laws of its place of incorporation and its constitutional documents.
- (15) All necessary corporate filings have been made on a timely basis in Hong Kong for the Track Record Period and thereafter up to the date of the legal opinion; there are no governmental or regulatory consents, approvals, authorizations, permissions or orders required in Hong Kong by the Subsidiary that have not been obtained, or any filing, recording or registration with any regulatory authority or governmental agency in Hong Kong that has not been effected in connected with each Subsidiary's operation and the proposed offering in Hong Kong.

B. Acquisition (only applicable if the Subsidiary was acquired by the Company)

- (16) To the extent the Company acquired the Subsidiary, whether the relevant acquisition agreements (the "**Acquisition Agreements**") pursuant to which the Company acquired the Subsidiary (or the relevant business in Hong Kong) are (1) duly authorized, executed and enforceable in accordance with the laws of Hong Kong by which the "Acquisition Agreements" are governed; and (2) the acquisition does not violate any applicable laws, regulations.

C. Legal Compliance - Licences and Permits

- (17) During the Track Record Period, whether each Subsidiary has obtained all necessary licenses, consents, authorizations, permissions, declarations, approvals, orders, registrations, clearances, certificates, permits, report (the "**Government Authorizations**") to and filings with government agencies or body or any other regulator (the "**Authority**") in the place of its incorporation for it to own, lease, license and use properties and assets, and to conduct its current business in so far as such properties and assets and the conduct of such businesses are governed by the laws of its place of incorporation, and whether such Government Authorizations are in full force and effect, and contain no material restrictions or conditions and there are no legal impediments to their renewal, and each Subsidiary has not received any notice of any proceedings relating to the revocation, suspension, withdrawal, cancellation or modification of any such Government Authorizations.

- (18) During the Track Record Period, whether each Subsidiary is in compliance in all material respects with all applicable laws of the place of incorporation, including but not limited to whether it is in compliance when engaging in transactions with PRC and overseas entities.

D. Insolvency and Litigation

- (19) During the Track Record Period, based on available searches with the relevant courts (or other applicable body), whether there is any order, writ of summons, petition or shareholders' resolution filed or passed for the dissolution or liquidation of any Subsidiary or appointment of a receiver, administrator or liquidator in connection with the winding-up, dissolution, liquidation procedures of any Subsidiary or its assets.
- (20) During the Track Record Period, based on available searches with the relevant courts (or other applicable body), whether there is any litigation, bankruptcy, winding-up, prosecution, arbitral or disciplinary proceeding involving any Subsidiary or its directors and senior management.
- (21) During the Track Record Period, based on available searches or enquiries, whether there is any current investigation or regulatory proceeding by or involving any Subsidiary, its directors or senior management.

E. Proposed Listing of the Company

- (22) Whether each Subsidiary requires any approvals, authorisations or consents of and from, or filings with or notifications to any Authorities for or as a result of the proposed listing of the Company (the "Proposed Listing") (including but not limited to the issue and sale of shares under the global offering and the associated changes in shareholding and directors of the Company as the holding company of each Subsidiary).
- (23) Whether the consummation or performance of the transactions contemplated by the Proposed Listing (including but not limited to the issue and sale of shares under the global offering and the associated changes in shareholding and directors of each Subsidiary as the holding company of the Company) will contravene, violate, conflict with or constitute a default under:
- (i) any law, regulation, judgement, ruling, order or decree of the place of incorporation applicable to each Subsidiary which is currently in force;
 - (ii) the constitutional documents of each Subsidiary; or
 - (iii) any agreement/instrument binding upon each Subsidiary or any of its assets (in particular, the material agreements under part H below).

F. Tax

- (24) Whether there is any form of public search on tax filings and whether each Subsidiary has paid all applicable taxes during the Track Record Period.
- (25) During the Track Record Period, whether each Subsidiary has complied with all the applicable laws in Hong Kong on tax matters and is not subject to any penalties/fines for violation of any applicable law in Hong Kong on taxation. All tax waivers, relief, concession and preferential treatment granted to each Subsidiary in Hong Kong during the Track Record Period, are valid, binding and enforceable.
- (26) Whether each Subsidiary has incurred any transfer pricing issue during the Track Record Period (if applicable).
- (27) Description of the main types of taxes and corresponding tax rates applicable to each Subsidiary for each significant business category during the Track Record Period.

G. Assets and Intellectual Properties

- (28) During the Track Record Period, whether there are any defects or encumbrances over the assets/properties owned by each Subsidiary (if any). Whether there are any outstanding securities granted over any of the assets/properties of each Subsidiary. Opine on the legality, due execution, validity of tenancy agreement of material properties described in the prospectus and CSRC filing report that are leased by each Subsidiary (if any).
- (29) During the Track Record Period, whether each Subsidiary has provided any guarantee noted from public searches.
- (30) During the Track Record Period, whether each Subsidiary has duly registered IP Rights (as contained in a schedule, including but not limited to patents, trademarks, domain names) it uses in business operation and such trademarks or other intellectual property remain valid and effective. During the Track Record Period, any third parties' intellectual properties each Subsidiary uses are duly licensed to such Subsidiary and do not infringe any other person's rights noted from public searches.

H. Material Agreements

- (31) Description of material contracts¹ to which each Subsidiary is a party (please list the material contracts that are to be performed, being performed or have been performed as of the date of the legal opinion.

¹ "Material Contracts" shall at least include any contract that:

- (32) Whether all the material agreements entered by each Subsidiary including the intellectual property licensing agreements, if any) (which shall include, but are not limited to, business agreements, financing agreements, guarantee agreements) and connected transaction agreements to which each Subsidiary is a party or which is binding upon it or any of its assets were duly entered into, are legally valid, binding and enforceable and do not contravene with any applicable laws and regulations in Hong Kong; all necessary corporate actions have been taken to authorize the execution, delivery and performance of these material contracts; no consent, approval, licence or authorisation is required from any governmental, judicial or public body or authority required for the execution, delivery and performance of these material contracts and there is no default under these material contracts.
- (33) Whether each Subsidiary is in default of any of its material obligations under its material contracts and whether each Subsidiary has received any notice from any counterparties relating to any breach or default.

I. Real Properties and Leases

- (34) Description of real properties owned and/or leases held by each Subsidiary during the Track Record Period, including whether each Subsidiary complies with the usage of the properties.
- (35) Whether there are any defects or encumbrances / outstanding security (e.g. mortgage) over any real property owned and/or leased by each Subsidiary during the Track Record Period.
- (36) Whether each Subsidiary has the requisite corporate and legal capacity to own its assets and conduct its business as described in the prospectus and the CSRC filing report and has the power and authority to own, use, lease and operate assets and property and to conduct its business as described in the prospectus and the CSRC filing report.
- (37) Whether each Subsidiary has made all necessary declarations, registration or filing (including any planning, building, construction and occupation permits and approvals) and as required under applicable laws relating to its ownership and usage of such properties during the Track Record Period. Whether each Subsidiary has

(a) involves a significant sum of money (e.g. not less than [threshold to be set depending on the circumstances, e.g. USD500,000]);

(b) is important to the overall business of the Company (e.g. any agreement in relation to any important distributorship, major suppliers, customers or manufacturers of the Company);

(c) the Company must rely on for its operations (e.g. any agreement between any member of the Company and any e-commerce platform or sales channel in Hong Kong, agreement in relation to licence of intellectual property right);

(d) contains any restrictive provisions in respect of the financing, listing or other fund-raising activities of the Company and/or its shareholders; and

(e) contract or agreement that is not in the ordinary course of business of the Company, including any contract or agreement with connected persons or parties, finance/guarantee agreements or documents.

made all necessary lease registration or filing for each of its leased properties during the Track Record Period.

J. Labor

- (38) Whether there has been any dispute, disturbance or other conflict between the employees and each Subsidiary during the Track Record Period.
- (39) Whether the form and content of the sample employment contract provided by each Subsidiary follow the laws of Hong Kong.

K. Insurance

- (40) Whether each Subsidiary is required to maintain any insurance policy for its business according to Hong Kong laws. If so, whether each Subsidiary has duly maintained such insurance policies (please list such insurance policies maintained by each Subsidiary) during the Track Record Period.

L. AML / Anti-Bribery Compliance

- (41) Whether each Subsidiary has complied with all applicable Hong Kong anti-money laundering laws, anti-corruption and anti-bribery laws for the Track Record Period and thereafter up to the date of the legal opinion.

4. By subsequent emails and documents (the “**Enclosures**”) from those instructing me, I have been provided with further documents and information which I shall refer to hereinbelow when necessary.
5. I shall deal with each part in turn accordingly.

Part A Due Incorporation and Corporate Information

(1) The current registration status of each Subsidiary

6. From the Enclosure, the information in relation to the current registration status of the Subsidiaries I have been provided with are as follows:-

Name of Subsidiary	Registered address	Type of company	Business scope	Date of incorporation
BEC	11/F Enterprise Square Two No 3 Sheung Yuet Rd Kowloon Bay KL	Body corporate	Investment holding, retails and trading of	8 May 2023

			skincare products	
ECHK	22/F Enterprise Square Two No 3 Sheung Yuet Rd Kowloon Bay KL	Body corporate	Trading & retailing	30 November 2021
ECH	22/F Enterprise Square Two No 3 Sheung Yuet Rd Kowloon Bay KL	Body corporate	Trading & retailing	2 September 2021
ECT	22/F Enterprise Square Two No 3 Sheung Yuet Rd Kowloon Bay KL	Body corporate	Investment holding	7 November 2018
ECL	22/F Enterprise Square Two No 3 Sheung Yuet Rd Kowloon Bay KL	Body corporate	Trading & retailing of optical products	10 April 2017
EOP	11/F & 22/F Enterprise Square II 3 Sheung Yuet Rd Kowloon Bay KL	Body corporate	I/E & Retailer	18 February 1983
EFL	Flat/ Rm 1 & 2 Blk A 9/F Ko Fai Industrial Building 7 Ko Fai Road Yau Tong KL	Body corporate	I/E wholes of cosmetic & perfume	22 October 1996
MHL	22/F Enterprise Square Two No 3 Sheung Yuet Rd Kowloon Bay KL	Body corporate	Trading & retailing	1 October 2021
TCL	22/F Enterprise Square Two No 3 Sheung Yuet Rd Kowloon Bay KL	Body corporate	Trading & retailing	8 October 2021

(2) Due incorporation

7. **Section 72 of the Companies Ordinance** provides that a certificate of incorporation is **conclusive evidence** that (a) all the requirements of the Companies Ordinance in respect of the registration of the company have been complied with; and (b) the company is registered under the Companies Ordinance.
8. **Section 73 of the Companies Ordinance** provides for the effects of incorporation on a company :-
 - (1) On and after the date of incorporation stated in the certificate of incorporation, the founder members, and any other persons who may from time to time become the company's members, are a body corporate with the name stated in the certificate or, if a change of name has effect under **Sections 107, 110, 770 or 772 of the Companies Ordinance**, with the new name.
 - (2) On and after the date of incorporation, the body corporate is capable of exercising all the functions of an incorporated company, and has **perpetual succession**.

- (3) On and after the date of incorporation, the founder members, and any other persons who may from time to time become the company's members, are liable to contribute to the assets of the company in the event of the company being wound up as is mentioned in the **Companies (Winding Up and Miscellaneous Provisions) Ordinance, Cap. 32**.
9. From the Enclosure, I have been provided with :-
 - (1) The Certificates of Incorporation of BEC, ECHK, ECH, ECT, ECL, EOP, EFL, MHL, TCL and VPL dated 8 May 2023, 30 November 2021, 9 September 2021, 7 November 2018, 10 April 2017, 18 February 1983, 22 October 1996, 1 October 2021, 8 October 2021 and 21 August 2002, respectively;
 - (2) A Certificate of Change of Name of ECT dated 26 November 2018; and
 - (3) A Certificate of Change of Name of ECL dated 7 November 2018.
10. The Certificates of Incorporation are sufficient proof that the Subsidiaries are duly incorporated and validly subsisting.

(3) Whether the Company has obtained a current valid business registration certificate

11. The Company is incorporated in the Cayman Islands. **Section 776 of the Companies Ordinance** provides that a non-Hong Kong company must apply for registration in Hong Kong if it establishes a place of business in Hong Kong.
12. From the Enclosures, I have been provided with the Company's Certificate of Registration of Non-Hong Kong Company issued on 22 November 2024 certifying that the Company is registered in Hong Kong under **Part 16 of the Companies Ordinance** as a non-Hong Kong company.
13. **Section 776(4)(c) of the Companies Ordinance** requires applicant for registration as non-Hong Kong Company to have at least one person who is proposed to be an authorized representation. I have been instructed that YEUNG Siu Lam was appointed as the authorised representative of the Company in Hong Kong, as evidenced by the Form NN1 of the Company submitted to the Companies Registry (the "CR") on 12 November 2024 provided to me. Ms. YEUNG ceased to be the authorized representative on 18 March 2025 and thereafter Mr. CHU Wai Tsun Baggio was appointed in place of her with effect from 18 March 2025 as evidenced by the Form NN8 submitted to the CR on 24 March 2025.
14. I am satisfied that the Company has been validly registered as a registered non-Hong Kong company.
15. **Section 5 of the Business Registration Ordinance, Cap. 310 (the "BRO")** requires every person, other than those specifically exempted, who carries on business in Hong

Kong must register his business with the Business Registration Office of the Inland Revenue Department (“**IRD**”). Every company incorporated in Hong Kong or non-Hong Kong company registered under the Companies Ordinance is deemed to be a person carrying on business and is required to be registered under the BRO.

16. **Section 6(5) of the BRO** provides that a business registration (“**BR**”) certificate shall be valid until the expiry date endorsed thereon, and no such certificate shall be valid unless it bears an endorsement to the effect that the prescribed business registration fee and the levy have been paid.
17. From the Enclosures, I have been provided with :-
 - (1) One BR certificate of the Company, valid from 12 November 2024 to 11 November 2025;
 - (2) Three BR certificates of BEC, valid from 8 May 2023 to 7 May 2026;
 - (3) Four BR certificates of ECHK, covering the periods from 30 November 2021 to 29 November 2025;
 - (4) Four BR certificates of ECH, covering the periods from 2 September 2021 to 1 September 2025;
 - (5) Five BR certificates of ECT, covering the periods from 7 November 2020 to 6 November 2025;
 - (6) Six BR certificates of ECL, covering the periods from 10 April 2020 to 9 April 2026.
 - (7) Five BR certificates of EOP, covering the periods from 18 February 2021 to 17 February 2026 and four respective Form M1 filed with the Direcção dos Serviços de Finanças of the Government of the Macau Special Administrative Region in respect of the establishment of 4 branch shops of EOP in Macau on 1 December 2024;
 - (8) Five BR certificates of EFL, covering the periods from 22 October 2020 to 21 October 2025;
 - (9) Four BR certificates of MHL, covering the periods from 1 October 2021 to 30 September 2025; and
 - (10) Four BR certificates of TCL, covering the periods from 8 October 2021 to 7 October 2025; and
 - (11) Four BR certificates of VPL, covering the periods from 21 August 2020 to 20 August 2024 (VPL is in the process of being deregistered and hence there is no need for BR certificate to be renewed).
18. I note that at the bottom of each BR certificate provided to me, there was an endorsement that the prescribed fee and levy have been paid.

19. I am satisfied that each of the Subsidiaries and the Company has maintained and obtained the BR certificates during the Track Record Period and up to the date of the legal opinion and the latest BR certificate is valid and in full force and effect as at the date of the legal opinion.

(4) Description of principal business and operation

20. The Group carries on business as an independent omni-channel brand management company in the perfumes market in China, Hong Kong and Macau, and have a large and diverse portfolio of iconic brands of not only perfumes, but also color cosmetics, skincare products, eyewear and home fragrances under its management. The Group identifies and selects the strategic partnerships to bring reputable and promising brands to the markets where we operate. The Group operates and supports their business in China, Hong Kong and Macau through highly value-added, one-stop services, which entail, among others, supply chain management, execution and formulation of bespoke market entry and expansion plans, data analysis and localized capabilities for operation and distribution, thereby addressing the challenges the Group believes that are commonly faced by the international brands operating in China, Hong Kong and Macau.

(5.6.7) Restrictions under the Subsidiaries' constitutions

21. **Part 3 Division 5 of the Companies Ordinance** outlines the capacity and powers of a company, *inter alia* :-
- (1) A company has the capacity, rights, powers and privileges of a natural person of full age (**Section 115(1)**);
 - (2) A company may do any act that it is permitted or required to do by its articles or any Ordinance or rule of law (**Section 115(2)(a)**); and
 - (3) A company has power to acquire, hold and dispose of land (**Section 115(2)(b)**).
22. Being separate legal entities, the Subsidiaries have their individual capacities to sue and be sued in their own names.
23. From the Enclosures, I have been provided with the Memorandum and Articles of Association (“**M&A**”) of each of the Subsidiaries. They have been duly registered in the Company Registry in Hong Kong and I have not seen any breach or violation of laws or regulations of its place of incorporation. Amongst the Subsidiaries, EOP’s M&As contain an object clause.
24. **Section 116(1) of the Companies Ordinance** provides that if the objects of a company are stated in its articles, the company must not do any act that it is not authorized to do by its articles. Meantime, **Section 116(5)** states that an act by a company (including a transfer of property to or by the company) is not invalid only because the company does the act in contravention of **Subsection (1) or (2)**.

25. The combined effect of these two sub-sections is that a company's act is not voided simply because it contravened the object clause of its M&A. The importance of the object clause lies rather in the company's internal governance. **Section 116(3)** provides that a member of a company may bring proceedings to restrain the company from doing any act in contravention of **Subsection (1) or (2)**. In addition, a director who acts contrary to the company's constitution can be in breach of fiduciary duty (*Re Samuel Sherman Plc* [1991] 1 WLR 1070).
26. For EOP, its object clause (Clause 3 of the Memorandum of Association) is drafted widely. After listing out a series of businesses and acts which EOP may carry out, Clauses 3(26) and 3(27) provide and permit HFD :-

"(26) To do all or any of the above things in any part of the world, and as principals, agents, contractors, trustees, or otherwise, and by or through trustees, agents, or otherwise, and either alone or in conjunction with others.

(27) To do all such things as are incidental or conducive to the above objects or any of them"
27. In essence, this permits EOP to carry out any act which is beneficial to the company. This "restriction" is no more than the usual fiduciary duty owed by directors to the company (and shareholders as a whole) to act in the company's best interest. Clauses 3(26) and 3(27) effectively remove all limitations on EOP's power to act as imposed by the other provisions in the object clause.
28. I am not aware of any further restrictions in EOP's M&A pertaining to properties, assets or its business activities.
29. In my opinion, there is no restriction in the Subsidiaries that limits or prohibits them from owning, leasing, operating properties and assets and carrying on their business activities.

(8, 11) Share capitals

30. I shall deal with the issues concerning issued shares of and allotment and transfer of shares in the Hong Kong Subsidiaries under this sub-section together.
31. The initial share(s) was deemed to have been issued to a company's founder member(s) upon registration of the company (*Re Ebenezer Timmins & Sons Ltd* (1902) 1 Ch 238). Founder member(s) is the person whose name is stated in the M&A and who signed the M&A as founder member. **Section 57B(7) of the Predecessor Companies Ordinance** provides that any allotment of shares to the founder members for the amount stated in the M&A shall not require approval.
32. In general, subject to any contrary provisions in the M&As of the Subsidiaries, the issuance, allotment and transfer of company shares subsequent to incorporation take place over the following steps :-

- (1) The directors seek approval of the intended allotment in general meeting, except (amongst others) in case of an allotment of shares in the company under an offer made pro rata by the company to the members of the company (**Section 57B of the Predecessor Companies Ordinance; Section 140(2) of the Companies Ordinance**).
- (2) An allotment/subscription agreement is generally made between the company and the allottee, but is not strictly necessary.
- (3) After approval, the certificate of shares be prepared within 2 months.
- (4) (if applicable) The transferor and transferee execute the respective bought and sold notes and the instrument of transfer, which are to be duly stamped. The instrument of transfer needs to be delivered to the company.
- (5) The allottee/transferee pays for the shares.
- (6) Return of the allotment be delivered to the Registrar of Companies within one month (**Section 142 of the Companies Ordinance**).
- (7) The name of the allottee/transferee be entered into the Register of Members.

33. In relation to stamp duty :-

- (1) Allotment of shares is not chargeable with stamp duty as it was not within the heads specified in **Schedule 1 of the Stamp Duty Ordinance, Cap. 117** (the “SDO”).
- (2) For transfer of shares, the bought and sold notes are chargeable with stamp duty under to **Head 2(1), Schedule 1 of the SDO**. Both the contract notes and the instrument of transfer need to be stamped but only the contract notes are chargeable.
- (3) The contract notes need to be stamped not later than 2 days after the execution of the contract notes in Hong Kong or not later than 30 days if the transaction is executed elsewhere (**Sections 19(1)(b)(i) and 19(1)(b)(ii) of the SDO**). The stamp duty rate is 0.1% (on each part of the transferor and the transferee) of the amount of the consideration or of its value at the date on which the contract note falls to be executed (**Head 2(1)(A), Schedule 1 of the SDO**).

34. A share certificate is only documentary evidence of title (**Section 71 of the Predecessor Companies Ordinance, Section 137 of the Companies Ordinance** and *Cheung Pui Yuen v Worldcup Investments Inc* (2009) 12 HKCFAR 31) and the absence of a share certificate does not render the shareholder’s title invalid. Ultimately, the title to shares is determined by the register of members (*Re Coroin Ltd, McKillen v Misland (Cyprus) Investments Ltd* [2014] BCC 14, at para.89).

35. It is an offence under **Sections 70(2) of the Predecessor Companies Ordinance and Section 144(3) (Re : allotment) and 155(4) (Re : transfer) of the Companies Ordinance** for failure to issue share certificates within a prescribed period of time after allotment or transfer.

36. For share certificates which have not been affixed with the common seals of the companies, neither the Predecessor Companies Ordinance nor the Companies Ordinance requires share certificates to be affixed with the common seal. Both ordinances only state that share certificates affixed with the common seal shall be *prima facie* evidence of title of the member to the shares. As mentioned, a member's title is ultimately determined by the register of members. As long as the members are properly recorded in the register of members, there will be no issue as to the substantive rights and titles to the issued shares. The lack of common seal or official seal on the share certificate only means that that shareholder may not benefit from the statutory assumption in using the share certificate as *prima facie* evidence of title.
37. On the other hand, the M&A may require share certificates to be affixed with the common seal. Nevertheless, the requirement may be waived by the unanimous consent of the shareholders. In the case *Ho Tung v Man On Insurance Co Ltd* [1902] AC 232, the Articles of Association therein were not signed by members in accordance with the relevant requirements in the Predecessor Companies Ordinance (but the Memorandum of Association has been duly signed). The company has been using the M&A since the time of signatures. The court held that the articles had been adopted by the members' unanimous consent. In *Cane v Jones* [1981] 1 All ER 533, Deputy Judge Wheeler QC held that an amendment of the articles can be effected in the absence of a formal resolution as long as all of the incorporators agreed with the alteration and the proposed amendment is not otherwise unlawful.
38. In similar vein, for any approval that may be required from the board of directors or the shareholders, the *Duomatic* principle states that a company is bound in a matter which is *intra vires* the company by the unanimous agreement of its members (*Re Duomatic Ltd* [1969] 2 Ch 365). If a company's member(s) can provide unanimous agreement on a matter, no formal approval may be required. The *Duomatic* principle was accepted and adopted by the Court in *Tam Po Kei v Tam Bo Kin (No.1)* [2011] 1 HKLRD 537 at § 67 (and by the Court of Appeal in the same case in [2012] 2 HKLRD 1227); and *Sze Ka Shuen v Silkease Investments Limited & others* (unrep., HCMP 2201/2005, 18 December 2007) at § 145.
39. I shall deal with each of the Subsidiaries in turn.

(i) BEC

40. BEC has one set of M&A, dated 25 April 2023 (the "BEC M&A").
41. Clause 5 of the BEC M&A provided that BEC adopted the Schedule 2 to the Companies (Model Article) Notice save in so far as they are specifically excluded or are inconsistent with the BEC M&A. The relevant clauses regarding allotment and transfer are as follows :

(1) Clause 7

"Transfer of Shares

7. The directors may in their absolute discretion refuse to register a transfer of any share. If the directors refuse to register a transfer they shall within two months after the date on which the transfer was lodged with the Company, send to the transferee notice of refusal."

(2) Clause 14(a)

"Power of Directors

14. Without prejudice to the general powers conferred by the last preceding Article and the other powers conferred by these Articles, it is hereby expressly declared that the directors shall not have the following powers unless with the prior written approval of at least one director appointed by Babor and one director appointed by Eternal, that is to say, power of the following matters:-

- (a) Issuance and allotment of shares or the creation of any new equity interest in the Company in favor of any person including any arrangements for sharing income or profits and any other interest whether in the form of shares, warrants, convertible securities or other obligations convertible into shares"

42. The following table summarises the formalities required for the issuances, allotments and transfers of shares that had taken place for BEC :-

Date	Nature	Number of share(s)	Formalities
8 May 2023	Initial share capital	12,784,000	By incorporation; Clause 4 of the Article of Association
	Issued to Dr. Babor GmbH & Co. KG	6,392,000	By incorporation; Article of Association
	Issued to Eternal Holdings Limited	6,392,000	By incorporation; Article of Association

43. From the Enclosures, I have been provided with the Register of Members of BEC. As of this Legal Opinion, BEC has 12,784,000 issued shares, 50% of which are held by Dr. Babor GmbH & Co. KG and the remaining are held by Eternal Holdings Limited. I am satisfied that the issued shares of BEC have been duly and validly authorised and issued, and that the present shareholder and its shareholding have been properly recorded in the Register of Members. There is therefore no issue as to its titles and substantive rights concerning the issued shares of BEC. I am not aware of any charge, mortgage or other security interest or encumbrances concerning BEC's issued shares.
44. I am satisfied that each of the allotments and transfers of shares have been legally completed and there is no evidence showing that the relevant instruments of transfer were not duly stamped.

(ii) ECHK

45. ECHK has one set of M&A, dated 23 November 2021 (the "ECHK M&A").
46. Clause 5 of the ECHK M&A provided that ECHK adopted the Schedule 2 to the Companies (Model Article) Notice save in so far as they are specifically excluded or are

inconsistent with the ECHK M&A. The relevant clause regarding allotment and transfer is as follows :

Clause 7

“Transfer of Shares

7. The directors may in their absolute discretion refuse to register a transfer of any share. If the directors refuse to register a transfer they shall within two months after the date on which the transfer was lodged with the Company, send to the transferee notice of refusal.”

47. The following table summarises the formalities required for the issuances, allotments and transfers of shares that had taken place for ECHK:-

Date	Nature	Number of share(s)	Formalities
30 November 2021	Initial share capital	10,000	By incorporation; Clause 4 of the Article of Association
	Issued to E&C Holdings Limited	10,000	By incorporation of the Article of Association
20 July 2023	Increase of share capital	990,000	Return of Allotment is referred
	Allotment to E&C Holdings Limited	990,000	

48. From the Enclosures, I have been provided with the Register of Members and the relevant return of allotment filed by ECHK. As of this Legal Opinion, ECHK has 1,000,000 issued shares, all held by E&C Holdings Limited. I am satisfied that the issued shares of ECHK have been duly and validly authorised and issued, and that the present shareholder and its shareholding have been properly recorded in the Register of Members. There is therefore no issue as to its titles and substantive rights concerning the issued shares of ECHK. I am not aware of any charge, mortgage or other security interest or encumbrances concerning ECHK’s issued shares.

49. I am satisfied that each of the allotments and transfers of shares have been legally completed and there is no evidence showing that the relevant instruments of transfer were not duly stamped.

(iii) ECH (ceased to be a subsidiary of the Group on 30 May 2025)

50. ECH has one set of M&A, dated 23 November 2021 (the “ECH M&A”). The clause relevant to share capital is the same as that of the ECHK M&A.

51. The following table summarises the formalities required for the issuances, allotments and transfers of shares that had taken place for ECH:-

Date	Nature	Number of share(s)	Formalities
2 September 2021	Initial share capital	10,000	By incorporation; Clause 4 of the Article of Association
	Issued to Eternal Holdings Limited	10,000	By incorporation of the Article of Association

52. From the Enclosures, I have been provided with the Register of Members of ECH. As of this Legal Opinion, ECH has 10,000 issued shares, all held by Eternal Holdings Limited. I am satisfied that the issued shares of ECH have been duly and validly authorised and issued, and that the present shareholder and its shareholding have been properly recorded in the Register of Members. There is therefore no issue as to its titles and substantive rights concerning the issued shares of ECH. I am not aware of any charge, mortgage or other security interest or encumbrances concerning ECH's issued shares.
53. I am satisfied that each of the allotments and transfers of shares have been legally completed and there is no evidence showing that the relevant instruments of transfer were not duly stamped.

(iv) ECT

54. ECT has one set of M&A, dated 31 October 2018 (the "ECT M&A"). The clause relevant to share capital is the same as that of the ECHK M&A.
55. The following table summarises the formalities required for the issuances, allotments and transfers of shares that had taken place for ECT:-

Date	Nature	Number of share(s)	Formalities
7 November 2018	Initial share capital	10,000	By incorporation; Clause 4 of the Article of Association
	Issued to Eternal Holdings Limited	10,000	By incorporation of the Article of Association

56. From the Enclosures, I have been provided with the Register of Members and CR fillings of ECT. As of this Legal Opinion, ECT has 10,000 issued shares, all held by Eternal Holdings Limited. I am satisfied that the issued shares of ECT have been duly and validly authorised and issued, and that the present shareholder and its shareholding have been properly recorded in the Register of Members. There is therefore no issue as to its titles

and substantive rights concerning the issued shares of ECT. I am not aware of any charge, mortgage or other security interest or encumbrances concerning ECT's issued shares.

57. I am satisfied that each of the allotments and transfers of shares have been legally completed and there is no evidence showing that the relevant instruments of transfer were not duly stamped.

(v) ECL

58. ECL has one set of M&A, dated 31 March 2017 (the "ECL M&A"). The clause relevant to share capital is the same as that of the ECHK M&A.

59. The following table summarises the formalities required for the issuances, allotments and transfers of shares that had taken place for ECL:-

Date	Nature	Number of share(s)	Formalities
10 April 2017	Initial share capital	1	By incorporation; Clause 4 of the Article of Association
	Issued to Eternal Optic (B.V.I.) Limited	1	By incorporation of the Article of Association
13 August 2018	Transfer from Eternal Optic (B.V.I.) Limited to Lau Kui Wing	1	
12 November 2018	Transfer from Lau Kui Wing to Eternal Holdings Limited	1	

60. From the Enclosures, I have been provided with the Register of Members of ECL. As of this Legal Opinion, ECT has 1 issued shares, all held by Eternal Holdings Limited. I am satisfied that the issued shares of ECL have been duly and validly authorised and issued, and that the present shareholder and its shareholding have been properly recorded in the Register of Members. There is therefore no issue as to its titles and substantive rights concerning the issued shares of ECL. I am not aware of any charge, mortgage or other security interest or encumbrances concerning ECL's issued shares.
61. I am satisfied that each of the allotments and transfers of shares have been legally completed and there is no evidence showing that the relevant instruments of transfer were not duly stamped.

(vi) EOP

62. EOP has one set of M&A, dated 4 February 1983 (the "EOP M&A").

63. Clause 1 of the EOP M&A provided that EOP adopted **Part II of Table “A” in the First Schedule to the Predecessor Companies Ordinance** save in so far as they are expressly excluded or modified by the EOP M&A. **Clause 1 of Part II of Table “A”** provides that the regulations contained in **Part 1 of Table A (with the exception of regulations 24, 47A and 47B)** shall apply. The relevant clauses regarding allotment and transfer are as follows :

(1) Clause 4 (EOP M&A)

“Transfers of Shares

4. The Directors may decline to register any transfer of shares to any person without giving any reason therefor. The Directors may suspend the registration of transfers during the fourteen days immediately preceding the Ordinary General Meeting in each year. The Directors may decline to register any instrument of transfer, unless (a) a fee not exceeding two dollars is paid to the Company in respect thereof, and (b) the instrument of transfer is accompanied by the Certificate of the Shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of transferor to make the transfer.”

(2) Clause 3 (Part I of Table “A”)

“Subject to sections 49 to 49S of the Ordinance, the company may issue shares on the terms that they are, or at the option of the company or the holder of the shares are liable, to be redeemed on such terms and in such manner as may be provided by the company's articles of association.”

(Sections 49 and 49S concern redeemable shares only and are not relevant to our present purposes.)

(3) Clause 8 (Part I of Table “A”)

“Every person whose name is entered as a member in the register of members shall be entitled without payment to receive within 2 months after allotment or lodgment of transfer (or within such other period as the conditions of issue shall provide) one certificate for all his shares or several certificates each for 1 or more of his shares upon payment of \$5 for every certificate after the first or such less sum as the directors shall from time to time determine. Every certificate shall be under the seal, or under the official seal kept by the company under section 73A of the Ordinance, and shall specify the shares to which it relates and the amount paid up thereon. Provided that in respect of a share or shares held jointly by several persons the company shall not be bound to issue more than 1 certificate, and delivery of a certificate for a share to 1 of several joint holders shall be sufficient delivery to all such holders.”

(4) Clause 22 (Part I of Table “A”)

“The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the

share until the name of the transferee is entered in the register of members in respect thereof.”

(5) Clause 23 (Part I of Table “A”)

“Subject to such of the restrictions of these regulations as may be applicable, any member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form which the directors may approve.”

(6) Clause 48 (Part I of Table “A”)

“The directors shall not exercise any power conferred on them to allot shares in the company without the prior approval of the company in general meeting where such approval is required by section 57B of the Ordinance.”

64. The following table summarises the formalities required for the issuances, allotments and transfers of shares that had taken place for EOP:-

Date	Nature	Number of share(s)	Formalities
4 February 1983	Initial share capital	10,000	By incorporation; Clause 5 of the Memorandum of Association
	Issued to Lau Kui Wing	1	By incorporation of the Memorandum of Association
	Issued to Chan Wai Chun	1	By incorporation of the Memorandum of Association
6 June 1983	Issued to Lau Kui Wing	3,000	
	Issued to Chan Wai Chun	1,000	
18 September 1984	Issued to Lau Kui Wing	3,750	
	Issued to Chan Wai Chun	1,250	
1 April 1989	Issued to Lau Kui Wing	150	
	Issued to Chow Low Man Wah	850	

	Transferred from Lau Kui Wing to Chow Low Man Wah	5,400	
	Transferred from Chan Wai Chun to Chow Low Man Wah	2,250	
11 December 1995	Transferred from Chow Low Man Wah to Eternal Holdings Limited	7,000	
	Transferred from Chow Low Man Wah to Weng San Alias Cristina Lao	1,500	
15 April 1997	Transferred from Weng San Alias Cristina Lao to Lau Kui Wing	500	
	Transferred from Weng San Alias Cristina Lao to Chan Wai Chun	1,000	
17 June 2024	Transferred from Lau Kui Wing to Eternal Holdings Limited	2,000	

65. From the Enclosures, I have been provided with the Register of Members of EOP. As of this Legal Opinion, EOP has 10,000 issued shares being held by Eternal Holdings Limited. I am satisfied that the issued shares of EOP have been duly and validly authorised and issued, and that the present shareholder and its shareholding have been properly recorded in the Register of Members. There is therefore no issue as to its titles and substantive rights concerning the issued shares of EOP. I am not aware of any charge, mortgage or other security interest or encumbrances concerning EOP's issued shares.

66. I am satisfied that each of the allotments and transfers of shares have been legally completed and there is no evidence showing that the relevant instruments of transfer were not duly stamped.

(vii) EFL

67. EFL has one set of M&A, dated 1 October 1996 (the "EFL M&A"). The clause relevant to share capital is the same as that of the ECHK M&A.

68. The following table summarises the formalities required for the issuances, allotments and transfers of shares that had taken place for EFL:-

Date	Nature	Number of share(s)	Formalities
22 October 1996	Initial share capital	2	By incorporation of the Article of Association

	Issued to Sheen Friendship Limited	1	By incorporation of the Article of Association
	Issued to True Friendship Limited	1	By incorporation of the Article of Association
7 March 1997	Transferred from Sheen Friendship Limited to Lau Kui Wing	1	
	Transferred from True Friendship Limited to Eternal Optical & Perfumery (far East) Limited	1	
	Increased of share capital	299,998	
	Issued to Eternal Optical & Perfumery (far East) Limited	149,998	
	Issued to OFCI	150,000	
8 May 2004	Transferred from OFCI to Lau Kui Wing	150,000	
10 February 2015	Transferred from Eternal Optical & Perfumery (far East) Limited to Eternal Holdings Limited	149,999	
	Transferred from Lau Kui Wing to Eternal Holdings Limited	21,801	
	Transferred from Lau Kui Wing to Chan Wai Chun	128,400	
28 March 2023	Transferred from Chan Wai Chun to Eternal Holdings Limited	128,400	

69. From the Enclosures, I have been provided with the Register of Members of EFL. As of this Legal Opinion, EFL has 300,000 issued shares, all held by Eternal Holdings Limited. I am satisfied that the issued shares of EFL have been duly and validly authorised and issued, and that the present shareholder and its shareholding have been properly recorded in the Register of Members. There is therefore no issue as to its titles and substantive rights concerning the issued shares of EFL. I am not aware of any charge, mortgage or other security interest or encumbrances concerning EFL's issued shares.
70. I am satisfied that each of the allotments and transfers of shares have been legally completed and there is no evidence showing that the relevant instruments of transfer were not duly stamped.

(viii) MHL

71. MHL has one set of M&A, dated 1 October 2021 (the “**MHL M&A**”). The clause relevant to share capital is the same as that of the ECHK M&A.
72. The following table summarises the formalities required for the issuances, allotments and transfers of shares that had taken place for MHL:-

Date	Nature	Number of share(s)	Formalities
1 October 2021	Initial share capital	1	By incorporation; Clause 4 of the Article of Association
	Issued to GRL21 Nominee Limited	1	By incorporation of the Article of Association
24 November 2021	Increase share capital	9,999	
	Issued to Eternal Holdings Limited	9,999	
	Transferred from GRL21 Nominee Limited to Eternal Holdings Limited	1	

73. From the Enclosures, I have been provided with the Register of Members of MHL. As of this Legal Opinion, MHL has 10,000 issued shares, all held by Eternal Holdings Limited. I am satisfied that the issued shares of MHL have been duly and validly authorised and issued, and that the present shareholder and its shareholding have been properly recorded in the Register of Members. There is therefore no issue as to its titles and substantive rights concerning the issued shares of MHL. I am not aware of any charge, mortgage or other security interest or encumbrances concerning MHL’s issued shares.
74. I am satisfied that each of the allotments and transfers of shares have been legally completed and there is no evidence showing that the relevant instruments of transfer were not duly stamped.

(ix) TCL

75. TCL has one set of M&A, dated 8 October 2021 (the “**TCL M&A**”). The clause relevant to share capital is the same as that of the ECHK M&A.
76. The following table summarises the formalities required for the issuances, allotments and transfers of shares that had taken place for TCL:-

Date	Nature	Number of share(s)	Formalities
8 October 2021	Initial share capital	1	By incorporation; Clause 4 of the Article of Association
	Issued to GRL21 Nominee Limited	1	By incorporation of the Article of Association
24 November 2021	Increase share capital	9,999	
	Issued to Eternal Holdings Limited	9,999	
	Transferred from GRL21 Nominee Limited to Eternal Holdings Limited	1	

77. From the Enclosures, I have been provided with the Register of Members of TCL. As of this Legal Opinion, TCL has 10,000 issued shares, all held by Eternal Holdings Limited. I am satisfied that the issued shares of TCL have been duly and validly authorised and issued, and that the present shareholder and its shareholding have been properly recorded in the Register of Members. There is therefore no issue as to its titles and substantive rights concerning the issued shares of TCL. I am not aware of any charge, mortgage or other security interest or encumbrances concerning TCL's issued shares.
78. I am satisfied that each of the allotments and transfers of shares have been legally completed and there is no evidence showing that the relevant instruments of transfer were not duly stamped.

(x) VPL (in the process of being deregistered)

79. VPL has one set of M&A, dated 21 August 2002 (the "VPL M&A").
80. Clause 1 of the VPL M&A provided that EOP adopted **Table "A" in the First Schedule to the Predecessor Companies Ordinance** save in so far as they are expressly excluded or modified by the VPL M&A. **Clause 1 of Part II of Table "A"** provides that the regulations contained in **Part 1 of Table A (with the exception of regulations 24, 47A and 47B)** shall apply. The relevant clauses regarding allotment and transfer are as follows :

(1) Clause 3 (VPL M&A)

"Transfers of Shares

3. *The Directors may decline to register any transfer of shares to any person without giving any reason therefor. The Directors may suspend the registration of transfers during the fourteen days immediately preceding the Ordinary General Meeting in each year. The Directors may decline to register any instrument of transfer, unless (a) a fee not exceeding two dollars is paid to the Company in respect thereof, and (b) the instrument of transfer is accompanied by the Certificate of the Shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of transferor to make the transfer.*”

(2) Clause 3 (Part I of Table “A”)

“Subject to sections 49 to 49S of the Ordinance, the company may issue shares on the terms that they are, or at the option of the company or the holder of the shares are liable, to be redeemed on such terms and in such manner as may be provided by the company's articles of association.”

(Sections 49 and 49S concern redeemable shares only and are not relevant to our present purposes.)

(3) Clause 8 (Part I of Table “A”)

“Every person whose name is entered as a member in the register of members shall be entitled without payment to receive within 2 months after allotment or lodgment of transfer (or within such other period as the conditions of issue shall provide) one certificate for all his shares or several certificates each for 1 or more of his shares upon payment of \$5 for every certificate after the first or such less sum as the directors shall from time to time determine. Every certificate shall be under the seal, or under the official seal kept by the company under section 73A of the Ordinance, and shall specify the shares to which it relates and the amount paid up thereon. Provided that in respect of a share or shares held jointly by several persons the company shall not be bound to issue more than 1 certificate, and delivery of a certificate for a share to 1 of several joint holders shall be sufficient delivery to all such holders.”

(4) Clause 22 (Part I of Table “A”)

“The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.”

(5) Clause 23 (Part I of Table “A”)

“Subject to such of the restrictions of these regulations as may be applicable, any member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form which the directors may approve.”

(6) Clause 48 (Part I of Table “A”)

“The directors shall not exercise any power conferred on them to allot shares in the company without the prior approval of the company in general meeting where such approval is required by section 57B of the Ordinance.”

81. The following table summarises the formalities required for the issuances, allotments and transfers of shares that had taken place for VPL:-

Date	Nature	Number of share(s)	Formalities
27 August 2002	Initial share capital	10,000	By incorporation; Fourth Schedule of the Memorandum of Association
	Issued to Wong Choi Hung	5,100	By incorporation of the Memorandum of Association
	Issued to Tam Shau Ying	4,900	By incorporation of the Memorandum of Association
22 March 2004	Transferred from Tam Shau Ying to Chu Wai Yee	4,900	
2 April 2009	Transferred from Wong Choi Hung to Lau Wing Yin	5,100	
26 April 2017	Transferred Lau Wing Yin to Chu Wai Yee	5,100	

82. From the Enclosures, I have been provided with the Register of Members of VPL. As of this Legal Opinion, VPL has 10,000 issued shares being held by Chu Wai Yee. I am satisfied that the issued shares of VPL have been duly and validly authorised and issued, and that the present shareholder and its shareholding have been properly recorded in the Register of Members. There is therefore no issue as to its titles and substantive rights concerning the issued shares of VPL. I am not aware of any charge, mortgage or other security interest or encumbrances concerning VPL’s issued shares.
83. From the Enclosures, I have also been provided with a Declaration of Trust dated 26 April 2017 between Chu Wai Yee and Lau Kui Wing, whereby Chu Wai Yee declared that she

holds the shares of VPL and all dividends and interest accrue upon the same or any of them upon trust for Lau Kui Wing and his successors in title and agrees to transfer, pay and deal with the said shares and dividends and interest payable in respect of the same in such manners as Lau Kui Wing shall from time to time direct in writing. I am satisfied that such Declaration of Trust has been duly entered into.

84. I am satisfied that each of the allotments and transfers of shares have been legally completed and there is no evidence showing that the relevant instruments of transfer were not duly stamped.

(9,10) Directors during TRP

85. For the appointment of directors:-

- (1) The initial directors of a company are those named in the incorporation form and/or M&A;
- (2) Subsequent directors are to be appointed pursuant to the M&A of the company, and a specified form has to be filed with the CR.

86. From the Enclosures, I have been provided with the register of directors, shareholder resolutions, board minutes and CR filings in respect of each of the Hong Kong Subsidiaries. I shall deal with each of them in turn.

(I) BEC

87. The identity of directors of BEC during TRP are as follows:-

Position	Name	Nationality	Address
Director	Lau Kui Wing	Hong Kong	Flat A, 16/F, Block 3, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong
	Lam King	Hong Kong	Room A, 51/F, Block 5, Vision City, 1 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong
	Waller Tim Christoph	Germany	Ratinger Str. 7, 40213 Dusseldorf, Germany

	Redomske Klaus Friedrich	Germany	Karl-May-Weg 1, 63322 Rodermark, Germany
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88. The following table summarises the formalities required for the appointment and resignation of directors of BEC during TRP:

Position	Formalities	Date	Nature	Documentations
Director	First directors nominated and appointed by Babor and Eternal under the Article of Association (Clause 9 and 10 of BEC M&A)	8 May 2023	Appointment of Lau Kui Wing	Article of Association dated 25 April 2023
			Appointment of Lam King	
			Appointment of Waller Tim Christoph	
			Appointment of Redomske Klaus Friedrich	

89. I am satisfied that the appointment and resignation of the directors of BEC were legal and valid in accordance with the M&A and Companies Ordinance.

(II) ECHK

90. The identity of directors of ECHK during TRP are as follows:-

Position	Name	Nationality	Address
Director	Lau Kui Wing	Hong Kong	Flat A, 16/F, Block 3, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong
	Lau Wing Yin	Hong Kong	Flat B, 8/F, Block 4, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong

91. The following table summarises the formalities required for the appointment and resignation of directors of ECHK during TRP:

Position	Formalities	Date	Nature	Documentations
Director	First directors named as in the Incorporation Form delivered to		Appointment of Lau Kui Wing	

	the Register of Companies (Clause 10 of ECHK M&A)	23 November 2021	Appointment of Lau Wing Yin	FNNC1 - Incorporation Form dated 30 November 2021
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92. I am satisfied that the appointment and resignation of the directors of ECHK were legal and valid in accordance with the M&A and Companies Ordinance.

(III) ECH (ceased to be a subsidiary of the Group on 30 May 2025)

93. The identity of directors of ECH during TRP are as follows:-

Position	Name	Nationality	Address
Director	Lau Kui Wing	Hong Kong	Flat A, 16/F, Block 3, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong
	Lau Wing Yin	Hong Kong	Flat B, 8/F, Block 4, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong

94. The following table summarises the formalities required for the appointment and resignation of directors of ECH during TRP:

Position	Formalities	Date	Nature	Documentations
Director	First directors named as in the Incorporation Form delivered to the Register of Companies (Clause 10 of ECH M&A)	24 August 2021	Appointment of Lau Kui Wing	FNNC1 - Incorporation Form dated 2 September 2021
			Appointment of Lau Wing Yin	

95. I am satisfied that the appointment and resignation of the directors of ECH were legal and valid in accordance with the M&A and Companies Ordinance.

(IV) ECT

96. The identity of directors of ECT during TRP are as follows:-

Position	Name	Nationality	Address
Director	Lau Kui Wing	Hong Kong	Flat A, 16/F, Block 3, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong
	Lau Wing Yin	Hong Kong	Flat B, 8/F, Block 4, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong

97. The following table summarises the formalities required for the appointment and resignation of directors of ECT during TRP:

Position	Formalities	Date	Nature	Documentations
Director	First directors named as in the Incorporation Form delivered to the Register of Companies (Clause 10 of ECT M&A)	31 October 2018	Appointment of Lau Kui Wing	FNNC1 - Incorporation Form dated 7 November 2018
			Appointment of Lau Wing Yin	

98. I am satisfied that the appointment and resignation of the directors of ECT were legal and valid in accordance with the M&A and Companies Ordinance.

(V) **ECL**

99. The identity of directors of ECL during TRP are as follows:-

Position	Name	Nationality	Address
Director	Lau Kui Wing	Hong Kong	Flat A, 16/F, Block 3, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong
	Lau Wing Yin	Hong Kong	Flat B, 8/F, Block 4, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong
	Lau Andy Wing Hang	Hong Kong	Flat B, 5/F, Block 3, Regency Park, 3 Wah King Hill Road, Kwai Chung,

			New Territories, Hong Kong
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100. The following table summarises the formalities required for the appointment and resignation of directors of ECL during TRP:

Position	Formalities	Date	Nature	Documentations
Director	First directors named as in the Incorporation Form delivered to the Register of Companies (Clause 10 of ECL M&A)	31 March 2017	Appointment of Lau Kui Wing	FNNC1 - Incorporation Form dated 10 April 2017
			Appointment of Lau Wing Yin	
			Appointment of Lau Andy Wing Hang	

101. I am satisfied that the appointment and resignation of the directors of ECL were legal and valid in accordance with the M&A and Companies Ordinance.

(VI) EOP

102. The identity of directors of EOP during TRP are as follows:-

Position	Name	Nationality	Address
Director	Lau Kui Wing	Hong Kong	Flat A, 16/F, Block 3, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong
	Chan Wai Chun	Hong Kong	Flat A, 16/F, Block 3, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong
	Lau Wing Yin	Hong Kong	Flat B, 8/F, Block 4, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong
	Lau Andy Wing Hang	Hong Kong	Flat B, 5/F, Block 3, Regency Park, 3 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong

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103. The following table summarises the formalities required for the appointment and resignation of directors of EOP during TRP:

Position	Formalities	Date	Nature	Documentations
Director	First directors named as in Clause 9 of the Article of Association (Clause 9 of EOP M&A)	31 March 2017	Appointment of Lau Kui Wing	Memorandum and Article of Association dated 4 February 1983
	All directors shall hold office for a term of one year, and at the Ordinary General Meeting to be held in the year following the year which this Company is incorporated and in each terms of succeeding one year thereafter, all directors shall retire from office but they shall be eligible for re-election (Clause 8 of EOP M&A)	7 March 1997	Appointment of Chan Wai Chun	(E)FX(ii) - Notice of change of directors or secretary or in their particulars dated 10 March 1997
		10 September 2018	Appointment of Lau Wing Yin	(E)FND2A - Notice of Change of Company Secretary and Director dated 18 September 2018
			Appointment of Lau Andy Wing Hang	

104. I am satisfied that the appointment and resignation of the directors of EOP were legal and valid in accordance with the M&A and Companies Ordinance.

(VII) EFL

105. The identity of directors of EFL during TRP are as follows:-

Position	Name	Nationality	Address
Director	Eternal Holdings Limited	N/A	Palm Grove House, P. O. Box 438, Road Town, Tortola, British Virgin Islands
	Chan Wai Chun	Hong Kong	22/F, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong

106. The following table summarises the formalities required for the appointment and resignation of directors of EFL during TRP:

Position	Formalities	Date	Nature	Documentations
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Director	The Company may, from time to time, by ordinary resolution appoint new Directors. (Clause 17 of EFL M&A)	31 March 2004	Appointment of Eternal Holdings Limited	(E)FD2A - Notification of Change of Secretary and Director dated 17 April 2004
		10 February 2015	Appointment of Chan Wai Chun	(E)FND2A - Notice of Change of Company Secretary and Director dated 10 February 2015

107. I am satisfied that the appointment and resignation of the directors of EFL were legal and valid in accordance with the M&A and Companies Ordinance.

(VIII) MHL

108. The identity of directors of MHL during TRP are as follows:-

Position	Name	Nationality	Address
Director	GRL21 Nominee Limited	N/A	14/F, Chun Wo Commercial Centre, 25 Wing Wo street, Central, Hong Kong
	劉芝茵	N/A	Room 202, Block 1, 2 Tianbei Road, Luohu District, Guangdong Province, China
	Lau Kui Wing	Hong Kong	22/F, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong
	Lau Wing Yin	Hong Kong	22/F, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong

109. The following table summarises the formalities required for the appointment and resignation of directors of MHL during TRP:

Position	Formalities	Date	Nature	Documentations
Director	First directors named as in the Incorporation Form delivered to the Register of Companies (Clause 10 of MHL M&A)	1 October 2021	Appointment of GRL21 Nominee Limited	(E)FNNC1 - Incorporation Form dated 1 October 2021

	The Company may, from time to time, by ordinary resolution appoint new Directors and remove any director notwithstanding anything in these Articles or in any agreement between him and the company, and may, appoint another person in his stead. (Clauses 18, 19 of MHL M&A)	24 November 2021	Appointment of 劉芝茵	(E)FND2A - Notice of Change of Company Secretary and Director dated 26 November 2021
			Resignation of GRL21 Nominee Limited	
			Resignation of 劉芝茵	
			Appointment of Lau Kui Wing	
			Appointment of Lau Wing Yin	

110. I am satisfied that the appointment and resignation of the directors of MHL were legal and valid in accordance with the M&A and Companies Ordinance.

(IX) TCL

111. The identity of directors of TCL during TRP are as follows:-

Position	Name	Nationality	Address
Director	GRL21 Nominee Limited	N/A	14/F, Chun Wo Commercial Centre, 25 Wing Wo street, Central, Hong Kong
	劉芝茵	N/A	Room 202, Block 1, 2 Tianbei Road, Luohu District, Guangdong Province, China
	Lau Kui Wing	Hong Kong	22/F, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong
	Lau Wing Yin	Hong Kong	22/F, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong

112. The following table summarises the formalities required for the appointment and resignation of directors of TCL during TRP:

Position	Formalities	Date	Nature	Documentations
Director	First directors named as in the Incorporation Form delivered to the	8 October 2021	Appointment of GRL21	(E)FNNC1 - Incorporation Form dated 8 October 2021

	Register of Companies (Clause 10 of TCL M&A)		Nominee Limited	(E)FND2A - Notice of Change of Company Secretary and Director dated 26 November 2021
			Appointment of 劉芝茵	
	The Company may, from time to time, by ordinary resolution appoint new Directors and remove any director notwithstanding anything in these Articles or in any agreement between him and the company, and may, appoint another person in his stead. (Clauses 18, 19 of TCL M&A)	24 November 2021	Resignation of GRL21 Nominee Limited	
			Resignation of 劉芝茵	
			Appointment of Lau Kui WIng	
			Appointment of Lau Wing Yin	

113. I am satisfied that the appointment and resignation of the directors of TCL were legal and valid in accordance with the M&A and Companies Ordinance.

(X) VPL (in the process of being deregistered)

114. The identity of directors of VPL during TRP are as follows:-

Position	Name	Nationality	Address
Director	Lau Wing Yin	Hong Kong	Room 502, 5/F, Corporation Square, No. 8 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong
	Liu Lai Ping	Hong Kong	Room 502, 5/F, Corporation Square, No. 8 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong

115. The following table summarises the formalities required for the appointment and resignation of directors of VPL during TRP:

Position	Formalities	Date	Nature	Documentations
Director	At the Ordinary General Meeting to be held next after the adoption of these Articles and at every succeeding Ordinary General Meeting all Directors, except	5 March 2004	Appointment of Chu Wai Yee	D2A - Notification of Change of Secretary and Director dated 5 March 2004

	Permanent Directors if any are appointed, shall retire from office but they shall be eligible for re-election (Clause 7 of ECL M&A)	31 December 2020	Appointment of Liu Lai Ping	ND2A - Notice of Change of Company Secretary and Director dated 31 December 2020
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116. I am satisfied that the appointment and resignation of the directors of VPL were legal and valid in accordance with the M&A and Companies Ordinance.

(14) Dividends and Distribution

117. Currently, the Hong Kong Government does not collect tax on dividends. On the other hand, under the Comprehensive Double Taxation Agreement, the PRC Government may demand tax on dividends paid by a company in Hong Kong to a resident in the PRC (**Article 10 of the Specification of Arrangements (The Mainland of China) (Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income) Order, Cap.112AY**).
118. Therefore, in my opinion, the payment of dividend by the Company is not subject to withholding or other taxes under the laws of Hong Kong, and may be paid or distributed free and clear of any tax, withholding or deductions in Hong Kong.
119. Further, under the laws of Hong Kong (a) all dividends and other distributions declared and payable on the Shares may be paid or distributed to holders of the Shares in Hong Kong in Hong Kong dollars without the necessity of obtaining any governmental approval, consent or authorization in Hong Kong; (b) Hong Kong dollars are freely convertible into another foreign currency and may be transferred out of Hong Kong without exchange control restrictions.

(15) Registration and Filings

120. Having reviewed all the information available, I am satisfied that all necessary corporate filings have been made on a timely basis in Hong Kong for the Track Record Period and thereafter up to the date of the legal opinion; there are no governmental or regulatory consents, approvals, authorizations, permissions or orders required in Hong Kong by the Subsidiary that have not been obtained, or any filing, recording or registration with any

regulatory authority or governmental agency in Hong Kong that has not been effected in connected with each Subsidiary's operation and the Listing in Hong Kong.

Part B Acquisition (only applicable if the Company was acquired by the Issuer)

121. I was given to understand that the Company has not been engaged with any Acquisition Agreements.

Part C Legal Compliance - Licences and Permits

(17) Compliance with Government Authorizations

122. Save for and subject to Part C (18) below, I am satisfied that during the Track Record Period each Subsidiary has obtained all necessary licenses, consents, authorizations, permissions, declarations, approvals, orders, registrations, clearances, certificates, permits, report (the "**Government Authorizations**") to and filings with government agencies or body or any other regulator (the "**Authority**") in the place of its incorporation for it to own, lease, license and use properties and assets, and to conduct its current business in so far as such properties and assets and the conduct of such businesses are governed by the laws of its place of incorporation. I am also satisfied that such Government Authorizations are in full force and effect and contain no material restrictions or conditions and there are no legal impediments to their renewal, and each Subsidiary has not received any notice of any proceedings relating to the revocation, suspension, withdrawal, cancellation or modification of any such Government Authorizations.

(18) Compliance with applicable laws

123. I shall set out under this Part the applicable laws and regulations that are relevant to the Group's business operations in Hong Kong. From the draft Prospectus provided, under the "*Business*" section, it is stated that Group derived revenue primarily from two main business lines: brand management services for international brands of skincare products, color cosmetics, eyewear and home fragrances by (i) retail and (ii) distribution.
124. The products of the Group are primarily developed and manufactured by external well-established brands. The Group's customers include distributors and direct customers. During the Track Record Period, the Group mainly sold their products in China, Hong Kong and Macau. I have also noted the various products listed on Group's website. They range from skincare products, color cosmetics, eyewear and home fragrances.

125. In my opinion, the following are the applicable laws and regulations concerning the Group's business operations :-

Part 18(a) : Laws and regulations in relation to products sold by the Group

- 1) Dangerous Goods Ordinance (Cap. 295);
- 2) Dangerous Goods (Application and Exemption) Regulation 2012 (Cap. 295E);
- 3) Consumer Goods Safety Ordinance (Cap. 456);
- 4) Consumer Goods Safety Regulation (Cap. 456A);

Part 18(b): Laws and regulations in relation to import and export

- 5) Import and Export (Registration) Regulations (Cap. 60E);

Part 18(c): Laws and regulations in relation to product liability

- 6) Sale of Goods Ordinance (Cap. 26);
- 7) Control of Exemption Clauses Ordinance (Cap. 71);

Part 18(d): Laws and regulations general to online and offline sale of goods

- 8) Trade Description Ordinance (Cap. 362);
- 9) Personal Data (Privacy) Ordinance (Cap. 486);

Part 18(e): Laws and regulations in relation to intellectual property

- 10) Copyright Ordinance (Cap. 528);
- 11) Trade Mark Ordinance (Cap. 559);

Part 18(f): Laws and regulations in relation to general operation of business in Hong Kong

- 12) Companies Ordinance (Cap.622)
- 13) Business Registration Ordinance (Cap. 310);
- 14) Employees' Compensation Ordinance (Cap. 282);
- 15) Mandatory Provident Fund Scheme Ordinance (Cap. 485);
- 16) Occupational Safety and Health Ordinance (Cap. 509);
- 17) Inland Revenue Ordinance (Cap. 112);
- 18) Minimum Wage Ordinance (Cap. 608); and
- 19) Competition Ordinance (Cap. 619);

126. I shall discuss each of them in turn under **Parts 18(a) to 18(f)** below.

18(a). Laws and regulations in relation to products sold by the Group

127. There is currently no specific legislation that regulates the manufacture, import, export and sale of Group products in Hong Kong. However, depending on the nature and characteristics of the products concerned, some products may be regulated by existing pieces of legislation, which I have also set out below for discussion.

Dangerous Goods Ordinance (Cap. 295) (the "DGO")

128. The **DGO** was enacted to “*To consolidate and amend the law relating to dangerous goods*” (**Long Title**).
129. Pursuant to the DGO, conveyance of any dangerous goods in excess of the prescribed exempted quantity shall require a dangerous goods licence.
130. Under **section 3 of the DGO**, “dangerous goods” include all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature.
131. Under **section 6 of the DGO**, except under and in accordance with a licence granted under the DGO, no person shall manufacture, store, convey or use any dangerous goods.
132. Under **section 14(1) of the DGO**, any person who contravenes section 6 of the DGO shall be guilty of an offence and shall be liable: (i) for a first offence, to a fine of HK\$100,000 and to imprisonment for 6 months; and (ii) for a subsequent offence, to a fine of HK\$200,000 and to imprisonment for 12 months.

Dangerous Goods (Application and Exemption) Regulation 2012 (Cap. 295E) (the “DGR”)

133. The **DGR** was enacted pursuant to section 5 of **DGO**. Under the DGR, “Perfumery products” were classified as Class 3 dangerous goods specified in column 2 headed “Proper Shipping Name / Packing Group (if any)” of the table in Part 2 or 3 of **Schedule 2** with the number “3” specified in column 3 headed “Class” of the table in relation to the dangerous good.
134. **Section 19(2) of the DGR** provides that “*the storage of more than one type of Schedule 2 dangerous goods in consumer packs in a warehouse compartment (whether or not belonging to the same Class) is exempt from the operation of section 6 of the Ordinance if— (a) the quantity of each type of those dangerous goods so stored does not exceed the consumer pack (warehouse) exempt quantity for the Class to which that type of dangerous goods belongs under section 18(2); and (b) the aggregate quantity of those dangerous goods so stored does not exceed 5 000 units.*”
135. **Section 2 (a) of the DGR** provides that consumer packs in relation to **Schedule 2** means, for pre-packed Schedule 2 dangerous goods, the capacity of the receptacle forming part of the pre-packed Schedule 2 dangerous goods does not exceed the maximum package size (if any) specified in column 9 of the table in **Part 2, 3 or 4 of Schedule 2** in relation to the dangerous goods.
136. The maximum package size of perfumery products under column 9 of the table in **Part 2, of Schedule 2** in relation to the dangerous goods **2** is 1 unit. Hence, any pre-packed

perfumery products that does not exceed the maximum package size of 1 unit shall be classified as consumer packs.

137. **Schedule 5 of the DGR** provides that the consumer pack (warehouse) exempt quantity for Class 3 dangerous goods belonging to the packing group PG II is 1500 units; whilst Class 3 dangerous goods belonging to the packing group PG III is 5,000 units.
138. **Section 4(2) and (3) of DGR** provides that if dangerous goods are in gas form or liquid form, 1 unit equals 1 litre.
139. I have been instructed that the perfumery products sold by the Group shall be classified as Class 3 dangerous goods belonging to the packing group PG II.
140. As can be seen from the application form for a Store and Use License for Schedule 2 Dangerous Goods by Fire Service Department², the one who is responsible for the store and use of dangerous goods shall be responsible for such application, together with the particulars of the warehouse filled.
141. In the current case, with respect to goods stored at the premises owned or leased by the Group, the relevant member(s) of the Group storing the goods at such premises is/are the one responsible for the storage and use of its own dangerous goods.
142. Therefore, the Group in supplying and importing into Hong Kong dangerous goods, must ensure the dangerous goods comply with the relevant safety requirement under **DGO** and **DGR** as mentioned hereinabove. It is an automatic exemption from the operation of **section 6 of the DGO** should the storage in the relevant warehouses fall within the exempted quantity, otherwise necessary licenses from Fire Services Department shall be obtained.
143. I am given to understand that during the Track Record Period and up to the latest practicable date, there is one occasion of non-compliance in relation to **DGO** leading to a Summons being issued against EOP, the details of which are as follows:

Case Number :	KTS 3025 / 2023
Date of Summons :	14 February 2023
Date of Offence :	24 August 2022
Defendant :	EOP
Subject warehouse :	Unit No. 1, 3/F Block A Ko Fai Industrial Building, Yau Tong

² <https://es.hkfsd.gov.hk/dg/upload/page/25/self/6368ddd76900d.pdf>

Particulars of Summons :	Storage of 6195 litres of Class 3 dangerous goods belonging to the packing group PG II not in accordance with any licenses granted under the DGO
Contravening sections :	Sections 6(1) and 14(1) of the DGO
Plea :	EOP pleaded guilty to the Summons
Verdict :	Convicted upon EOP's own plea
Sentence :	Fine of HK\$10,000 which was settled forthwith by EOP

144. I am given to understand that the premises in which EOP used to store “dangerous goods” as defined under the DGO and DGR as at the date of this opinion are as follows:-

No.	Location/Address	Type of premises	Owned or leased, and name of Subsidiary which owns/leases the premise	Size (sq. m.)
1.	Unit 1 & 2 9/F Block A Ko Fai Industrial Bldg. 7 Ko Fai Road, Yau Tong	warehouse	Owned by EOP	2114 m ²
2.	Portion (B) Unit No. 1, 3/F Block A Ko Fai Industrial Building, Yau Tong	warehouse	leased by EOP	647 m ²

The above does not include goods handled by third-party logistics and warehousing service providers engaged by the Group for logistics and storage services. The Group had gradually shifted the storage of the “dangerous goods” to external warehouses. It is confirmed that as on the latest practicable date, the shifting of the storage to external warehouses has been completed. Please refer to Paragraph 155 below for further details.

145. I am given to understand that the above warehouses are not licensed under the DGO for storage of substances classified as Class 3 dangerous goods and packing group PG II, which would be required for lawful storage of such substance to the extent they are not exempt, by virtue of being dangerous goods in consumer packs under the prescribed quantity or otherwise, from the licensing requirements under the DGO. Other than the DGO, there are no other licenses or permits or regulatory steps that should be performed for the storage of the Group's products.
146. I am specifically instructed to advise on whether the storage of perfume at warehouses without the relevant licence under the DGO would constitute a material, systemic or immaterial non-compliance.

The Guidance Letter and the Guide

147. The HKEX has previously provided guidance on the disclosure of material non-

compliance incident in listing documents in the Guidance Letter HKEX-GL63-13 “Guidance on disclosure of material non-compliance incidents in listing documents” (July 2013) (updated in September 2013, May 2014, May 2016 and March 2019) (the “**Guidance Letter**”), and the Guidance Letter was later streamlined and incorporated into “The Guide For New Listing Applicants issued by HKEX” (the “**Guide**”) in January 2024.

148. Chapter 1.2D of the Guide divides non-compliance matters into 3 categories and states the expected level of disclosure in the listing documents and the need for their rectification in accordance with their category. I hereby set out in tabular form the 3 categories and their respective disclosure and rectification requirements:

Categories and their definition	Disclosure and rectification
<p>Material Non-compliances :</p> <p>Non-compliance incidents which, individually or in the aggregate, have had or are reasonably likely to have in the future, a material financial or operational impact on the new applicant.</p> <p>For example, non-compliance incidents give rise to significant financial penalties or which may result in the closure of material operating facilities.</p>	<ul style="list-style-type: none"> • Reason for, nature and extent of the non-compliance. • The possible consequences (including the likelihood and the amounts that may be charged or penalized) for the non-compliance. • The identity and position of the director/senior management involved in the non-compliance (if any). • Whether the applicant has been penalized for the non-compliance during the trading record period and up to the latest practicable date or is likely to be penalized in the future: <ul style="list-style-type: none"> ■ With confirmation from the competent authorities (and a legal opinion confirming the competence of the relevant authorities); and ■ If applicable, the actual or maximum penalty (including the amounts), any provisions made (if not, reasons therefor), and the potential operational and financial impact on the applicant (if material). • Details of the enhanced internal control measures (which are expected to have been implemented prior to listing) to prevent their recurrence, including: <ul style="list-style-type: none"> ■ When they were implemented; ■ The identity, position, qualification and experience of the personnel who are responsible for ensuring compliance; ■ The directors’ and the sponsor’s view on the adequacy and effectiveness of the enhanced internal control measures and basis thereof; and ■ If an independent internal control expert has been separately engaged to review the internal controls (see Chapter 3.7 for guidance on internal control engagements): <ul style="list-style-type: none"> ◆ The identity and the scope of review of the internal control expert; ◆ Its major findings and recommendations; and ◆ The applicant’s timing of implementation of such recommendations (and the internal control expert’s follow-up review, if any).

	<ul style="list-style-type: none"> • The bases of the directors' and the sponsor's views that (a) the directors involved in the non-compliance are suitable to act as the applicant's directors under Main Board Rules 3.08 and 3.09 (GEM Rules 5.01 and 5.02); and (b) the applicant is suitable for listing under Main Board Rule 8.04 (GEM Rule 11.06). • The HKEX normally expects material non-compliances to be fully rectified before listing unless the rectification is not applicable or possible. • The applicant should disclose: <ul style="list-style-type: none"> ■ The rectification actions taken; ■ Explanations on which rectification is not applicable or possible; or ■ Where the applicant is able to demonstrate that the non-compliance can only be rectified shortly after listing: <ul style="list-style-type: none"> ◆ A legal adviser's confirmation that there is no impediment to the rectification of the non-compliances; ◆ A statement that the applicant will disclose the progress of the rectification in the interim/annual reports and detailed explanation for any delay in the rectification; and ◆ What and when the rectification actions were taken/will be taken. • An applicant with material non-compliances should include the above information as a standalone sub-section of the "Business" section in a listing document (rather than scattered across the listing document), a brief summary in the "Summary" section and a corresponding risk factor in the "Risk Factors" section.
<p>Systemic Non-compliances :</p> <p>Not material non-compliances. However, their recurring nature may reflect <u>negatively</u> on the new applicant's or its directors'/senior management's ability or tendency to operate in a compliant manner.</p>	<ul style="list-style-type: none"> • Reason for, nature and extent of the non-compliance. • The possible consequences (including the likelihood and the amounts that may be charged or penalized) for the non-compliance. • The identity and position of the director/senior management involved in the non-compliance (if any). • Whether the applicant has been penalized for the non-compliance during the trading record period and up to the latest practicable date or is likely to be penalized in the future: <ul style="list-style-type: none"> ■ With confirmation from the competent authorities (and a legal opinion confirming the competence of the relevant authorities); and ■ If applicable, the actual or maximum penalty (including the amounts), any provisions made (if not, reasons therefor), and the potential operational and financial impact on the applicant (if material). • Details of the enhanced internal control measures (which are expected to have been implemented prior to listing) to prevent their recurrence, including:

	<ul style="list-style-type: none"> ■ When they were implemented; ■ The identity, position, qualification and experience of the personnel who are responsible for ensuring compliance; ■ The directors' and the sponsor's view on the adequacy and effectiveness of the enhanced internal control measures and basis thereof; and ■ If an independent internal control expert has been separately engaged to review the internal controls (see Chapter 3.7 for guidance on internal control engagements): <ul style="list-style-type: none"> ◆ The identity and the scope of review of the internal control expert; ◆ Its major findings and recommendations; and ◆ The applicant's timing of implementation of such recommendations (and the internal control expert's follow-up review, if any). <ul style="list-style-type: none"> • The bases of the directors' and the sponsor's views that (a) the directors involved in the non-compliance are suitable to act as the applicant's directors under Main Board Rules 3.08 and 3.09 (GEM Rules 5.01 and 5.02); and (b) the applicant is suitable for listing under Main Board Rule 8.04 (GEM Rule 11.06). • An applicant with systemic non-compliances should include the above information as a standalone sub-section of the "Business" section in a listing document (rather than scattered across the listing document), a brief summary in the "Summary" section and a corresponding risk factor in the "Risk Factors" section. • The HKEX retains discretion to require rectification and related disclosure, but generally does not require the rectification of any systemic non-compliances.
<p>Immaterial Non-compliances :</p> <p>Neither material non-compliances nor systemic non-compliances.</p>	<ul style="list-style-type: none"> • The HKEX retains discretion to require rectification and related disclosure, but generally does not require the disclosure of immaterial non-compliances and the rectification of any of such non-compliances.

149. As stated in the Guide, according to Chapter 1.2C thereof where it is determined that the non-compliance incidents are related to integrity, which involves fraud, deceit or dishonesty as set out in paragraph 3 of Chapter 1.2C thereof, or where the non-compliance is material that it raise concerns regarding the competency of any director, this may involve an issue of suitability of the directors and for listing of an applicant, which may result in an application being rejected or the HKEX requesting a demonstration period of compliance from the cessation of the non-compliance incident(s) to demonstrate that the applicant could still meet the relevant eligibility requirements under the Listing Rules after adjusting its trading record results for the impact of such non-compliances, and that there would not have been any material adverse impact on its business and financial performance had it complied with the relevant rules or regulations and going forward.

150. No doubt a breach which would have in the future, a material financial or operational impact on the listing applicant would be classified as a material breach and would have negative implications on the suitability of the directors and for listing of an applicant. One may then ask to what extent a systemic breach would be considered as having the effect of imposing a negative implication on the Group's directors' or senior management's ability or tendency to operate in a compliant manner. My view is that when a systemic breach affects or is likely to affect people beyond parties to a dispute such as involving fraudulent conduct or grossly negligent or wilful breaches of applicable laws or obligations, it would carry such negative implication on the tendency to operate in a compliant manner.

Category of non-compliance

151. With the view that there has been only one summons charged against EOP so far and in particular during the Track Record Period and up to the latest practicable date in relation to DGO, and that the penalty of the breach was only a fine of HK\$10,000, representing around 10% of the maximum fine under **Section 14 of the DGO**, there is no evidence before me to suggest that the said existing breach will have or have had any material financial or operation impact/implication on the Group. Although EOP was charged with the said Summons on 14 February 2023 for breach occurred on 24 August 2022, the warehouse in question, namely Unit A1, 3rd Floor, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, was no longer used and leased by the Group. As will be discussed further below in Paragraph 155, the chance of a forfeiture order against the Group due to contravention of DGO is relatively minimal. Further, the Group has enhanced its control over the warehouse operations and has proceeded to third-party logistics and warehousing service provider(s) to take over the handling of storage and logistics matter, indicates that the Company, its directors and senior management are not acting to intentionally breach the relevant provisions of the DGO nor being reckless towards the matter. As to this particular breach, there is no evidence of intentional and/or wilful breach. Therefore, I do not consider this breach as a material non-compliance within the definitions of the Guide.
152. The next question is whether the previous continued storage of the perfume at warehouses without a valid DGO licence constitutes systemic non-compliance.
153. In **HKEX-LD100-2016**³ (**April 2016**), a listing decision, "Company F"'s listing application was rejected due to amongst other, systemic non-compliance where it failed to comply with the relevant laws and regulations in six instances related to its core business. The systemic non-compliance exposed Company F to significant credit risks and were in

³ https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Archive/Listing-Decisions/LD100_2016.pdf

violation of the relevant laws and regulations. The systemic non-compliances were of a serious nature and raise questions as to the directors' suitability.

154. In Annex A.9 of the Guide, three examples of non-compliances resulting in the listing application being rejected are set out of which (i) "Company A" being a money lender had not rectified all its non-compliances with local money lending laws before it applied to renew its money lender licence, it was therefore uncertain whether Company A would be able to renew its money lender licence; (ii) "Company C" operated a property leasing business and its listing application was rejected due to non-compliances because it had failed to comply with local building safety regulations with respect to a majority of its properties and so there was uncertainty as to when the building orders against these properties would be released before listing and the potential impact on its business.
155. In the present case, I shall proceed to analyze the Group's non-compliance arising from the previous storage of the perfume at the warehouses without a relevant DRO licence is a systemic or non-systemic non-compliance by reference to the requirement set out in the Guide and the above listing decisions.

(a) Reason for, nature and extent of the non-compliance

- (i) I am instructed that historically, the Group had been using the warehouses that they leased in Hong Kong for packaging of their products and preparation for transportation and delivery. The staff primarily responsible for the managing the operations at the Group's warehouses at that time, without the benefit of professional legal advice, had misunderstood the DGO and the relevant regulations and believed the restrictions on the quantity of storage would not apply to goods temporarily present on the premises as they were being packaged and/or prepared for transportation and did not manage the quantity of goods present at the premises accordingly.
- (ii) I am also instructed that it is impracticable for the Group to rent a warehouse with DGO licence in Hong Kong ("**DGO Licenced Warehouse(s)**") for storage of its inventory of perfume because the availability of DGO Licenced Warehouse(s) which meet the Group's requirements is highly limited, if available at all. The Group has exhausted all its reasonable effort but still could not be able to locate a DGO Licenced Warehouse for its inventory of perfume. Construction of a DGO Licenced Warehouse will be subject to identifying appropriate sites and obtaining various regulatory approval which will involve a high degree of uncertainty. According to "A Guide to Application for Dangerous Goods Licence and Approval" (02/2023 version)⁴ published by the Fire Services

⁴ https://es.hkfsd.gov.hk/dg/upload/page/22/download_1/6541a5216d8ee.pdf

Department, the applicant for construction of a dangerous goods warehouse should approach all relevant departments, such as Fire Services Department, Buildings Department and probably Planning Department for prior approval / professional advice in the planning stage. Further, construction of a dangerous goods warehouse may affect the safety of remaining parts of a building or involve alteration works to an existing building. In this connection, applicants are also strongly advised to submit the general building plans to the Building Authority before making a formal application for store and use licence.

- (iii) I am instructed that in order to avoid any possible risk of non-compliance of DGO, the Group has already engaged third-party logistics and warehousing service provider(s) to handle the perfume by providing supply chain solutions, including packaging, storing, transportation and delivery services. The Group has since August 2024, in relation to goods and inventories imported from overseas, arranged the delivery of the goods straightly from ports in Hong Kong to warehouses in Mainland China. Goods and inventories supplying in Hong Kong would be shipped back to Hong Kong at warehouses of third-party logistics and warehousing service providers. The target of the Group to transfer the handling of the storage and logistic of the perfume to these third-party logistics and warehousing service providers and to gradually cease of the operation of warehouses in Hong Kong has been completed as at the latest practicable date. The Group has already shifted the storage to Shenzhen external bonded warehouses. This would avoid the need for the Group to obtain relevant licenses under DGO in the future.

(b) The possible consequences (including the likelihood and the amounts that may be charged or penalized) for the non-compliance

- (iv) EOP had previously been charged only once with a relatively small amount of fine imposed. The criminal record lies on EOP itself, should EOP be charged again, regardless of the warehouse concerned, it would only be a further fine of up to HK\$200,000 and to imprisonment for 12 months. As with the previous fine, the Court will not impose a maximum fine save for very exceptional circumstances. The normal range of fine will in my experience be around 10% of the maximum fine, i.e. around HK\$20,000 for each subsequent offence. Unlike the money lender case of Company A in Annex A.9 of the Guide referred to above, the perfume business and other business of EOP would not be suspended or impeded due to such conviction. The chance of the Group's business being jeopardized or put to a halt as a result of this kind of conviction is extremely slim.
- (v) It should be noted that under **Section 16 of the DGO**, where a person

by whom an offence under the DGO has been committed is a company, every director and every officer concerned in the management of the company shall be guilty of the like offence unless he proves that the act constituting the offence took place without his knowledge or consent. This section imposes a possible liability on the directors and/or senior management of EOP which contravenes DGO. However, up to the date of this Legal Opinion, I am not aware of any cases where directors and/or senior management of a company being sentenced for imprisonment in Hong Kong due to contravention of **Section 6 of the DGO**. The said Summons was against EOP, not the director and/or the officer. Hence, I opine that the chance of prosecution against the directors and/or senior management of the Group is relatively minimal.

- (vi) Further, a Magistrate may also order to be forfeited by the Government any dangerous goods and any container thereof with respect to which any offence against the DGO has been committed, whether any person has been charged with such offence or not under **Section 18 of the DGO**. However, up to the date of this Legal Opinion, I am not aware of any cases where forfeiture order being made due to contravention of the DGO. Hence, I opine that the chance of a forfeiture order against the Group due to contravention of the DGO is relatively minimal.
- (vii) Further there is no provision under DGO where the Group may be asked to cease or suspend operations due to contravention of the DGO, I also opine that the chance of such is zero.

(c) The identity and position of the director/senior management involved in the non-compliance (if any).

- (viii) Although the director/senior management has knowledge of the said non-compliance incident, effort has been made to engage third-party logistics and warehousing service provider(s) to take over the handling of the storage and logistic of the perfume as particularized in Paragraph 155(a)(iii) above.
- (ix) There is no suggestion of any fraud or dishonesty on the part of EOP, its director/senior management in this non-compliance incident.
- (x) As to whether there is any wilful breach of DGO on the part of the Company / directors / senior management, it will be a good starting point to understand the extent of the word “wilful”. In criminal case context, where a statutory offence prohibits conduct performed “wilfully”, it is generally sufficient for the prosecution to prove that the accused acted intentionally or recklessly (See **Archbold 2024 Vol 2 para 16-37** and **Barnes v HKSAR (2000) 3 HKCFAR 298**). In the present situation, one may argue that since the Company / directors /

senior management is aware of the DGO requirements, their previous continuation of the use of warehouse without DGO licence whilst having the knowledge of the said non-compliance constituted a wilful breach of the DGO and hence a systemic breach.

- (xi) My view is that whether any member of the Group is in breach of the DGO requirements at any given point in time depends on the facts and circumstances at the relevant times, including but not limited to the quantity in storage and their dangerous goods classification (if any). In the present case, given the way how the Group runs its logistics and the way it utilizes the warehouse premises, which involves constant processing and inventory movements, such facts and circumstances are constantly changing. Therefore, other than the one breach leading to the issue of one Summons, it would be impossible to determine whether any member of the Group was in breach of the DGO at any given point in time in the past, as there has been no other breach found by the relevant authorities.
- (xii) There is no evidence of any intention nor reckless breach on the part of the Company, directors or senior management in respect of the said breach leading to the Summons.
- (xiii) In contrast, having the determination in enhancing its control over warehouse operations and its engagement of third-party logistics and warehousing service provider(s) to take over the handling of storage and logistics matter, indicates that the Company, its directors and senior management are not acting to intentionally breach the relevant provisions of the DGO nor being reckless towards the matter. I shall elaborate more on that in the section below on enhanced internal control measure.

(d) Whether the applicant has been penalized for the non-compliance during the Track Record Period and up to the latest practicable date or is likely to be penalized in the future

- (xiv) Only once as set out in Paragraph 143 above.
- (xv) I am instructed that the exact quantity of perfume varies from time to time. Since the inventory turnover varies from time to time, at some stage, the quantity stored may fall below the 5,000 L or 1,500 L limit (as applicable) resulting in no non-compliance⁵. In all fairness, despite the fluctuation, when the stored amount exceeds the statutory limit then there would still be non-compliance, chance of being prosecuted and the possibility of a penalty. That is the reason why enhanced internal control measures and the engagement of third-party logistics and warehousing service provider(s) and the shifting of storage to Shenzhen external bonded warehouse are important to avoid the risk of prosecution.

⁵ Under the DGR, for dangerous goods in liquid form, 1 unit equals 1 litre.

(e) *Details of the enhanced internal control measures (which are expected to have been implemented prior to listing) to prevent their recurrence*

(xvi) The key to the implementation of DGO is to ensure public safety. The storage of the perfume in a DGO Licenced Warehouse is only one of the factors to consider in terms of public safety. In my view, precautionary measures such as sufficient DGO training given to staff handling the storage of the perfume; sufficient fire extinguishers in place, and sufficient insurance coverage are also relevant in considering whether EOP has adopted enhanced internal control measure to ensure public safety in relation to their storage of the perfume.

(xvii) From the Enclosures, I am given the following fire insurance policies in relation to EOP's fire insurance coverage at the warehouses without a DGO licence are as follows :-

Insurer	Policies Number	Nature	Coverage	Period
Allianz	HKC0010190231PF HKC0010190241PF	Property Insurance (Fire) on fabric of the Building including landlords fixtures and fittings but excluding foundations and drains	Unit No. 1, 9/F, Blk A, Ko Fai Industrial Building 7 Ko Fai Road Yau Tong KL	18 November 2022 to 17 November 2025 (renewed annually)
Allianz	HKC0010192231PF HKC0010192241PF	Property Insurance (Fire) on fabric of the Building including landlords fixtures and fittings but excluding foundations and drains	Unit No. 2, 9/F, Blk A, Ko Fai Industrial Building 7 Ko Fai Road Yau Tong KL	18 November 2022 to 17 November 2025 (renewed annually)

(xviii) I am also given the following property all risk insurance policy in relation to EOP's property coverage at the warehouses without a DGO licence which are listed in paragraph 144 :-

Insurer	Policies Number	Nature	Period
Allianz	HKC0003572221PP HKC0003572231PP HKC0003572241PP	Property All Risks Insurances	18 August 2022 to 17 August 2025 (renewed annually)

(xix) The property all risk insurance covers material damage on the stock of good &/or merchandise consisting of sunglass, glass, frame, perfume & cosmetic located in the following addresses:

(1) Unit 1 & 2 9/F Block A Ko Fai Industrial Bldg. 7 Ko Fai Road, Yau Tong; and

(2) Portion (B) Unit No. 1, 3/F Block A Ko Fai Industrial Building, Yau Tong.

- (xx) I am instructed that EOP has reported to the relevant insurance company the type and volume of goods that they store in the warehouses on each occasion where the property all risk insurances requires renewal. Updates had been made to Allianz in August 2021, August 2022 August 2023, November 2023 and July 2024 respectively where Allianz acknowledges the updates on stock and their values at the respective warehouses. It is important to note that the two most recent fire insurance policies for warehouse at Units 1-2, 9/F, Block A, Ko Fai Industrial Building listed in sub-paragraph (xvi) above by Allianz are subject to clause and/or warranty A33, and the most recent property all risk insurance policy listed in sub-paragraph (xviii) above covering all relevant warehouses is subject to clause and/or warranty 7.12, which provides:-

“Warranted that the insured shall duly comply with and observe all provisions, requirements and regulations of

- 1. Fire Services Department, and/or*
- 2. Labour Department, and/or*
- 3. Dangerous Goods Ordinance, and/or*
- 4. Factories and Industrial Undertaking Ordinance, and/or*
- 5. Any other Statutory Obligation*

Including any notice given and requirements made pursuant to the same breach and disregard of which may affect or increase the risk hereby insured except only that this Warranty shall not apply in respect of any Ordinance, Regulation Notice or Requirement expressly waived by the Company by endorsement of this Policy”

- (xxi) And General Condition 6 of the said fire insurance policies by Allianz provides:-

“Every warranty to which the Property insured or any item thereof is or may be made subject shall from the time the warranty attaches apply and continue to be in force during the whole currency of this Policy, and non-compliance with any such warranty shall be a bar to any claim in respect of such Property or item, provided that whenever this Policy is renewed a claim in respect of Damage occurring during the renewal period shall not be barred by reason of a warranty not having been complied with at any time before commencement of such period”

- (xxii) General Condition 4.5.1 of the said property all risk insurance policies by Allianz provides:-

"This policy does not cover damages caused by or arising from any wilful act or negligence on the part of the Insured or any person acting on his behalf"

- (xxiii) In law, if a party by conduct leads another to believe that the strict rights under the contract will not be insisted upon, intending that the other should act on that belief, and he does act on it, then the first party will not afterwards be allowed to insist on that strict legal rights when it would be inequitable for him to do so. In Alan & Co Ltd v El Nasr Export and Import Co [1972] 2 QB 189, at 213:-

"The principle of waiver is simply this : If one party, by his conduct, leads another to believe that the strict rights arising under the contract will not be insisted upon, intending that the other should act on that belief, and he does act on it, then the first party will not afterwards be allowed to insist on that strict legal rights when it would be inequitable for him to do so: see Piasticmoda Societa per Azioni v. Davidsons (Manchester) Ltd. [1952] 1 Lloyd's Rep. 527, 539. There may be no consideration moving from him who benefits by the waiver. There may be no detriment to him by acting on it. There may be nothing in writing. Nevertheless, the one who waives his strict rights cannot afterwards insist on them. His strict rights are at any rate suspended so long as the waiver lasts. He may on occasion be able to revert to his strict legal rights for the future by giving reasonable notice in that behalf, or otherwise making it plain by his conduct that he will thereafter insist on them : Tool Metal Manufacturing Co. Ltd. v. Tungsten Electric Co. Ltd. [1955] 1 W.L.R. 761. But there are cases where no withdrawal is possible. It may be too late to withdraw or it cannot be done without injustice to the other party. In that event he is bound by his waiver. He will not be allowed to revert to his strict legal rights. He can only enforce them subject to the waiver he has made."

- (xxiv) It is therefore my view that it would be difficult for Allianz to refuse EOP's fire insurance claim and/or property all risk claim, if any, on the ground of non-compliance of warranty A33 and 7.12 for breach of DGO because of Allianz's waiver by conduct given the fact that Allianz has actual knowledge of the excessive amount of the perfume stored from time to time but is still accepting the risk and willing to insure. I am not aware of any clauses in Allianz's fire insurance policy and/or property all risk policy which expressly reserves its right to refuse a claim where a waiver by conduct existed on its behalf.

- (xxv) Although EOP was charged with the said Summons on 14 February 2023 for breach occurred on 24 August 2022, the warehouse in question, namely Unit A1, 3rd Floor, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, was no longer used and leased by the Group. Given that each insurance policy constitutes a separate and distinct contract between EOP and the insurance company, there is no duty on the part of the EOP to inform or to bring to the attention of Allianz of

the Summons for the purpose of the other insurance policies whether at the time of purchase or at the time of renewal.

(xxvi) Hence, my analysis above on waiver by conduct on the part of Allianz remains the same.

(xxvii) As mentioned above, the Group has already reallocated its stock of perfume to third-party logistics and warehousing service provider(s) such that the storage levels would maintain at or below that exempt quantity. Those third-party logistics and warehousing service provider(s) are responsible for all the storages and deliveries of perfumery products on behalf of the Group, so that perfumery products within Hong Kong are now being stored in the warehouses of the respective third-party logistics and warehousing service provider(s).

(xxviii) This plan has effectively shifted possible risks under DGO and DGR to the third-party logistics and warehousing service provider(s), whilst ensuring the storage levels of the stock of dangerous goods, if any, within the Group's premises would be maintained at or below that exempt quantity.

(xxix) This would definitely be seen as an enhanced internal control measure and eliminate the risk of any future non-compliance.

156. In the light of aforesaid, I am of the view that the above does not constitute a material or systemic non-compliance as such.

Consumer Goods Safety Ordinance (Cap. 456) (the "CGSO")

157. The CGSO was enacted to "*impose a duty on manufacturers, importers and suppliers of certain consumer goods to ensure that the consumer goods they supply are safe and for incidental purposes*" (**Long Title**).

158. **Section 2 of the CGSO** defines "*consumer goods*" to mean "*goods which are ordinarily supplied for private use or consumption, not being goods set out in the Schedule, and includes the packaging in which the consumer goods are supplied*".

159. **Section 3 of the CGSO** states that the CGSO does not apply to: "*goods in transit, consumer goods in the course of transshipment or consumer goods manufactured for export which may otherwise be consumer goods to which this Ordinance applies*".

160. The Schedule to the CGSO sets out the list of goods which are not considered "consumer goods" under the CGSO and outside the scope of the CGSO :-

- (a) food and water;
- (b) pleasure craft and similar vessels;

- (c) aircraft (other than hang-gliders);
 - (d) motor vehicles;
 - (e) gas, liquefied petroleum gas containers, gas appliances, gas fittings and flexible gas tubing, as defined under the Gas Safety Ordinance (Cap. 51);
 - (f) electrical products;
 - (g) pesticides;
 - (h) tobacco and tobacco products;
 - (i) pharmaceutical products, poisons and antibiotics;
 - (j) traditional Chinese medicines;
 - (k) toys and children's products within the meaning of the Toys and Children's Products Safety Ordinance (Cap. 424);
 - (l) any other goods the safety of which is controlled by specific legislation.
161. I have been instructed that the Subsidiaries do not sell any of the goods listed in paragraph 160 above.
162. For those within the scope of the CGSO, **Section 6 of the CGSO** provides that a person shall not (a) supply, (b) manufacture, or (c) import into Hong Kong consumer goods unless the consumer goods comply with (i) the general safety requirement for consumer goods; or (ii) where an approved standard applies to consumer goods, the approved standard for the particular consumer goods.
163. "Supply" according to **Section of the CGSO** means :
- "(a) to sell or hire out;*
 - (b) to offer, have in possession, or expose for sale or for hiring out;*
 - (c) to exchange or dispose of for any consideration;*
 - (d) to transmit, convey or deliver in pursuance of—*
 - (i) a sale;*
 - (ii) a hiring out; or*
 - (iii) an exchange or disposal for any consideration; or*
 - (e) for commercial purposes, to give consumer goods as a prize or to make a gift of the consumer goods;"*
164. In my opinion, the Subsidiaries certainly does "sell" consumer goods, and very likely have done the remainder of the acts which constitute "supply" (save and except may be to "hire out"). Therefore, the Subsidiaries in supplying and importing into Hong Kong consumer goods, must ensure the consumer goods comply with the general safety requirement or the approved standard.
165. The general safety requirement is stated in **Section 4 of the CGSO** to mean :
- "...that the consumer goods are reasonably safe having regard to all of the circumstances, including—*
 - (a) the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed;*

(b) the use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods;

(c) reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to consumer goods of that description; and

(d) the existence of any reasonable means (taking into account the cost, likelihood and extent of any improvement) to make the consumer goods safer.”

166. **Section 5 of the CGSO** provides that the “*approved standard*” within **Section 6** may be specified by the Secretary for Commerce and Economic Development by regulation. Currently there is **no** standard which has been approved in any regulation to the CGSO.
167. The Subsidiaries only need to ensure that the consumers goods supplied and imported by the Subsidiaries comply with the general safety requirement.
168. Contravention with **Section 6** is a criminal offence and is liable on first conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 1 year, and on subsequent conviction to a fine of HK\$500,000 and to imprisonment for 2 years. If the offence is continuing, in addition to the stated fine, the person shall be liable to a fine of HK\$1,000 for each day of continuation of the offence (**Sections 22(1), 28(1) and 28(2) of the CGSO**).
169. **Section 24(1) of the CGSO** provides a statutory defence to contravention of **Section 6**. The defendant needs to show that he took all reasonable steps and exercised all due diligence to avoid committing the offence.
170. It is a defence under **Section 24(1)** that that the commission of the offence was due to (a) the act or default of another person; or (b) reliance on information given by another (**Section 24(2) of the CGSO**). **Section 24(3) of CGSO** further provides that a person shall not be entitled to rely on the defence provided by subsection (1) by reason of his reliance on information supplied by another person, unless he shows that it was reasonable in all the circumstances for him to have relied on the information, having regard in particular (a) to the steps which he took, and those which might reasonably have been taken, for the purpose of verifying the information; and (b) to whether he had any reason to disbelieve the information. A court, in making a decision on the defence provided under subsection (1), may take into consideration the existence of a certificate from an approved laboratory showing that the samples of consumer goods which are the subject of the prosecution had been tested before being sold and had complied with the safety standard or safety specification set out in the certificate.
171. Based on the information available, I am not aware of any non-compliance by the Group under this head.

Consumer Goods Safety Regulation (Cap. 456A) (the “CGSR”)

172. The CGSR was enacted pursuant to Section 30(1)(a) of the CGSO. **Sections 2(1) and 2(2) of the CGSR** requires any warning or caution affixed on any consumer goods or their packages to be in both the English and the Chinese languages. The warning or caution shall be legible and be placed in a conspicuous position on (a) the consumer goods; (b) any package of the consumer goods; (c) a label securely affixed to the package; or (d) a document enclosed in the package.
173. **Section 2(3) of the CGSR** provides that a person who supplies consumer goods which do not comply with the above two subsections commits an offence and is liable (a) on first conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 1 year; and (b) on subsequent conviction to a fine of HK\$500,000 and to imprisonment for 2 years.
174. I have been instructed that the Group has exercised all reasonable steps and due diligence to ensure that the consumers goods supplied by the Group complied with the general safety requirement. In addition, the Group has relied on the information provided by the manufacturers or suppliers, who are in the best position to provide true and accurate information in relation to their products. They have also undertaken to ensure compliance with the law. There is no reason for the Group to disbelieve them.
175. As the Group has in place the above mechanism to ensure the appropriate warnings or labels were affixed, the Group's risk of contravention of **Section 2 of the CGSR** is minimal.
176. Further, in my opinion, in case of a contravention with **Section 6 of the CGSO**, by reference to the suppliers' warranties as stipulated in the supply contracts, the Group can safely rely on the statutory defence under **Section 24(1) of the CGSO**. In respect of **Section 24(3) of the CGSO**, the court also takes into account the steps taken in relation to verifying the supplied information, in determining whether the Group acts reasonably in relying on the supplied information. In my opinion, as the suppliers had undertaken the obligation to ensure compliance, the reasonable steps for the Group to take in terms of verification are (1) conducting product tests to review whether the products are generally safe to use and (2) for products purporting to have been certified under certain standards, to obtain proof of the certifications. I have been instructed that the Group took these two steps in verifying supplied information. In my opinion, with the verifications, it is reasonable for the Group to rely on the information provided by the suppliers. The requirements under **Section 24(3) of the CGSO** are very likely satisfied. The risk of the Group being convicted for offences under CGSO is minimal.

18(b). Laws and regulations in relation to import and export

Import and Export (Registration) Regulations (Cap. 60E) (the “IERR”)

177. **Regulations 4 and 5 of the IERR** provide that every person who imports or exports any article other than an exempted article shall lodge with the Commissioner an accurate and complete import declaration within 14 days relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner may specify.

178. **Regulation 3 of the IERR** exempts certain articles from the declaration requirement :

“ ...
(g) any postal packet the contents of which are valued at less than \$4,000;

(h) any article—
 (i) ...
 (ii) which consists solely of, and is marked clearly as, a sample of any product and which is intended, to the satisfaction of the Commissioner, to be distributed free of charge for the purpose of advertising the article of which it is a sample;
 (iia) valued at less than \$1,000, which consists solely of a sample of any product and is intended, to the satisfaction of the Commissioner, to be used for the purpose of advertising the article of which it is a sample;
... ”

179. **Regulation 7(1) of the IERR** provides the scale of penalties payable if a declaration is lodged 14 days, 1 month and 14 days, or 2 months and 14 days after the articles specified in the declaration have been imported or exported.

180. Should the person fails or neglects, without reasonable excuse, to file the declaration using services provided by a specified body within 14 days, or, where he has such excuse, fails or neglects to lodge such declaration in such manner as soon as is practicable after the cessation of such excuse, he shall be guilty of an offence and shall be liable on summary conviction to a fine at level 1 (currently at 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 the declaration in that manner continues (**Regulations 4(6) and 5(6) of the IERR**).

181. Based on the information available, I am not aware of any non-compliance by the Group under this head.

18(c). Laws and regulations in relation to product liability

Sale of Goods Ordinance (Cap. 26) (the “SOGO”)

182. The **SOGO** codifies the law relating to sale of goods. **Section 3 of the SOGO** defines a contract of sale of goods to mean a contract whereby the seller transfers or agrees to transfer the property in goods to the buyer for a money consideration, called the price. There may be a contract of sale between one part owner and another. The **SOGO** implies various conditions or warranties to contracts of sale of goods.
183. **Section 15 of the SOGO** provides that where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description; and if the sale is by sample, as well as by description, it is not sufficient that the bulk of the goods corresponds with the sample if the goods do not also correspond with the description.
184. **Section 16(2) of the SOGO** implies a condition as to merchantable quality, it provides that :
- “where the seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (a) as regards defects specifically drawn to the buyer’s attention before the contract is made; or (b) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (c) if the contract is a contract for sale by sample, as regards defects which would have been apparent on a reasonable examination of the sample.”*
185. “Merchantable quality” is defined in **Section 2(5) of the SOGO** to mean :
- “(a) as fit for the purpose or purposes for which goods of that kind are commonly bought; (b) of such standard of appearance and finish; (c) as free from defects (including minor defects); (d) as safe; and (e) as durable, as it is reasonable to expect having regard to any description applied to them, the price (if relevant) and all the other relevant circumstances; and any reference in this Ordinance to unmerchantable goods shall be construed accordingly.”*
186. **Section 16(3) of the SOGO** implies a condition as to reasonable fitness of the goods, it provides that :
- “Where the seller sells goods in the course of a business and the buyer, expressly or by implication, makes known to the seller any particular purpose for which the goods are being bought, there is an implied condition that the goods supplied under the contract are reasonably fit for that purpose, whether or not that is a purpose for which such goods are commonly supplied, except where the circumstances show that the buyer does not rely, or that it is unreasonable for him to rely, on the seller’s skill or judgment.”*
187. **Section 17 of the SOGO** concerns sale by sample, it provides that :
- “(1) A contract of sale is a contract for sale by sample where there is a term in the contract, express or implied, to that effect.
(2) In the case of a contract for sale by sample—*

(a) there is an implied condition that the bulk shall correspond with the sample in quality;
(b) there is an implied condition that the buyer shall have a reasonable opportunity of comparing the bulk with the sample;
(c) there is an implied condition that the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.”

188. Lastly, **Section 57 of the SOGO** provides that the above implied terms under the SOGO may be negated or varied by expressly agreement, or by the course of dealing between the parties or by usage, subject to the **Control of Exemption Clauses Ordinance (Cap. 71)**.

189. Based on the information available, I am not aware of any non-compliance by the Group under this head.

Control of Exemption Clauses Ordinance (Cap. 71) (the “CECO”)

190. Nevertheless, **Section 11(2) of the CECO** prohibits, as against a person who deals as consumer, the exclusion or restriction of liability by reference to any contract term, of breach of obligation arising under Sections 15 (sale by description), 16 (implied undertakings as to quality or fitness) or 17 (sale by sample) of the SOGO.

191. A person deals as a consumer if (a) he neither makes the contract in the course of a business nor holds himself out as doing so; (b) the other party does make the contract in the course of business; and (c) in the case of a contract governed by the law of sale of goods or by section 12, the goods passing under or in pursuance of the contract are of a type ordinarily supplied for private use or consumption (私人使用或消費用途) (**Section 4(1) of the CECO**).

191A. Based on the information available, I am not aware of any non-compliance by the Group under this head.

18(d). Laws and regulations in relation to advertising and trade practices

Trade Description Ordinance (Cap. 362) (the “TDO”)

192. The **TDO** was enacted to, *inter alia*, prohibit 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 (**Long Title**)

193. **Section 2 of the TDO** defines “*trade description*” (商品說明) to mean :

“in relation to goods, 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—

- (a) quantity (which includes length, width, height, area, volume, capacity, weight and number), size or gauge;
- (b) method of manufacture, production, processing or reconditioning;
- (c) composition;
- (d) fitness for purpose, strength, performance, behaviour or accuracy
- (e) (repealed)
- (ea) availability;
- (eb) compliance with a standard specified or recognized by any person;
- (ec) price, how price is calculated or the existence of any price advantage or discount;
- (ed) liability to pay duty on them under the laws of Hong Kong, generally or in specified circumstances;
- (f) testing by any person and results thereof;
- (g) approval by any person or conformity with a type approved by any person;
- (ga) a person by whom they have been acquired, or who has agreed to acquire them;
- (gb) their being of the same kind as goods supplied to a person;
- (h) place or date of manufacture, production, processing or reconditioning;
- (i) person by whom manufactured, produced, processed or reconditioned;
- (j) other history, including previous ownership or use;
- (k) availability in a particular place of—
 - (i) a service for the inspection, repair or maintenance of the goods; or
 - (ii) spare parts for the goods;
- (l) warranty given in respect of the service or spare parts referred to in paragraph (k);
- (m) the person by whom the service or spare parts referred to in paragraph (k) are provided
- (n) the scope of the service referred to in paragraph (k)(i)
- (o) the period for which the service or spare parts referred to in paragraph (k) are available
- (p) the charge or cost at which the service or spare parts referred to in paragraph (k) are available.”

194. **Section 7 of the TDO** provides that no person shall, amongst others, (1) in the course of his trade or business supplies or offers to supply any goods to which a false trade description is applied, or (2) has in his possession for sale any goods to which a false trade description is applied.

195. **Section 26(1) of the TDO** provides a general statutory defence to an offence under **Section 7**, if :

“(a) sufficient evidence is adduced to raise an issue that—

(i) the commission of the offence was due to—

(A) a mistake;

(B) reliance on information supplied to the person charged by another person;

(C) the act or default of another person;

(D) an accident; or

(E) some other cause beyond the control of the person charged; and

*(ii)the person charged **took all reasonable precautions and exercised all due diligence to avoid the commission of the offence** by—*

(A)the person charged; or

(B)any person under the control of the person charged; and

(b)the contrary is not proved by the prosecution beyond reasonable doubt."

(Emphasis added)

196. **Section 26AA of the TDO** provides a specific statutory defence to a person who has in his possession for sale any goods to which a false trade description is applied if :

"(a) sufficient evidence is adduced to raise an issue that the person charged—

(i) did not know;

(ii) had no reason to suspect; and

(iii) could not with reasonable diligence have ascertained,

that the goods or service did not conform to the trade description, or that the

trade description had been applied to the goods or service; and

(b)the contrary is not proved by the prosecution beyond reasonable doubt."

197. **Section 12 of the TDO** also provides that no person shall import or export any goods to which a false trade description is applied.

198. **Section 12(2A)** provides a defence for an offence under **Section 12** :

"(a) if :

(i) sufficient evidence is adduced to raise an issue that the person charged:

(A) did not know;

(B) had no reason to suspect; and

(C) could not with reasonable diligence have ascertained,

that the goods are goods to which a false trade description or forged trade mark is applied; and

(ii) the contrary is not proved by the prosecution beyond reasonable doubt; or

(b) if the person charged proves that the goods are not intended for trade or business."

199. Contravention with **Section 7 or 12** is an offence, and the offender is liable (a) on conviction on indictment to a fine of HK\$500,000 and to imprisonment for 5 years; and (b) on summary conviction to a fine at level 6 (up to HK\$100,000) and to imprisonment for 2 years (**Section 18(1) of the TDO**).

200. Lastly, **Part 2B of the TDO** concerns unfair trade practices, several offences have been created under this part in relation to a trader who engages in relation to a consumer in the following commercial practices :

- (1) **Section 13E: misleading omission**; a commercial practice that omits, hides, or provide 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, the average consumer to make a transactional decision that the consumer would not have made otherwise;

- (2) **Section 13F: aggressive commercial practice;** a commercial practice that significantly impairs or is likely significantly to impair the average consumer's freedom of choice or conduct in relation to the product concerned through the use of harassment, coercion or undue influence; and it causes or is likely to cause the consumer to make a transactional decision that the consumer would not have made otherwise;
- (3) **Section 13G: bait advertising;** a commercial practice concerning advertising by a trader of products for supply at a specified price while 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;
- (4) **Section 13H: bait and switch;** a commercial practice concerning the making by a trader of an invitation to purchase a product at a specific price, with the intention of promoting a different product, then (a) refuses to show or demonstrate the product to consumers; (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;
- (5) **Section 13I: wrongly accepting payment;** a commercial practice that a trader accepts payment for a product and at the time of that acceptance, (a) the trader intends not to supply the product; (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.

- 201. Any trader who engages in relation to a consumer any unfair trade practice commits an offence, the offender is liable on conviction on indictment to a fine of HK\$500,000 and to imprisonment for 5 years; and on summary conviction to a fine at level 6 (up to HK\$100,000) and to imprisonment for 2 years (**Section 18(1) of the TDO**).
- 202. Based on the information available, I am not aware of any non-compliance by the Group under this head.

The Personal Data (Privacy) Ordinance, Cap. 486 (the "PDPO")

- 203. The PDPO was enacted to protect the privacy of individuals in relation to personal data (**Long Title**).
- 204. **Section 4 of the PDPO** 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 PDPO. A "*data user*" is a person who controls the collection, holding, processing or use of the data (**Section 2 of the PDPO**). "*Personal data*" refers to any data (a) relating directly or indirectly to a living individual; (b) from

which it is practicable for the identity of the individual to be directly or indirectly ascertained; and (c) in a form in which access to or processing of the data is practicable (Section 2 of the PDPO).

205. In *Eastweek Publisher Limited & Another v Privacy Commissioner for Personal Data* [2002] 2 HKLRD 83, the Court of Final Appeal examined what constitutes “collection of personal data”. Ribeiro JA (as His Lordship then was) held (at pp.10) that :

“It is, in my view, of the essence of the required act of personal data collection that the data user must thereby be compiling information about an identified person or about a person whom the data user intends or seeks to identify. The data collected must be an item of personal information attaching to the identified subject, as the abovementioned definitions of ‘personal data’ and ‘data subject’ suggest. This is missing in the present case. What is crucial here is the complainant’s anonymity and the irrelevance of her identity so far as the photographer, the reporter and Eastweek were concerned. Indeed, they remained completely indifferent to and ignorant of her identity right up to and after publication of the offending issue of the magazine. She would have remained anonymous to Eastweek if she had not lodged a complaint and made her identity known. In my view, to take her photograph in such circumstances did not constitute an act of personal data collection relating to the complainant.”
(Emphasis added)

206. In essence, the (1) nature of the data collected and (2) motive of the data user are relevant in determining whether his act constitutes collection of personal data. If the data collected is not helpful in identifying a person, or the data is collected not for identification purposes (but is for e.g. general surveillance or security purposes), the data user does not engage in collection of personal data.
207. In conducting its business, the Group has very likely collected personal data of the customers such as name, address (for delivery), email address, telephone number, etc. These are datas which can help identify a particular customer and collected for that purpose.
208. The Group’s act of collecting personal data should therefore comply with the Data Protection Principles contained in **Schedule 1 of the PDPO**, in short :
- (1) Adequate personal data should be collected (i) for a lawful purpose, which is necessary for and directly related to a function or activity of the data user, (ii) by fair and lawful means. And the person whose data is being collect is informed (a) that whether he is obligatory or voluntary for him to supply the data, (b) the purpose of the collection and the class of persons to whom the data may be transferred, (c) on or before, his right to access and correct the data collected and the information of the person who might handle such requests.
 - (2) All practicable steps shall be taken to ensure the accuracy of the personal data collected, and kept not long than is necessary.
 - (3) Personal data should not be used for purposes outside of the person’s consent.
 - (4) All practicable steps shall be taken to ensure that any personal data held by a data user is protected against unauthorized or accidental access, processing, erasure, loss or use.

- (5) All practicable steps shall be taken to ensure that a person can (a) ascertain a data user's policies and practices in relation to personal data; (b) be informed of the kind of personal data held by a data user; (c) be informed of the main purposes for which personal data held by a data user is or is to be used.
 - (6) A data subject shall be entitled to ascertain whether a data user holds personal data of which he is the data subject and request access to personal data. He should be given reasons if the request is refused and the right to object to the refusal.
209. Contravention with the Data Protection Principles may entitle the Privacy Commissioner for Personal Data to issue a written notice directing the data user to remedy and prevent recurrence of contravention (**Section 50(1) of the PDPO**).
210. Contravention with the above notice is an offence and the offender is liable on (a) first conviction to a fine at level 5 (currently at HK\$50,000) and to imprisonment for 2 years, and if the offence continues after the conviction, to a daily penalty of HK\$1,000; and (b) second or subsequent conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 2 years, and if the offence continues after the conviction, to a daily penalty of HK\$2,000 (**Section 50A(1) of the PDPO**). There is a statutory defence of due diligence.
211. Based on the information available, I am not aware of any non-compliance by Group under this head.

Competition Ordinance (Cap. 619) (the “Competition Ordinance”)

212. The Competition Ordinance (which comes into force on 14 December 2015) aims to prohibit conduct that prevents, restricts or distorts competition in Hong Kong and mergers amongst carrier licensees under the TO that substantially reduce competition in the sector of telecommunications.
213. As part of the regime, two institutions, the Competition Commission (the “**Commission**”) and the Competition Tribunal (the “**Tribunal**”) have been established. The Commission has the dual roles of acting as an investigatory body as well as a promoter of competition. The Tribunal, on the other hand, has been tasked to hear and adjudicate competition-related cases. It may also hear cases that have been brought by the Commission, in addition to cases which are brought by a higher court.
214. The Competition Ordinance creates 2 key prohibitions which take the form of 2 “Conduct Rules” of cross-sector application :-
- (a) The First Conduct Rule prohibits agreements and concerted practices that have the object or effect of restricting competition in Hong Kong (the “**First Conduct Rule**”).
 - (b) The Second Conduct Rule prohibits a business with substantial market power from abusing that power by engaging in conduct that has the object or effect of restricting

competition in Hong Kong (the “**Second Conduct Rule**”). That is, it is only applicable to a single entity with substantial (but not collective) market power.

215. The First Conduct Rule applies where there is an agreement or concerted practice. There must be some form of conduct involving 2 or more parties for the First Conduct Rule to apply. However, the First Conduct Rule does not simply apply to conduct involving 2 or more entities if the relevant entities are part of the same undertaking. To determine whether 2 or more entities are one single undertaking for the purpose of the First Conduct Rule, the key question is whether the relevant entities constitute a single economic unit. For example, if entity A can exercise decisive influence over the commercial policy of entity B, whether through legal or de facto control, entity A and entity B may be considered as a single economic unit and part of the same undertaking, notwithstanding that the 2 entities might have separate legal personalities.

216. The focus of the First Conduct Rule is serious cartel activity amongst business competitors which constitutes serious anti-competitive conduct within the meaning of the Ordinance. Under **Section 2(1) of the Competition Ordinance** :-

*“**“serious anti-competitive conduct”** (嚴重反競爭行為) means any conduct that consists of any of the following or any combination of the following—*

- (a) fixing, maintaining, increasing or controlling the price for the supply of goods or services;*
- (b) allocating sales, territories, customers or markets for the production or supply of goods or services;*
- (c) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services;*
- (d) bid-rigging;*

...”

217. In gist, serious anti-competitive conducts would include :-

- (a) **Price fixing:** where agreement is reached on customer prices, or price elements such as discount and price range;
- (b) **Market-sharing:** where non-competition between competitors would be agreed by allocation of parts of the market, such as by customer demographic or by geographical location;
- (c) **Out-put restriction:** where production or sales output is limited as means of increasing prices;
- (d) **Bid-rigging:** agreeing with competitors who would make the winning bid, subverting the competitive nature of the tendering process.

218. The Commission has highlighted that serious anti-competitive behaviour will be dealt with most severely. Other conduct such as vertical arrangements between suppliers and customers are generally not considered by the Commission as serious anti-competitive behaviour.

219. I shall turn to the Second Conduct Rule. In gist, the Second Conduct Rule applies where

the following elements are present :-

- (a) The entity engaged in the relevant conduct is an undertaking (same as the definition under the First Conduct Rule);
- (b) This undertaking has a substantial degree of market power in a relevant market; and
- (c) The undertaking abuses its substantial degree of market power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong.

220. For the Second Conduct Rule to apply, it is very important to first define “the relevant market” for that particular undertaking and see if the undertaking has a substantial degree of market power in that particular market and whether the undertaking abuses its dominant position or power in that market.

221. As said, the Second Conduct Rule only applies where an undertaking has a substantial market power in a market. Smaller undertakings are unlikely to have a substantial degree of market power. Therefore, the commercial conduct of small and medium-sized undertaking would be unlikely to contravene the Second Conduct Rule.

222. **Section 21(3) of the Competition Ordinance** sets out the following non-exhaustive list of the matters that may be taken into consideration when assessing whether an undertaking has substantial degree of market power :-

- (a) The market share of the undertaking;
- (b) The undertaking’s power to make pricing and other decisions;
- (c) Any barriers to entry to competitors into the relevant market;
- (d) Any other relevant matters.

223. The most obvious manifestation of market power can be found in the ability of an undertaking to raise prices profitably above the competitive level for a sustained period. Market power can also be manifested in a number of ways relating to pricing, output and related commercial decision by the activity. For example, an undertaking with market power would be able to :-

- (a) Reduce the quality of its products below competitive levels for a sustained period without having to offer any compensatory reduction in price;
- (b) Reduce the range or variety of its products below competitive levels for a sustained period; and
- (c) Lower customer service standards below competitive levels for a sustained period.

224. **Section 21(2) of the Competition Ordinance** offers guidance on the types of conduct that might constitute an abuse of a substantial degree of market power. Conduct may constitute an abuse if it involves (a) predatory behaviour towards competitors or (b) limiting production, markets or technical developments to the prejudice of consumers.

225. Predatory behaviour towards competitors includes lowering its price below an appropriate measure of costs, deliberately incurring losses in the short run so as to eliminate or reduce the competitive effectiveness of one or more of its rivals or to prevent market entry.
226. Limiting production, markets or technical development to the consumer's prejudice may include practices such as anti-competitive tying and bundling, refusals to deal and exclusive dealing, which harm the competitive processes and consumers.
227. A non-exhaustive examples of conduct that the Competition Commission may, in appropriate circumstances, consider an abuse of a substantial degree of market power include : -

<u>Type of Conduct</u>	<u>Details</u>
Predatory Pricing	It sets prices so low that it deliberately foregoes profits in an attempt to force one or more other undertakings out of the market and/or in an attempt to otherwise "discipline" competitors. Or it sets prices below average variable costs.
Anti-competitive tying and bundling	When a supplier makes the sale of one product (the tying product) conditional upon the purchase of another (the tied product) from the supplier.
Margin squeeze	A vertically integrated undertaking supplies an important input to undertakings operating on a downstream market where it also operates.
Refusal to deal	Where an undertaking with a substantial degree of market power refuses to supply an input to another undertaking, or is willing to supply that input only on objectively unreasonable terms.
Exclusive dealing	Where an undertaking with a substantial degree of market power has imposed exclusive purchasing obligations on many consumers and it is likely that consumers as a whole will not derive a benefit. The relevant obligations, as a whole, have the effect of preventing the entry or expansion of competition undertakings because the exclusive purchasing locks up a significant part of the relevant market, equivalent to an anti-competitive foreclosure.

228. Pursuant to **Section 82 of the Competition Ordinance**, if the Commission has reasonable cause to believe that a contravention of the First Conduct Rule has occurred; and the contravention does not involve serious anti-competitive conduct, it must, before bringing proceedings in the Tribunal against the undertaking whose conduct is alleged to constitute the contravention, issue a warning notice to the undertaking.
229. On the other hand, under **Section 67 of the Competition Ordinance**, where a contravention of the First Conduct Rule has occurred and the contravention involves

serious anti-competitive conduct or a contravention of the Second Conduct Rule has occurred, the Commission may, instead of bringing proceedings in the Tribunal in the first instance, issue an infringement notice to the person against whom it proposes to bring proceedings, offering not to bring those proceedings on condition that the person makes a commitment to comply with requirements of the infringement notice.

230. **Sections 91 to 93 and 102 of the Competition Ordinance** relate to the potential liabilities faced by the company/director of the company which/who is found to be in breach of the Competition Ordinance :-

Section 91

“A reference in this Part to a person being involved in a contravention of a competition rule means a person who—

- (a) attempts to contravene the rule;*
- (b) aids, abets, counsels or procures any other person to contravene the rule;*
- (c) induces or attempts to induce any other person, whether by threats or promises or otherwise, to contravene the rule;*
- (d) is in any way, directly or indirectly, knowingly concerned in or a party to the contravention of the rule; or*
- (e) conspires with any other person to contravene the rule.”*

[emphasis added]

Section 92

“(1) If, after carrying out such investigation as it considers appropriate, the Commission considers it appropriate to do so, it may apply to the Tribunal for a pecuniary penalty to be imposed on any person it has reasonable cause to believe—

- (a) has contravened a competition rule; or*
- (b) has been involved in a contravention of a competition rule.*

(2) An application under subsection (1) may not be made—

- ... (b) in the case of an application with respect to a contravention of a conduct rule, more than 5 years after the day on which the contravention ceased or the Commission became aware of the contravention, whichever is the later.”*

Section 93

“(1) If the Tribunal is satisfied, on application by the Commission under section 92, that a person has contravened or been involved in a contravention of a competition rule, it may order that person to pay to the Government a pecuniary penalty of any amount it considers appropriate.”

Section 102

“(1) In the circumstances specified in section 102, the Tribunal may, on application by the Commission, make a disqualification order against a person.

(2) A disqualification order is an order that a person may not, without the leave of the Tribunal—

- (a) be, or continue to be, a director of a company;*
- ... or*

(d) in any way, whether directly or indirectly, be concerned or take part in the promotion, formation or management of a company, for a specified period, not exceeding 5 years, beginning with the date of the order.

231. The penalties that can be levied include :

- (a) Pecuniary penalties up to 10% of annual local turnover;
- (b) Director's disqualification orders for up to 5 years;
- (c) Divestiture of assets, shares or business (**Schedule 4 of the Competition Ordinance**);
- (d) Voiding of agreements; and
- (e) Injunctive relief (**Schedule 3 of the Competition Ordinance**).

232. I have been instructed that the Group:

- (1) has not made or given effect to any agreement or engaged in any concerted practice; or as a member of an association make or give effect to a decision of the association which may prevent, restrict or distort competition in Hong Kong;
- (2) has not engaged in any business conduct specified under the First Conduct Rule during the Track Record Period and up to the date hereof;
- (3) has not engaged in any abusive conducts under the Second Conduct Rule.

233. In my opinion, the risk of the Group having contravened the First Conduct Rule or the Second Conduct Rule is minimal.

18(e). Laws and regulations in relation to intellectual property

Copyright Ordinance (Cap. 528) (the "Copyright Ordinance")

234. **Section 2 of the Copyright Ordinance** defines copyright to mean a property right which subsists in (a) original literary, dramatic, musical or artistic works; (b) sound recordings, films, broadcasts or cable programmes; and (c) the typographical arrangement of published editions.

235. **Sections 22(1) and 22(2) of the Copyright Ordinance** provides that copyright in a work is infringed by a person who without the licence of the copyright owner does, or authorizes another to do, any of the acts restricted by the copyright, which includes (also known as primary infringement) :

- (1) copying the work;
- (2) issuing copies of the work to the public;
- (3) renting copies of the work to the public;
- (4) making available copies of the work to the public;
- (5) performing, showing or playing the work in public;
- (6) broadcasting the work or including it in a cable programme service;

- (7) making an adaptation of the work or doing any of the above in relation to an adaptation; and
 - (8) other acts referred to in **Part II of the Copyright Ordinance**.
236. **Sections 30 to 34 of the Copyright Ordinance** provides for the manners to commit secondary infringement of copyright, which include (*Intellectual Property Law and Practice in Hong Kong*, at [3.139]) :
- (1) importing or exporting an infringing copy, other than for private and domestic use;
 - (2) possessing, exhibiting, or distributing for the purpose of or in the course of any trade or business (it being immaterial whether or not the trade consists of dealing in infringing copies of copyright works); selling or letting for hire, or offering or exposing for sale or hire; or distributing otherwise to affect prejudicially the copyright owner, an infringing copy;
 - (3) making; importing or exporting; possessing for the purpose of or in the course of any trade or business (it being immaterial whether or not the trade or business consists of dealing in articles specially designed or adapted for making copies of copyright works); selling, letting for hire, offering or exposing for sale or hire an article specifically designed or adapted for making infringing copies of a copyright work;
 - (4) giving permission for an unauthorised public performance at a place of public entertainment (including premises which are occupied mainly for other purposes but are from time to time made available for hire for the purposes of public entertainment);
 - (5) supplying apparatus, or any substantial part of it, for the purpose of an unauthorised public performance;
 - (6) giving permission by an occupier of premises for the apparatus referred to I(e) above to be brought into the premises;
 - (7) supplying a copy of a sound recording or film for infringement purposes.
237. In committing the above acts of secondary infringement, it is required that the infringer knows or has reason to believe the copy of a work to be an infringing copy of the work.
238. **Section 36(1) of the Copyright Ordinance** also provides for a defence to secondary infringement for importing, exploiting, possessing or dealing with infringing copies if the person shows that he (a) had made reasonable enquiries sufficient to satisfy himself that the copy of the work imported or proposed to be imported into Hong Kong was not an infringing copy of the work; (b) he had reasonable grounds to be satisfied in the circumstances of the case that the copy was not an infringing copy; and (c) there were no other circumstances which would have led him reasonably to suspect that the copy was an infringing copy.
239. **Section 118 of the Copyright Ordinance** also provides for criminal offences :

“(1) A person commits an offence if he, without the licence of the copyright owner of a copyright work—

(a) makes for sale or hire an infringing copy of the work;
 (b) imports an infringing copy of the work into Hong Kong otherwise than for his private and domestic use;
 (c) exports an infringing copy of the work from Hong Kong otherwise than for his private and domestic use;
 (d) sells, lets for hire, or offers or exposes for sale or hire an infringing copy of the work for the purpose of or in the course of any trade or business;
 (e) exhibits in public or distributes an infringing copy of the work for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works;
 (f) possesses an infringing copy of the work with a view to—
 (i) its being sold or let for hire by any person for the purpose of or in the course of any trade or business; or
 (ii) its being exhibited in public or distributed by any person for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works; or
 (g) distributes an infringing copy of the work (otherwise than for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works) to such an extent as to affect prejudicially the copyright owner."

240. A person who commits an offence under **section 118(1) or (2A)** is liable on conviction on indictment to a fine at level 5 (up to HK\$50,000) in respect of each infringing copy and to imprisonment for 4 years (**Section 119(1) of the Copyright Ordinance**).
241. In the case of the Group which uses the photos supplied by the distributors, which may or may not constitute a secondary infringement of the copyright of the copyright owner, it is very likely that the Group has no knowledge and there is no reasonable ground to suspect that that the photos were provided by the distributors infringing copyright.
242. In my opinion, the Group will not be liable for the use of such photos for secondary infringement.
243. As to primary infringement, so long as the Group uses photos or other copyrighted materials with the permission of the copyright owner, the Group will also not be liable for primary infringement.
244. For pictures taken by the Group used and displayed in the Group's website, retail stores and marketing materials, the Group is the author of those pictures and hence is the copyright owner. In relation to copyright works that may exist on some products, the Group does make copies of those copyright works in taking those pictures. **Section 72 of the Copyright Ordinance** provides a defence to an infringement of copyright in an artistic work to copy it, or to issue or make available copies to the public for the purpose of advertising the sale of the work. As the Group makes copies of copyright works in the products for advertising the sale of the products (together with the copyright works), the Group can rely on the defence under **Section 72**. There is no risk of enforcement against

the Group for any potential copyright infringement in photographing the products. It is to be noted that **Section 72** should not apply to infringement of copyright of the photos themselves (as the photos themselves were copyright works) which were supplied by the Group's suppliers because the act of copying is not for advertising the sale of the supplied photos. However, if the allegation is based on infringement of copyright that may subsist in some products which were contained in those photos, the defence under **Section 72** is equally applicable.

Trade Mark Ordinance (Cap. 559) (the "Trade Mark Ordinance")

245. The **TMO** protects registered trade marks. The duration of the registered trademarks is for 10 years, which can be further renewed for 10 years per renewal (**Section 49 of the TMO**). The registered trade mark may be challenged in revocation proceedings if it is not used in Hong Kong for a continuous period of 3 years.
246. A person infringes a registered trade mark if he uses in the course of trade or business a sign (**Sections 18(1) to 18(4) of the TMO**) :
- (1) Which is identical to the trade mark in relation to goods or services which are identical to those for which it is registered;
 - (2) Which is identical to the trade mark in relation to goods or services which are similar to those for which it is registered, and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public;
 - (3) Which is similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public; or
 - (4) Which is identical or similar to the well-known trade mark in relation to any goods or services, and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.
247. I would set out the trade mark, if any, owned by the Group under **Part G** below.
248. Based on the information available, I am not aware of any non-compliance by the Group under this head.

18(f). Laws and regulations in relation to operation of business in Hong Kong

The Companies Ordinance, Cap. 622 (the "CO")

249. **Section 72 of the CO** provides that a certificate of incorporation is **conclusive evidence** that (a) all the requirements of the CO in respect of the registration of the company have been complied with; and (b) the company is registered under the CO.

250. After incorporation, **Section 73 of the CO** provides that :

- (1) On and after the date of incorporation stated in the certificate of incorporation, the founder members, and any other persons who may from time to time become the company's members, are a body corporate with the name stated in the certificate or, if a change of name has effect under **Sections 107, 110, 770 or 772 of the CO**, with the new name.
- (2) On and after the date of incorporation, the body corporate is capable of exercising all the functions of an incorporated company, and has **perpetual succession**.
- (3) On and after the date of incorporation, the founder members, and any other persons who may from time to time become the company's members, are liable to contribute to the assets of the company in the event of the company being wound up as is mentioned in the **Companies (Winding Up and Miscellaneous Provisions) Ordinance, Cap. 32**.

251. **Part 3 Division 5 of the CO** outlines the capacity and powers of a company, *inter alia* :

- (1) A company has the capacity, rights, powers and privileges of a natural person of full age (**Section 115(1)**);
- (2) A company may do any act that it is permitted or required to do by its articles or any Ordinance or rule of law (**Section 115(2)(a)**); and
- (3) A company has power to acquire, hold and dispose of land (**Section 115(2)(b)**).

252. I have been provided with the Certificates of Incorporation of the Subsidiaries issued by the Registrar of Companies.

253. In my opinion, all Subsidiaries have been duly incorporated and are validly subsisting.

The Business Registration Ordinance, Cap. 310 (the "BRO")

254. **Section 5 of the BRO** requires every person, other than those specifically exempted, who carries on business in Hong Kong must register his business with the Business Registration Office of the Inland Revenue Department ("**IRD**"). Every company incorporated in Hong Kong or non-Hong Kong company registered under the **CO** is deemed to be a person carrying on business and is required to be registered under the BRO.

255. **Section 6(5) of the BRO** provides that a business registration ("**BR**") certificate shall be valid until the expiry date endorsed thereon, and no such certificate shall be valid unless it bears an endorsement to the effect that the prescribed business registration fee and the levy have been paid.

256. I have been provided with the BR Certificates of the Subsidiaries.
257. I am satisfied that the Subsidiaries have complied with the requirements under the BRO.

Employees' Compensation Ordinance (Cap. 282) (the "ECO")

258. **Section 40 of the ECO** provides that no employer shall employ any employee in any employment unless there is a policy of insurance in force to cover the employer's liabilities under the ECO and at common law for injuries at work. The minimum insurance cover for not more than 200 employees should not be less than HK\$100 million per event whereas the minimum cover for more than 200 employees should not be less than HK\$200 million per event. Any employer who fails to comply with this part of the ECO commits an offence and is liable on conviction to a maximum fine of HK\$100,000 and imprisonment for 2 years.
259. **Section 41 of the ECO** provides that an employer to whom a policy of insurance for the purpose thereof shall display in a conspicuous place on each of his premises (where any employee is employed by him) a notice in a form specified by the Commissioner, which shows in both English and Chinese languages of (a) the name of the employer, (b) the name of the insurer, (c) the policy number, (d) the date of issue of the policy, (e) the dates of commencement and expiry of the period of insurance, (f) the number of employees insured under the policy at the time of issue thereof and (g) the amount of liability insured under the policy.
260. From the Enclosures, I have been provided with a list of employees of the Group as on 31 March 2024 and lists of employees of the Group as on 30 September 2024, and 31 March 2025 respectively. As on 31 March 2024, EOP had 295 employees, whilst ECHK had 6 employees, one of which is a part-time employee. As on 30 September 2024, BEC had 1 employee, ECHK had 8 employees, two of which are part-time employees and EOP had 292 employees. It is confirmed that the said 4 new branch shops of EOP in Macau are employed in Macau and the employment of which is hence governed by Macau employment law. As on 31 March 2025, BEC had 6 employees, ECHK had 7 employees and EOP had 320 employees. As the number of employees of the EOP exceeds 200, the minimum required amount of liability insured is HK\$200 million per event.
261. From the Enclosures, I have been provided with the EC Policy Schedule of EOP for the periods (i) from 17 August 2020 to 16 August 2021, (ii) from 17 August 2021 to 16 August 2022, (iii) from 17 August 2022 to 16 August 2023, (iv) from 17 August 2023 to 16 August 2024; and (v) from 17 August 2024 to 16 August 2025. The amount of liability insured was HK\$200 million in any one event. I have also been provided with the EC Policy Schedule of ECHK for the period from 1 November 2023 to 31 October 2024 and 1 November 2024 to 31 October 2025. The amount of liability insured was HK\$ 100 million in any one event for 5 employees and 9 employees respectively. I am also given to understand that ECHK has requested the insurance company to revise the cover note for the period from 1 November 2023 to 13 October 2024 to include the said 1 part-time employees at that time which I understand the updated cover note has already been issued.

As to the 1 employee of BEC, I am instructed that the said employee was transferred from EOP and was covered by the EOP EC policy for full year premium. As of 3 February 2025 and 31 March 2025, the number of employees of BEC has increased to a total of 6. It is confirmed that BEC has taken out EC policy for all of them. As of 31 March 2025, the number of employees of EOP has increased to a total of 320. It is confirmed that EOP has taken out EC policy for all of them.

262. In the circumstances, I am of the view that there is no non-compliance on the part of both EOP, ECHK and BEC in relation to the ECO.
263. I have been instructed that EOP, ECHK and BEC have displayed the Notices of Insurance in a conspicuous place on their premises. In my opinion, the Group has complied with the requirements under the ECO.

Mandatory Provident Fund Scheme Ordinance (Cap. 485) (the “MPFSO”)

264. The MPFSO requires an employer to enrol his employees in an MPF Scheme and make MPF contributions if the duration of employment is for 60 days or more. Employees whose contracts for employment were for less than 60 days, but also repeatedly renewed, are protected under **Item 7 of Part 1 of Schedule 1 of the MPFSO and Section 3 of the Employment Ordinance, Cap. 57** as they deem such contracts as “continuous contracts”.
265. I have been provided with the said three lists of employees of the Group during TRP and the relevant MPF contribution records by the Group during TRP in respect of BEC, ECHK and EOP. I am satisfied that all the employees listed therein are and were enrolled in an MPF Scheme and the respective employer’s monthly contributions of MPF have been duly made by the Group.

Occupational Safety and Health Ordinance (Cap. 509) (the “OSHO”)

266. **Section 6 of the OSHO** provides :

“(1) Every employer must, so far as reasonably practicable, ensure the safety and health at work of all the employer’s employees.

(2) The cases in which an employer fails to comply with subsection (1) include (but are not limited to) the following—

- (a) a failure to provide or maintain plant and systems of work that are, so far as reasonably practicable, safe and without risks to health;*
- (b) a failure to make arrangements for ensuring, so far as reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;*
- (c) a failure to provide 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;*
- (d) as regards any workplace under the employer’s control—*
 - (i) a failure to maintain the workplace in a condition that is, so far as reasonably practicable, safe and without risks to health; or*

- (ii) a failure to provide or maintain means of access to and egress from the workplace that are, so far as reasonably practicable, safe and without any such risks;
- (e) a failure to provide or maintain a working environment for the employer's employees that is, so far as reasonably practicable, safe and without risks to health."

267. **Section 7 of the OSHO** provides :

"(1) If an employee's workplace is located on premises that are not under the control of the employee's employer, the occupier of the premises must ensure that—
(a) the premises; and
(b) the means of access to and egress from the premises; and
(c) any plant or substances kept at the premises,
are, so far as reasonably practicable, safe and without risks to health."

268. In terms of enforcement, the Commission for Labour may serve improvement notice and suspension notice on the employer or occupier (**Sections 9 and 10 of the OSHO**). It is a criminal offence to fail to comply with the notice without reasonable excuse.

269. **Section 13 of the OSHO** provides that :-

"(1) If—
(a) an accident occurs at a workplace; and
(b) the accident causes the death of, or serious bodily injury to, an employee,
the person responsible for the workplace must notify the accident to an occupational safety officer within 24 hours after the time when the accident occurred.
(2) If—
(a) notification of an accident under subsection (1) is not contained in a written report that contains the particulars required by subsection (3); or
(b) (an employee who is a victim of an accident that has occurred at a workplace (other than an accident notified under subsection (1)) has been incapacitated by the accident,
the person responsible for the workplace must in writing report the accident to an occupational safety officer within 7 days after the date of the accident."

270. **Section 3(2) of the OSHO** provides that "*the person responsible for a workplace*" is the employer of the employees who are employed to carry out work there, or if the employer does not exercise any degree of control over the relevant part or aspect of the workplace, means the occupier of the workplace.

271. **Section 14 of the OSHO** provides that the occupier of premises where a workplace is located must report to an occupational safety officer any dangerous occurrence that occurs at the workplace. A "*dangerous occurrence*" is prescribed under **Schedule 1 of the OSHO**.

272. Contravention of **Sections 13 and 14** is a criminal offence and attracts a fine at the maximum of HK\$50,000.

273. In addition, the **Occupational Safety and Health Regulation, Cap. 509A** also imposes duties onto the person responsible for a workplace in relation to (i) accident prevention, (ii) fire precautions, (iii) workplace environments, (iv) workplace hygiene, (v) first aid at workplace, and (vi) manual handling operations.
- 273A. Based on the information available, I am not aware of any non-compliance by the Group under this head.

Inland Revenue Ordinance (Cap. 112) (the “IRO”)

(a) Filing Requirements in relation to Employees under the IRO

274. **Section 52(4) of the IRO** provides that the company as employer is required to furnish in writing, within 3 months of engagement, particulars of any new employee (i.e. Form 56E) who is likely to be chargeable to salaries tax. Otherwise and unless with reasonable excuse, the company will be liable to a maximum fine of HK\$10,000 and the court may order the company to do the act which they failed to do (**section 80(1)(c) of the IRO**).
275. **Section 52(5) of the IRO** provides that the company as employer who is about to cease or ceases to employ in Hong Kong any person who is likely to be chargeable to salaries tax must notify the Commissioner in writing at least 1 month before such person ceases to be employed (i.e. Form 56F). Otherwise and unless with reasonable excuse, the company will be liable to a maximum fine of HK\$10,000 and the court may order the company to do the act which they failed to do (**section 80(1)(c) of the IRO**).
276. That said, even if the company has failed to file the relevant Forms 56E/F under **sections 52(4) and/or 52(5) of the IRO**, it is the usual practice of the IRD that those outstanding Forms would not be required to be filed to the IRD if the employer (i.e. the Group) filed the Employer’s Return of Remuneration and Pension (i.e. Form 56B).
277. **Section 80(3) of the IRO** provides that no person shall be liable to any penalty under this section unless the complaint concerning such offence was made in the year of assessment in respect of or during which the offence was committed or within 6 years after the expiration thereof.
278. It is worth-mentioning that the Commissioner may compound any offence under **Section 80 of the IRD** in lieu of prosecution (see **Section 80(5) of the IRO**; see also the **Penalty Policy at the IRD’s website**: <http://www.ird.gov.hk/eng/pol/ppo.htm>).
279. **Section 84 of the IRO** further provides that :
- “(1) No prosecution in respect of an offence under section 80 or 82 may be commenced except at the instance of or with the sanction of the Commissioner.
(2) Nothing in this section shall derogate from the powers of the Secretary for Justice in respect of the prosecution of criminal offences.”*

(b) **Profits Tax**

280. According to **Section 14 of the IRO**, profits tax is chargeable on the assessable profits of the Subsidiaries at the rate specified in **Schedule 8 of the IRO** (i.e. 16.5% for years of assessment since 2008/09; 8.25% on assessable profits up to HK\$2 million, and 16.5% on the assessable profits over HK\$2 million, for years of assessment 2018/19 onwards). They therefore have the duty to file tax returns and other relevant documents, and pay the tax accordingly.

281. In respect of the filing of profits tax return, **Section 51(1) of the IRO** provides :

“Any assessor may give notice in writing to any person requiring him within a reasonable time stated in such notice to furnish any return which may be specified by the Board of Inland Revenue for –

(a) property tax, salaries tax or profits tax ... ”

282. Under **Section 80(2) of the IRO** :

“Any person who without reasonable excuse –

...

(d) fails to comply with the requirements of a notice given to him under Section 51(1) ...

commits an offence and is liable on conviction to a fine at level 3 and a further fine of treble the amount of tax which has been undercharged in consequence of such incorrect return, statement or information, or would have been so undercharged if the return, statement or information had been accepted as correct, or which has been undercharged in consequence of the failure to comply with a notice under section 51(1) ... , or which would have been undercharged if such failure had not been detected.”

(Emphasis added)

283. I shall discuss further on the compliance aspect under this head in **Part F** below.

Minimum Wage Ordinance (Cap. 608) (the “MWO”)

284. The MWO establishes a statutory minimum wage (“SMW”) which has come into force since 1 May 2011. Basically, wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the SMW rate. If an employer wilfully and without any reasonable excuse fails to pay the SMW rate when it becomes due is liable to be prosecuted under **Sections 23, 24 and/or 63C of the Employment Ordinance**, and upon conviction, to a fine to the maximum of HK\$350,000 and to imprisonment for 3 years.

285. For easy reference, I have set out the SMW rates over the years in tabular form :-

With effect from	SMW rate per hour
1 May 2011	HK\$ 28.00

1 May 2013	HK\$ 30.00
1 May 2015	HK\$ 32.50
1 May 2017	HK\$ 34.50
1 May 2019	HK\$ 37.50
1 May 2023	HK\$ 40.00
1 May 2025	HK\$ 42.10

286. I have been instructed that all employees have been provided with wages not less than the prescribed amount during the relevant period of time. Unless there is any evidence to the contrary, I am satisfied that there is no non-compliance of the Hong Kong Subsidiaries under the MWO.

Part D Insolvency and Litigation

(19) Winding up, dissolution, liquidation procedures of the Group or its assets

287. I am provided with an Enhanced Due Diligence Report on listing company, group companies and others and an Enhanced Due Diligence Report in relation to the directors and senior management of the Company dated 18 June 2024 and a set of Enhanced Due Diligence Reports in relation to the directors and senior management of the Company dated 16 May 2025.
288. From the above reports, there is no record of any resolution of members' voluntary winding up of the Company and the Subsidiaries.
289. There is also no record of any bankruptcy action, suit or proceedings in bankruptcy action has been found against the directors and senior management of the Company and the Subsidiaries.

(20) Litigation of the Group or its directors or senior management

290. Based on the litigation search result and the confirmation, I am satisfied that the directors, including Mr. Lau Kui Wing, Ms. Lam King, Ms. Lau Wing Yin and Mr Chu Wai Tsun Baggio and the senior management of the Group, that none of them has any previous criminal conviction. Further, based on the litigation search result and confirmation, I am also satisfied that Madam Chan Wai Chun, spouse of Mr. Lau Kui Wing, also has no previous criminal conviction.

291. I am given to understand that EOP, Ms. Lam King and Mr Chu Wai Tsun Baggio appears to be the defendants in the following matter:-

Items	Details
Date	14 June 2019
Plaintiff	Integritas International Limited (Suing on behalf of itself, Deluxe Galaxy Assets Limited and Red Earth Trading Limited)
Defendant	Chu Wai Tsun Baggio Lam King Eternal Optical & Perfumery (Far East) Limited Deluxe Galaxy Assets Limited Red Earth Trading Limited
Amount	HK\$305,585.25
Cause	Company
Action No.	HCA 1047/2019

292. From the Enclosures, I understand that the above action has settled, where the Defendants offered to the Plaintiff in the sum of HK\$65,000.00 (all-inclusive) in full and final settlement of the action.

293. I am given to understand that VPL appears to be the plaintiff in the following matter in the Small Claim Tribunal :-

Items	Details
Date	23 June 2020
Plaintiff	Visual Promotions Limited
Defendant	翁植楠經營一元眼鏡
Amount	Not stated
Cause	Goods Sold and Delivered
Action No.	SCTC 5262/2020

294. Apart from the above litigations, no record of any outstanding civil or criminal litigation has been found against the directors and senior management of the Company and the Hong Kong Subsidiaries.

(21) Investigation or regulatory proceedings of the Group or its directors or senior management

295. Apart from the above litigations, there is no record of any actual, pending or threatened regulatory, legal or governmental actions or proceedings (including without limitation litigation, administrative proceedings and governmental investigations or inquiries), resolution, winding up petition, winding-up order or appointment of a receiver or liquidator made or issued against the Company and the Subsidiaries or their properties or

assets (as the case may be) in Hong Kong as indicated in the said two Enhanced Due Diligence reports.

Part E Proposed Listing

(22) Approvals, authorisations or consents for the Proposed Listing

296. Having considered all the information available, I am of the opinion that each Subsidiary does not requires approvals, authorisations or consents of and from, or filings with or notifications to any Authorities for or as a result of the Proposed Listing (including but not limited to the issue and sale of shares under the global offering and the associated changes in shareholding and directors of the Company as the holding company of each Subsidiary).

(23) Transactions contemplated by the Proposed Listing

297. Having considered all the information available, I am also of the opinion that the consummation or performance of the transactions contemplated by the Proposed Listing (including but not limited to the issue and sale of shares under the global offering and the associated changes in shareholding and directors of each Subsidiary as the holding company of the Company) will not contravene, violate, conflict with or constitute a default under:

- (i) any law, regulation, judgement, ruling, order or decree of the place of incorporation applicable to each Subsidiary which is currently in force;
- (ii) the constitutional documents of each Subsidiary; or
- (iii) any agreement/instrument binding upon each Subsidiary or any of its assets (in particular, the material agreements under **Part H** below).

Part F Tax

(24) Public search on tax filings

298. I am provided with the relevant Forms 56B during TRP dated 27 April 2021, 27 April 2022, 18 May 2023 and 29 May 2024 respectively.

299. Based on the relevant Form 56B and Profits Tax Return filed by the Group, there is no need to engage in any public search on tax filings for the purpose of rendering this Legal Opinion.

(25) Whether the Group has complied with all the applicable laws in Hong Kong on tax matter

300. According to **Section 14 of the IRO**, profits tax is chargeable on the assessable profits of the Subsidiaries at the rate specified in **Schedule 8 of the IRO** (i.e. 16.5% for the years of assessment since 2008/09). They therefore have the duty to file tax returns and other relevant documents, and pay the tax accordingly.
301. In respect of the filing of profits tax return, **Section 51(1) of the IRO** provides:
*"Any assessor may give notice in writing to any person requiring him within a reasonable time stated in such notice to furnish any return which may be specified by the Board of Inland Revenue for –
(a) property tax, salaries tax or profits tax ... "*
302. Under **Section 80(2) of the IRO**:
*"Any person who without reasonable excuse –
...
(d) fails to comply with the requirements of a notice given to him under Section 51(1) ...
commits an offence and is liable on conviction to a fine at level 3 and a further fine of treble the amount of tax which has been undercharged in consequence of such incorrect return, statement or information, or would have been so undercharged if the return, statement or information had been accepted as correct, or which has been undercharged in consequence of the failure to comply with a notice under section 51(1) ..., or which would have been undercharged if such failure had not been detected."*
303. Generally, taxpayers are required to return the Profits Tax Return within 1 month from the day of the notice. The said requirement is specified at page 1 of every Profits Tax Return. That said, time extensions can be applied for with the IRD.
304. On 20 March 2023 and 22 March 2024, the IRD issued the respective Circular Letters to Tax Representatives regarding the Block Extension Scheme for lodgment of the Profits Tax return of 2022/23 ("**2022/23 Circular**") and 2023/24 ("**2023/24 Circular**") respectively. As stated in paragraph 5 thereof, for taxpayers who are represented, the compliance date specified in the notice on page 1 of the respective 2022/23 and 2023/24 Profits Tax returns will be extended. In this connection, a tax representative refers to a person authorized by a taxpayer in writing (bearing the taxpayer's signature), to act on his behalf for the purposes of the IRO. The particulars of the said extension are summarized as follows :-

2022/23 Tax Returns

Accounting Date	Extended Due Date
1 April 2022 – 30 November 2022 (Accounting Date Code “N”)	No Extension
1 December 2022 – 31 December 2022 (Accounting Date Code “D”)	15 August 2023
1 January 2023 – 31 March 2023 (Accounting Date Code “M”)	15 November 2023

2023/24 Tax Returns

Accounting Date	Extended Due Date
1 April 2023 – 30 November 2023 (Accounting Date Code “N”)	No Extension
1 December 2023 – 31 December 2023 (Accounting Date Code “D”)	15 August 2024
1 January 2024 – 31 March 2024 (Accounting Date Code “M”)	15 November 2024

305. For the assessment years 2022/23 and 2023/24, I note that a further extension of 1 month will be granted for filing the tax return electronically (see paragraph 14 of the 2022/23 Circular and the 2023/24 Circular).
306. From the Enclosures, I have been provided with the following:-

ECT

- (1) Profits tax return issued on 4 April 2023 for final assessment 2022/23 and provisional payment 2023/24 of ECT submitted under the covering letter of Plan Fortune Consultants Limited (“**Plan Fortune**”), the tax representative of ECT, dated 14 November 2023;

EOP

- (2) Profits tax return issued on 1 April 2022 for final assessment 2021/22 and provisional payment 2022/23 of EOP submitted under the covering letter of PricewaterhouseCoopers Ltd (“**PWC**”), the tax representative of EOP, dated 30 November 2022;
- (3) Profits tax return issued on 3 April 2023 for final assessment 2022/23 and provisional payment 2023/24 of EOP submitted under the covering letter of PWC dated 29 November 2023;

- (4) Profits tax return issued on 2 April 2024 for final assessment 2023/24 and provisional payment 2024/25 of EOP submitted under the covering letter of PWC dated 29 November 2024;

EFL

- (5) Profits tax return issued on 1 April 2022 for final assessment 2021/22 and provisional payment 2022/23 of EFL submitted under the covering letter of Plan Fortune, the tax representative of EFL, dated 25 November 2022;
- (6) Profits tax return issued on 3 April 2023 for final assessment 2022/23 and provisional payment 2023/24 of EFL submitted under the covering letter of Plan Fortune dated 14 November 2023;
- (7) Profits tax return issued on 2 April 2024 for final assessment 2023/24 and provisional payment 2024/25 of EFL submitted under the covering letter of Plan Fortune dated 14 October 2024;

TCL

- (8) Profits tax return dated 14 April 2023 for final assessment 2022/23 and provisional payment 2023/24 of TCL submitted under the covering letter of Plan Fortune, the tax representative of TCL, dated 26 September 2023;
- (9) Profits tax return dated 2 April 2024 for final assessment 2023/24 and provisional payment 2024/25 of TCL submitted under the covering letter of Plan Fortune, the tax representative of TCL, dated 14 October 2024;

VPL

- (10) Profits tax return issued on 1 April 2022 for final assessment 2021/22 and provisional payment 2022/23 of VPL submitted under the covering letter of Plan Fortune, the tax representative of VPL, dated 25 November 2022;
- (11) Profits tax return issued on 3 April 2023 for final assessment 2022/23 and provisional payment 2023/24 of VPL submitted under the covering letter of Plan Fortune dated 14 November 2023;
- (12) Profits tax return issued on 2 April 2024 for final assessment 2023/24 and provisional payment 2024/25 of VPL submitted under the covering letter of Plan Fortune dated 18 July 2024.

307. I am instructed that the above Profits Tax Return filings were extended pursuant to the above-mentioned Block Extension Scheme and hence there has been no late filing as such.
308. I am also provided with various IRD letters dated 20 November 2023, 20 July 2023, 27 December 2023, 20 November 2023 in relation to ECHK, ECH (ceased to be a subsidiary of the Group on 30 May 2025), ECT and MHL respectively whereby it was confirmed by the IRD that the said subsidiaries would not be required to submit annual Profits Tax Return because there were either no trade or business commenced or the trade or business carried on did not give rise to assessable profits. The Company confirms that ECH (ceased to be a subsidiary of the Group on 30 May 2025), ECT and MHL are still not

required to file the Profits Tax Return. As regards ECHK, I am instructed that as required by IRD, ECHK has submitted its profits tax computation for the years of assessment 2021/22, 2022/23 and 2023/24 and its audited financial statements for the period from 30 November 2021 (date of incorporation) to 31 March 2024 to the IRD under the covering letter of Plan Fortune dated 29 August 2024.

309. In relation to EOP,
- (i) pursuant to the Profits Tax assessment for final tax for 2021/22 and provision tax for 2022/23 issued by the IRD on 12 January 2023, EOP was required to pay Profits Tax in the total sum of HK\$42,843,827. The said amount of tax has been duly settled by EOP;
 - (ii) pursuant to the Profits Tax assessment for final tax for 2022/23 and provision tax for 2023/24 issued by the IRD on 31 January 2024, EOP was required to pay Profits Tax in the total sum of HK\$34,961,099. The said amount of tax has been duly settled by EOP;
 - (iii) pursuant to the Profits Tax assessment for final tax for 2023/24 and provision tax for 2024/25 issued by the IRD on 31 December 2024, EOP was required to pay Profits Tax in the total sum of HK\$19,038,087. The said amount of tax has been duly settled by EOP;
310. In relation to EFL,
- (i) pursuant to the Profits Tax assessment for final tax for 2021/22 and provision tax for 2022/23 issued by the IRD on 12 January 2023, EFL was required to pay Profits Tax in the total sum of HK\$61,848. The said amount of tax has been duly settled by EFL;
 - (ii) pursuant to the Profits Tax assessment for final tax for 2022/23 and provision tax for 2023/24 issued by the IRD on 23 January 2024, EFL was awarded with a Profits Tax refund in the total sum of HK\$12,492. The said amount of tax has been refunded;
 - (iii) pursuant to the Profits Tax assessment for final tax for 2023/24 and provision tax for 2024/25 issued by the IRD on 20 November 2024, EFL was required to pay Profits Tax in the total sum of HK\$278,948. The said amount of tax has been duly settled by EFL;
311. In relation to VPL,
- (i) pursuant to the Profits Tax assessment for final tax for 2021/22 and provision tax for 2022/23 issued by the IRD on 9 February 2023, VPL was required to pay Profits Tax in the total sum of HK\$11,685,702. The said amount of tax has been duly settled by VPL;
 - (ii) pursuant to the Profits Tax assessment for final tax for 2022/23 and provision tax for 2023/24 issued by the IRD on 20 December 2023, VPL was required to pay Profits Tax in the total sum of HK\$1,641,140. The said amount of tax has been duly settled by VPL;

- (iii) pursuant to the Profits Tax assessment for final tax for 2023/24 issued by the IRD on 15 October 2024, VPL was awarded with a Profits Tax refund in the total sum of HK\$1,746,675. The said amount of tax has been refunded.
312. Having reviewed the above, I am satisfied that there is no non-compliance by the above subsidiaries under this head.

Part G Assets and Intellectual Properties

313. I am instructed that the Group owns a club membership at the Clearwater Bay Golf and Country Club held in the name of EOP. I have been provided with a letter dated 21 September 2023 issued by EOP to the Clearwater Bay Golf & Country Club confirming the ownership of the club.
314. Other than the above, I am not aware of any assets and intellectual property owned by the Club during the TRP.

(28) Defects or encumbrances over the assets/properties owned by the Company

315. There is no record of defects or encumbrances over the assets/properties owned by the Company that I am aware of.

(29) Guarantee provided by the Company

316. There is no record of any guarantee provided by the Company that I am aware of.

(30) Due registration of IP rights

317. Those instructing me have carried out online searches with the Intellectual Property Department in relation to registered designs, trade marks and patents. It is discovered that 14 trade marks have been registered by the Group.
318. From the Enclosures, I have been provided with the trade mark records of the trade marks:
- (1) Registration number 200002274, registered by EOP under Class 9, valid from 19 May 1999 to 19 May 2026;
 - (2) Registration number 303141639, registered by EOP under Classes 9 and 21, valid from 19 September 2014 to 18 September 2024 (EOP has decided not to renew this trade mark);

- (3) Registration number 303141648, registered by EOP under Classes 9 and 21, valid from 19 September 2014 to 18 September 2024 (EOP has decided not to renew this trade mark);
- (4) Registration number 303141657, registered by EOP under Classes 9 and 21, valid from 19 September 2014 to 18 September 2024 (EOP has decided not to renew this trade mark);
- (5) Registration number 303399751, registered by EOP under Classes 9 and 21, valid from 6 May 2015 to 5 May 2025;
- (6) Registration number 303399760, registered by EOP under Classes 9 and 21, valid from 6 May 2015 to 5 May 2025;
- (7) Registration number 304461723, registered by VPL under Class 35, valid from 16 March 2018 to 15 March 2028;
- (8) Registration number 304580604, registered by EOP under Classes 3, 7, 9, 25, 35 and 44, valid from 29 June 2018 to 28 June 2028;
- (9) Registration number 305515326, registered by EOP under Classes 3, 35, 42 and 44, valid from 25 January 2021 to 24 January 2031;
- (10) Registration number 305554864, registered by EOP under Classes 3 and 9, valid from 8 March 2021 to 7 March 2031;
- (11) Registration number 305554873, registered by EOP under Classes 3 and 9, valid from 8 March 2021 to 7 March 2031;
- (12) Registration number 302269891, registered by EOP under Classes 3, 35 and 44, valid from 1 June 2022 to 31 May 2032;
- (13) Registration number 305987134, registered by MHL under Class 35, valid from 17 June 2022 to 16 June 2032; and
- (14) Registration number 305987152, registered by MHL under Class 35, valid from 17 June 2022 to 16 June 2032;

319. I am satisfied that the trade marks have been validly registered.

320. Those instructing me have been informed that the domain names registered by the Group are as follows:-

No.	Domain name	Registration date	Expiry date	Registered Subsidiary
1	eternal-op.com.hk	22 November 1999	16 January 2029	EOP
2	eternal.hk	20 September 2010	29 September 2026	EOP
3	witheternal.hk	22 November 2019	21 November 2025	EOP
4	al-eternal.com.hk	9 January 2017	9 January 2026	EOP
5	orlane.com.hk	26 June 2000	13 February 2028	EOP
6	orlane.hk	15 October 2014	15 January 2028	EOP
7	santamonicaeyewear.com	30 September 2016	21 June 2028	EOP
8	annasuibeautey.hk	6 October 2022	6 October 2025	EOP
9	academie.com.hk	15 June 2022	15 June 2026	EOP
10	gonbuy.hk	26 June 2017	26 June 2028	VPL
11	gonbuy.com.hk	26 June 2017	27 June 2028	VPL
12	頴通遠東.公司.香港	9 January 2017	9 January 2026	EOP

321. Those instructing me have been informed that the third parties' intellectual properties the Group uses that duly licensed to the Group are as follows:-

Subject	Version
Microsoft Office for Mac Standard	2016
Microsoft Office Professional	Plus 2016
Microsoft Office Standard	2019
Microsoft Office Standard	2016
Microsoft Office Standard	2013
Microsoft Office Standard	2010
Microsoft Office Standard for Macintosh	2011
Microsoft SQL - User CAL	2016
Microsoft SQL - User CAL	2014
Microsoft SQL Server - Standard	2016
Microsoft SQL Server - Standard	2014
Microsoft SQL Server Standard - 1 Processor	2008 Release 2
Windows	8.1 Professional Get Genuine
Windows Per Device	10 Enterprise
Windows Remote Desktop Services - User CAL	2016
Windows Remote Desktop Services - User CAL	2012
Windows Server - Device CAL	2012
Windows Server - Standard	2012 R2
Windows Server - Standard	2012
Windows Server - Standard	2008 Release 2
Windows Server - User CAL	2016
Windows Server - User CAL	2012
Windows Server - User CAL	2008
Windows Server Standard Core	2016
Microsoft Office Home and Business Boxset	2010
Microsoft Office Home and Business Boxset for MAC	2011
Microsoft Office Home and Business Boxset	2013
Microsoft Office Home and Business Boxset	2019
Microsoft Office Home and Business Boxset	2021
Sophos central intercept x advanced for User	
Sophos central intercept x advanced for Server	
Adobe Creative Cloud for teams All Apps	
Teamviewer remote control	
Zoom Standard Pro	
SAP Professional License	
SAP Limited License	

322. I am not aware of any, and have been instructed that there is no :

- (1) Unregistered intellectual property rights or other intellectual property rights used by the Subsidiaries;

- (2) Intellectual property rights registration under application;
- (3) Confidentiality agreements relating to intellectual property rights;
- (4) License granted to the Subsidiaries for use of any intellectual property rights; or
- (5) Claims from any third parties alleging the operations or business of the Subsidiaries has infringed the intellectual property rights held or owned by such third parties.

Part H Material Agreements

(31, 32, 33) Whether material contracts duly entered and legally valid

323. From the Enclosures, I am given to understand that the following materials contracts to which the Group is a party:-

No.	Nature of the contract	External signing party	Signing Subsidiary	Date of the contract
1	Distributorship agreement	Maurer & Wirtz GmbH & Co. KG	EOP	23 April 2019
2	Distributorship agreement	Dr. Babor GmbH & Co. KG	EOP	27 April 2023
3	Exclusive distributorship agreement	Bulgari Ireland Ltd.	EOP	September 2019
4	Distribution agreement	PFCH Luxe SA	EOP	1 January 2018
5	Exclusive distribution agreement	Mavive S.p.A.	EOP	1 October 2020
6	Exclusive distribution agreement	Ultrasun AG	EOP	16 January 2023
7	Distribution agreement	My Scent PTE Ltd.	EOP	10 May 2022
8	Exclusive distribution agreement	Officina Profumo Farmaceutica Di Santa Maria Novella S.p.A.	EOP	16 June 2021
9	Distribution contract	Amoln AB	EOP	1 January 2023
10	Distribution contract	Dr. Vranjes Firenze S.p.A.	EOP	April 2023
11	Distribution agreement (ELEGANCE Hong Kong) (1)	Albion Co., Ltd.	EOP	1 January 2017
12	Supplemental agreement	Albion Co., Ltd.	EOP	1 January 2017
13	Distribution agreement (ANNA SUI Hong Kong)	Albion Co., Ltd.	EOP	1 January 2017
14	Memorandum of understanding	Albion Co., Ltd.	EOP	1 January 2017
15	Distribution agreement (ELEGANCE Hong Kong) (2)	Albion Co., Ltd.	EOP	1 January 2017
16	Distribution agreement (LADUREE Hong Kong)	Albion Co., Ltd.	EOP	1 January 2017

17	Letter of appointment	Anna Sui Fragrances	EOP	31 August 2011
18	Selective Distribution Agreement	Euroitalia S.R.L.	EOP	8 October 2019
19	Distribution agreement	Orveon Global US LLC	EOP	1 April 2023
20	Distribution agreement	Orveon Global US LLC	EOP	1 January 2023
21	Deed of variation and novation	Fontaine Limited	EHL, EOP, ECH, Lau Kui Wing	24 November 2023
22	Agreement for the grant of a right to use a shop	Venetian Cotai Limited	Lau Wing Yin, EOP	25 May 2023
23	Dealership agreement	Sogo Hong Kong Company Limited	EOP	1 January 2023
24	Cross-border product procurement contract (1)	HQG, Limited	EOP	1 April 2021
25	Cross-border product procurement contract (2)	HQG, Limited	EOP	1 April 2021
26	Supplemental agreement	Alibaba.com Singapore E-Commerce Private Limited, HQG, Limited	EOP	1 April 2021
27	Cross-border product procurement contract	HQG, Limited	EOP	1 April 2022
28	Cross-border product procurement contract (1)	HQG, Limited	EOP	1 April 2023
29	Cross-border product procurement contract (2)	HQG, Limited	EOP	1 April 2023

324. It is trite that there are four essential elements to a legally binding, valid and enforceable contract : (1) offer, (2) acceptance, (3) consideration and (4) intention of both parties to be legally bound.
325. Having considered all the information available, I am satisfied that the above contracts fulfilled the four essential elements, and I am not aware of any sign of the above contracts being tainted by illegality, containing any uncertain terms, being invalid or being unenforceable.
326. I am also satisfied that they do not contravene with any applicable laws and regulations in Hong Kong and all necessary corporate actions have been taken to authorize the execution, delivery and performance of these material contracts. I confirm that no consent, approval, licence or authorisation is required from any governmental, judicial or public body or authority required for the execution, delivery and performance of these material contracts and there is no default under these material contracts.

Part I Real properties and Leases

327. I am given to understand the real properties owned by the Subsidiaries have already been transferred to outside company. As such, there is now no real properties owned by the Subsidiaries. I shall therefore only deal with the leases in this part.

(34, 35, 36, 37) Description and compliances of leases held by the Subsidiaries

328. From the Enclosures, I have been provided with the following tenancy agreements :

Property	Period	Leases held by
Units 1 & 2, 9/F, Block A, Ko Fai Industrial Building 7 Ko Fai Road Yau Tong, Hong Kong	1 April 2024 to 31 March 2026	EOP
Portion (B) Unit No. 1, 3/F Block A Ko Fai Industrial Building, Yau Tong	22 May 2022 – 21 May 2025 (expiring soon with no renewal plan)	EOP
Units 1-3 22/F, Enterprise Square Two, No.3 Sheung Yuet Road, Kowloon Bay, Kowloon	1 April 2024 to 31 March 2026	EOP
11/F, Enterprise Square Two, No.3 Sheung Yuet Road, Kowloon Bay, Kowloon	1 April 2024 to 31 March 2026	EOP
Units 5-6, 22/F, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon	1 April 2024 to 31 March 2026	EOP
Unit 8, 22/F, Enterprise Square Two, No.3 Sheung Yuet Road, Kowloon Bay, Kowloon	1 April 2024 to 31 March 2026	EOP
Unit 7, 22/F, Enterprise Square Two, No.3 Sheung Yuet Road, Kowloon Bay, Kowloon	1 April 2024 to 31 March 2026	EOP

329. A valid lease is created when the landlord grants to the tenant a right to the exclusive possession of land for a term less than which the landlord has in the land (**Halsbury's Laws of Hong Kong [235.001]**). In addition, except for lease taking effect in possession for a term not exceeding 3 years (whether or not the lessee is given power to extend the term) at the best rent which can be reasonably obtained without a premium, the grant has to be made by deed (**Section 4 of the Conveyancing and Property Ordinance, Cap. 219 (the "CPO")**).

330. I am not aware of any clause of the tenancy agreements therein that depart from the grant of a right to exclusive possession. The tenancy agreements are for a term of 3 years, they need not be executed by deed.
331. In my opinion, the tenancy agreements were validly created and are subsisting and legally binding and enforceable against the landlord.

Part J Labour

(38) Disputes between employees and the Subsidiaries

332. From the Enclosures, I have been provided with a list of disputes between employees and the Subsidiaries during TRP and is as follows:

Claimant	Defendant	Nature of Claim	Amount Claimed	Status
Leung Wing Ho	EOP	loss and damages of inventories	HK\$55,207.83	The case settled where the where Defendant paid the Claimant HK\$4,500.00
Yau Choi Kiu (Niki)	EOP	Unpaid wages	HK\$101,765.16	Attended phone reconciliation meeting and Labour Tribunal. The case was settled where Defendant paid the Claimant HK\$20,750.00
Law Man Hei	EOP	Underpayment of wages	HK\$12,888.59	EOP has recalculated and the actual underpayment should be HK\$1,512.82. EOP's calculation and supporting documents have been submitted to the Labour Department. The parties are currently in the course of mediation.

333. As the above disputes have either been resolved or involve insignificant amounts, they are unlikely to have any material impact on the Group or the Proposed Listing.

(39) Employment Contracts

334. From the Enclosures, I have been provided with the standard employment contracts of EOP and ECHK during the TRP. I am not aware of any term therein which contravenes the laws of Hong Kong.

Part K Insurance

(40) Insurance policies

335. From the Enclosures, I have been provided with the following insurance policies (addition to the Employees' Compensation Insurance referred to in **Part C** above) maintained by the Group :-

	Insurer	Policies Number	Nature	Coverage	Period
EOP	Allianz	HKC0010190231PF HKC0010190241PF	Property Insurance (Fire) on fabric of the Building including landlords fixtures and fittings but excluding foundations and drains	Unit No. 1, 9/F, Blk A, Ko Fai Industrial Building 7 Ko Fai Road Yau Tong KL	18 November 2022 to 17 November 2025 (renewed annually)
	Allianz	HKC0010192231PF HKC0010192241PF	Property Insurance (Fire) on fabric of the Building including landlords fixtures and fittings but excluding foundations and drains	Unit No. 2, 9/F, Blk A, Ko Fai Industrial Building 7 Ko Fai Road Yau Tong KL	18 November 2022 to 17 November 2025 (renewed annually)
	Allianz	HKC0003572221PP HKC0003572231PP	Property All Risks Insurances	(1) Unit 1 & 2 9/F Block A Ko Fai Industrial Bldg. 7 Ko Fai Road, Yau Tong; (2) Portion (B) Unit No. 1, 3/F Block A Ko Fai Industrial Building, Yau Tong; and	18 August 2022 to 17 August 2025 (renewed annually)
	Allianz	HKC0010043231PP HKC0010043241PP	Property All Risks Insurances	Room 1-3, 22/F & Carpark Space P25 on 3/F, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, K.L. Room 5-6, 22/F & Carpark Space P27 on 3/F, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, K.L. Room 8, 22/F & Carpark Space P28 on 3/F, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, K.L.	25 August 2023 to 24 August 2025 (renewed annually)

	Allianz	HKK0000889231PB	BusinessTrust Plus	30 different locations on retail counters in Hong Kong	12 November 2023 to 11 November 2025 (renewed annually)
	AXA	VCAZ115802410CL A4	Motor – Comprehensive	Toyota Hiace Van - ETERNAL	26 March 2024 to 25 March 2025 (renewed annually)
ECHK	Allianz	HKC0011264241LL	Public liability	Shop 3007 on Level Three, IFC mall, 8 Finance Street, Central, Hong Kong	22 March 2024 to 21 March 2025 (renewed annually)
	Zurich	BIP3015648ZC	Business Package	Shop 2412, Level 2, Gateway Arcade, Harbour City, TST, Kowloon	1 November 2023 to 31 October 2025 (renewed annually)

336. I am of the view that the insurance policies above have been duly maintained.

Part L AML/ Anti-Bribery Compliance


(41) Compliance with anti-money laundering, anti-corruption and anti-bribery laws

337. There are 4 main pieces of legislation that are concerned with anti-money laundering and counterterrorist financing, namely the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (the “AMLO”), the Drug Trafficking (Recovery of Proceeds) Ordinance, Cap 405 (the “DTROP”), the Organised and Serious Crimes Ordinance, Cap 455 (the “OSCO”) and the United Nations (Anti-Terrorism Measures) Ordinance, Cap. 575 (the “UNATMO”). I take the view that AMLO is of the most relevance when it comes to the compliance issues of the Company in AML/ Anti-Bribery Compliance.
338. Adopting a risk-based approach, the AMLO aims at supervising mainly two groups of targets, namely the financial institutions (金融機構) (“FIs”) and designated non-financial business and professionals (指定非金融業人士) (“DNFBPs”). Customer due diligence and record-keeping requirements are among the main strands of the regulatory regime of AMLO championed by the Financial Action Task Force (the “FATF”).
339. In terms of the regulations concerning third-party payment and deposits, by a circular dated 31 May 2019 published by the Securities and Futures Commission (the “SFC”), the expected standard and measures applicable to licensed corporations and associated entities are set out. The said circular has particularly highlighted the risks of the third-party payment and deposits as being that “*the arrangement may be used to disguise the*

true beneficial owner or the source of funds.”⁶

340. However, it is noted that except for the said circular which is only applicable to the licensed corporations and associated entities, there is no particular regulatory control over other FIs and/or DNFBPs in respect of the third-party deposits and payments under the AMLO and/or imposed by other relevant regulations during the Track Record Period and up to the date of this Legal Opinion.
341. In light of the foregoing and taking into account the nature of the Group’s business, I opine that the Group, including all the Subsidiaries, does not amount to either an FI or DNFBP subject to any contrary evidence. Therefore, the compliance with the statutory client due diligence and record-keeping requirements under the AMLO is not applicable to the Group. In other words, ***no compliance issues are observed*** under the AMLO with regard to the payment arrangement of the Group.
342. I have been provided with the internal guideline issued by the Group in respect of the policies related to anti-money laundering, anti-corruption and anti-bribery activities, namely “廉洁规范惩处实施细则”, “核决权限规则”, “中国大陆财务报销指引” and “资金管理制度”.
343. It is pertinent to note that the said guideline issued by the Group contains detailed steps and policies adopted by the Group in relation to the supervision and investigation concerning anti-money laundering, anti-corruption and anti-bribery activities. I am satisfied that the Group has been taking appropriate precautionary and proper steps with a view to cope with suspicious transaction and to prevent the same from happening.
344. In light of the above, based on the information available, I am satisfied that there is no non-compliance concerning anti-money laundering, anti-corruption and anti-bribery laws on the part of the Subsidiaries and/or the Group.
345. I shall advise further if and when I am so instructed.

Dated this 18th day of June, 2025.


QUEENIE W.S. NG
Counsel

⁶ Circular to licensed corporations and associated entities – Third-party deposits and payments issued by SFC dated 31 May 2019