This section contains a summary of certain laws and regulations currently relevant to our operations in the PRC, Hong Kong and Macau. Having made all reasonable enquiries and to their best knowledge, our Directors confirm that save as disclosed in this section and in "Risk Factors" and "Business" in this prospectus, we have complied with all applicable laws and regulations in the PRC, Hong Kong and Macau, where we operated during the Track Record Period and as at the Latest Practicable Date and have obtained all necessary permits, licences and certificates for our operations.

THE PRC

Laws and regulations relating to foreign investments

As we are engaged in operation within the PRC, we are subject to the provisions of the Company Law of the People's Republic of China (the "Company Law"). The Company Law was passed by the Fifth Meeting of the Standing Committee of the Eighth National People's Congress of the PRC on 29 December 1993 and became effective on 1 July 1994. Three amendments to the Company Law were passed by the Thirteenth Meeting of the Standing Committee of the Ninth National People's Congress, the Eleventh Meeting of the Standing Committee of the Tenth National People's Congress and the Eighteenth Meeting of the Standing Committee of the Tenth National People's Congress under the Decisions of the Standing Committee of the National People's Congress Concerning the Amendments to the Company Law of the People's Republic of China on 25 December 1999 and 28 August 2004 and 27 October 2005 respectively. The main barrier to market access was lowered under the Company Law (as amended) as follows:

- the provision relating to the minimum amount of registered capital by the types of operation of companies was cancelled. The minimum amount of registered capital of a limited liability company was lowered from RMB100,000 to RMB30,000. The minimum amount of registered capital of a company limited by shares was lowered from RMB10,000,000 to RMB5,000,000 and changed from a "paid-up capital contribution system" to a "subscribed capital contribution system". The initial capital contributions by all promoters of a company shall not be less than 20% of the registered capital and the balance shall be payable in full by the promoters within two years from the date of establishment of a company, or payable in full within five years for an investment company;

- a number of methods of capital contribution by shareholders were provided under Article 27 of the Company Law (as amended), namely, by currency, material objects, intellectual property or land use rights and even legally transferable non-monetary assets, which are subject to asset valuation, save for those assets which are prohibited under laws and administrative regulations for capital contributions. The amount of intangible assets, in the form of technology, as capital contributions has been increased from the initial 20% to 70% of the registered capital of the company; and

- without prejudice to the provisions of the Company Law, the operations of a company shall be determined by the articles of association of a company.

In addition to the Company Law, the establishment and operation of our wholly-owned foreign enterprises are also subject to the Foreign Investment Enterprise Law of the People's Republic of China (the "Foreign Investment Enterprise Law") and its Implementation Rules. The Foreign Investment Enterprise Law was passed by the Fourth Meeting of the Sixth National People's Congress of the PRC on 12 April 1986 and became effective on the same date. The Implementation Rules of the Foreign Investment Enterprise Law was promulgated by the Ministry of Foreign Economy and Trade on 12 December 1990, and became effective on the same date. Amendments to the Foreign Investment Enterprise Law were passed under the Decisions of the Eighteenth Meeting of the Standing Committee of the Ninth National People's Congress of the PRC on 31 October 2000. Amendments to the Implementation Rules of the Foreign Investment Enterprise Law were promulgated by the Decisions Concerning the Amendments to the Implementation Rules of the Foreign Investment Enterprise Law of the People's Republic of China by the State Council of the PRC on 12 April 2001.

The establishment procedures, approval formalities and organisation format of a foreign investment enterprise are subject to the provisions of the Foreign Investment Enterprise Law and its Implementation Rules, pursuant to which, application for the establishment of a foreign investment enterprise in the PRC must be submitted to the competent foreign economy and trade department or the authorised authority of the State Council and subject to their review and approval. Application for the establishment of a foreign investment enterprise by foreign investors should be submitted to the approving authority through the local people's government at the county level or above at the place where the proposed foreign investment enterprise is located, together with such documentations as the application, the articles of association and a list of legal representatives (or candidates of the board of directors) of the foreign investment enterprise, legal identification documents and qualification evidences of foreign investors.

On 5 August 2008, the Notice Concerning the Delegation of Matters of Corporate Changes and Approvals of Foreign Investment Enterprises, or the 2008 Notice, was promulgated by the Ministry of Commerce, pursuant to which, the following approval power and authority were delegated by the Ministry of Commerce effective as from 11 August 2008:

- the competent commerce department at the provincial level should be responsible for approving increases of total investment amount and registered capital (Industry Guidance Catalogue of Foreign Investments — US$100 million for encouragement and permitted types and US$50 million for restricted type, hereinafter referred to as the "Limit") of foreign investment enterprise approved by the Ministry of Commerce (save for matters covered by Article 3 of the same document) below the Limit;

- the competent commerce department at the provincial level shall be responsible for approving (save for items under Article 3) the establishment of the foreign investment enterprise and its changes (including other relevant changes of listed foreign investment company) below the Limit (converted enterprise shall be calculated by the assessed net asset value); and

- foreign investments governed by specific regulations of industry, specific industry policy and macroeconomic industry shall continue to be regulated by existing provisions. Strategic investments of listed companies by foreign investors shall be submitted to the Ministry of Commerce for approval in accordance with the relevant provisions.

On 10 June 2010, the Notice Concerning the Relevant Issues of the Delegation of Approval Authority of Foreign Investment Enterprises, (the "2010 Notice"), was promulgated by the Ministry of Commerce. Pursuant to the 2010 Notice, the competent commerce department at the provincial level should be responsible for approving the establishment and increases of total investment amount and registered capital (Industry Guidance Catalogue of Foreign Investments — US$300 million for encouragement and permitted types and US$50 million for restricted type, hereinafter referred to as the "Limit") of foreign investment enterprise approved by the Ministry of Commerce below the Limit, thus expands the power of the commerce department of the provincial level compared with the 2008 Notice. The establishment of foreign investment enterprises in the service sector and its changes (including those above the Limit and capital increases) shall be approved and administered by the local approving authorities in accordance with the relevant requirements of the State, save for those specifically required under laws and regulations to be subject to the approval of the Ministry of Commerce. According to the relevant requirements, matters required to obtain prior approval or seek for opinion of the competent industry department of the State shall obtain the relevant authorisation. In summary, for the purpose of establishing our company in the PRC, the company is subject to the review and approval of the local approving authority.

Upon approval of the application for establishing a foreign investment enterprise, the foreign investors shall apply for registration with the industry and commerce administration department within 30 days of receipt of the approval certificate and obtain a business licence. The date of the issuance of the business licence of a foreign investment enterprise is the date of establishment of that enterprise.

Pursuant to the Foreign Investment Enterprise Law and its Implementation Rules, the organisation format of a foreign investment enterprise subsequent to its establishment can be a limited liability company or other format of liability as approved. Subsequent to its establishment, a foreign investment enterprise shall operate and management its activities in accordance with its approved articles of association. The investment and operating conditions of a foreign investment enterprise are subject to the inspection and supervision of the industry and commerce administration department.

In the event of a demerger, merger or other changes of important matters during the substantive period of a foreign investment enterprise, it shall report to the approving authority for approval, and submit changes in registration particulars with the industry and commerce administration department. A foreign investment enterprise is not allowed to reduce its registered capital during the term of its operation. Where reductions are required in respect of changes in total investment amount and sizes of production and operation, it shall report to the approving authority for approval. Increases and transfers of registered capital of a foreign investment enterprise are subject to approval of the approving authority and submission of changes in registration particulars to the industry and commerce administration department.

Laws and regulations relating to foreign investment commercial enterprises

On 16 April 2004, the Administrative Measures of Commercial Sector for Foreign Investment (the "Commercial Sector Administrative Measures") was promulgated by the Ministry of Commerce to undertake supervision and administration over the commercial sector for foreign investments and the operation of activities in such commercial sectors as wholesale, retail, commissioned agency and franchised operation of foreign investment commercial enterprises. The Commercial Sector Administrative Measures have broadened the scope of commercial sectors for foreign investments, including:

- the establishment of foreign investment commercial enterprise is permitted since 11 December 2004;

- prior to 11 December 2004, the regional locations of foreign investment commercial enterprises engaging in retail and their stores were restricted to capitals of provinces and autonomous regions, municipalities, independently-planned cities and special economic zones. Such regional restriction has been cancelled since 11 December 2004; and

- the regional restriction of foreign investment commercial enterprises engaging in wholesale was cancelled since 1 June 2004.

Pursuant to the Commercial Sector Administrative Measures, a foreign investment commercial enterprise is subject to the following conditions:

- must satisfy the provisions of the PRC Company Law in respect of minimum registered capital (a limited liability company with two or more investors is RMB30,000 and a limited liability company with one investor is RMB100,000);

- must comply with the general provisions in respect of total investment amount and registered capital of foreign investment enterprise; and

- in general, the operation period of those enterprises shall not exceed 30 years or (in respect of the central and western regions of the PRC) 40 years.

In addition, the retail stores to be opened by foreign investment commercial enterprises are subject to the following conditions:

- where the application for the establishment of a commercial enterprise is concurrent with the application for opening stores, the stores to be opened shall fulfil the relevant requirements of urban development and urban commercial development of the city where the stores are located; and

- where the foreign investment commercial enterprise approved for establishment is applying for the opening of additional stores, it shall fulfil the following conditions, in addition to the above requirements, (i) take part in the joint annual inspection of foreign investment enterprise and pass annual inspection; and (ii) all registered capital of the enterprise has been received from its investors.

Laws and regulations relating to health licensing of beauty industry

Our core business within the PRC is in the slimming and beauty industry. As we are engaged in the slimming and beauty services within the PRC, we are subject to the provisions of the relevant laws and regulations of the slimming and beauty industry.

On 8 November 2004, the Interim Administrative Measures of the Beauty and Hairdressing Industries was promulgated by the Ministry of Commerce and became effective on 1 January 2005, pursuant to which, the Ministry of Commerce is in charge of the beauty and hairdressing industries nationwide and the competent commerce department at all levels shall undertake guidance, coordination, supervision and administration over the beauty and hairdressing industries at their respective administrative areas. The Interim Administrative Measures of the Beauty and Hairdressing Industries have the following requirements in respect of the competency of enterprises and personnel engaged in beauty services:

- beauty and hairdressing operators should display business licences, health permits, service items and tariff standards at conspicuous locations of their premises;

- premises of beauty and hairdressing operators should comply with the relevant health requirements and standards and have corresponding health, sanitation and disinfection equipment and measures. All personnel should pass health checks of the health authority and hold health certificates prior to report for work; and

- beauticians, hairdressers and other professional and technical staff engaging in beauty and hairdressing services should have obtained qualification certificates issued by relevant authorities of the State and other personnel should have obtained qualification certificates after undergoing training by relevant professional organisations or authorities.

In order to create sound health conditions of public premises for the prevention of diseases and safeguard of body health, the Administrative Regulations on Health at Public Premises (the "Health Regulations") was promulgated by the State Council on 1 April 1987.

The "Implementation Rules of Administrative Regulations on Health of Public Premises" (the "Implementation Rules") was promulgated by the Ministry of Health on 11 March 1991 and became effective on 1 May 2011 (as amended on 26 April 1993 and 10 March 2011), pursuant to which, the Ministry of Health is in charge of the health supervision and administration at public premises nationwide and the health administration department at all county levels and above shall be responsible for health supervision and administration at public premises at their respective administrative areas. Pursuant to the Implementation Rules, the legal representative or the person-in-charge of public premises shall be the prime person responsible for the health safety of his operating premises.

Our slimming and beauty centres, which are engaged in slimming and beauty services, are subject to the provisions of the Health Regulations and the Implementation Rules. Pursuant to the Health Regulations and the Implementation Rules, beauty salons, which are being classified as "public premises" under its provisions, are subject to its regulatory scope. In respect of public premises and the location and design of newly constructed, altered and renovated public premises, a "health permit" system has been implemented by the State, with "health permits" being issued by the health administration authority at county levels and above. An operating unit should have obtained its "health permit", which is subject to vetting once every two years, prior to applying for registration with the industry and commerce administration department for a business licence, and those operate without a "health permit" may be subject to penalties, such as warnings, fines and suspension of business. Pursuant to the Implementation Rules, which became effective on 1 May 2011, operators should warrant that the health safety of all goods and equipment provided for use by clients and re-usable goods and equipment, to be washed, disinfected and cleansed in accordance with health standards and requirements, should be replaced for each client. Re-use of disposable goods and equipment is strictly prohibited. At the same time, during the period of their internal decoration or renovation, public premises are not allowed to carry on business. Where the decoration or renovation is limited to certain area, operators should take effective measures to warrant that the internal air quality of areas other those under decoration or renovation is up to standard.

In respect of personnel who are engaged in beauty services, pursuant to the Health Regulations and its Implementation Rules, staff (including temporary workers) of an enterprise, which is established and engaged in the beauty services in the PRC, serving clients directly are required to hold a "health qualification certificate" prior to reporting for work and undergo annual health checks. Pursuant to the Implementation Rules, which became effective on 1 May 2011, operators of public premises should organise annual health checks for their staff who should obtain valid health qualification certificates prior to reporting for work, and those who are engaged in providing direct services to clients without health qualification certificates may be subject to penalties, such as warnings, fines and suspensions of business.

Laws and regulations relating to fire control

On 29 April 1998, the Fire Control Law of the People's Republic of China (the "Fire Control Law") was passed by the Second Meeting of the Standing Committee of the Ninth National People's Congress, which was amended by the Fifth Meeting of the Standing

Committee of the Eleventh National People's Congress on 28 October 2008. On 9 December 1998, the Fire Control Supervision and Inspection Regulations was promulgation by the Ministry of Public Security, which was amended on 1 September 2004 and 1 May 2009. Pursuant to the Fire Control Law and the Fire Control Supervision and Inspection Regulations, prior to the occupation or commencement of business of public premises, the construction unit or the user unit should apply to the fire control authority of the local people's government at county levels or above where the premises are located for fire control safety inspection. Those premises without fire control safety inspection or which did not meet fire control requirements after inspection are not allowed to be occupied or to commence business. Those premises which are occupied or have commenced business in contravention may be ordered to suspend construction, occupation or business or production and subject to fines of between RMB30,000 to RMB300,000.

Pursuant to the Fire Control Law and the Fire Control Supervision and Inspection Regulations, the fire control design and construction of construction works must comply with the fire control technical standard of engineering construction of the State. Units in charge of construction, design, works and engineering supervision shall be legally responsible for fire control design and works quality of construction works. In accordance with the fire control technical standard of engineering construction of the State, the construction unit of any engineering construction requiring fire control design must file the fire control design documentation with the fire control department of the public security authority, which should make random checks, within seven working days from the date of obtaining the construction works permit legally, unless otherwise provided.

On 16 October 1996, the Administrative Regulations of Fire Control Supervision and Audit of Construction Works was promulgated by the Ministry of Public Security and was replaced by the Administrative Regulations of Fire Control Supervision of Construction Works on 1 May 2009, pursuant to which, the fire control design and works must comply with fire control technical standard of engineering construction of the State. In respect of crowded premises listed under section 13 of the Administrative Regulations of Fire Control Supervision of Construction Works, the construction unit should apply for review of the fire control design to the fire control department of the public security authority as well as fire control inspection acceptance to the fire control department of the public security authority issuing the audit opinion of the fire control design subsequent to completion of construction works.

Pursuant to the Administrative Regulations of Fire Control Supervision of Construction Works, in respect of construction works outside the scope listed under the regulations, the construction unit should, within seven days of obtaining the construction works permit and passing the construction works completion inspection, file the fire control design and completion inspection through the fire control design and completion inspection submission system of the website of the fire control department of the public security authority at provincial levels, or submit paper files to the fire control department of the public security authority for recording in the fire control design and completion inspection submission system. Upon receipt of the fire control design and completion inspection submission, a submission receipt should be issued by the fire control department of the public security authority which should determine the target for random check through the

random checking procedures pre-installed in the fire control design and completion inspection submission system. The construction unit selected for random check should be ready for random checking of fire control design audit or fire control inspection acceptance.

Though the relevant laws and regulations provide the scope of construction projects of dense population and special construction projects depending on the area and usage of the project, the local fire safety authorities' view is not very clear in practice. Some of our service centers are treated in the manner of a special construction project which requires pre-commencement fire safety examination, while others are only required to file with the local fire safety authority. The process of applying for pre-commencement fire safety examination or filing of fire control completion inspection is complicated and usually takes a long period of time.

As at the Latest Practicable Date, five service centres have passed the review of completion of the construction projects by Guangzhou Public Safety and Fire Safety Bureau (廣州市公安消防局) and Shanghai Fire Safety Bureau (上海市消防局). However, they have not received the certificate showing they have passed the pre-commencement fire safety examination. As advised by our PRC Legal Advisor, according to the relevant PRC fire safety laws and regulations, relevant service centres, if recognised by the local fire safety authorities as special construction projects, may be ordered to suspend operation and only be permitted to continue the business after obtaining certificates of passing the pre-commencement examination, and we may be subject to a fine ranging from RMB30,000 to RMB300,000 for each of the service centre.

We have not received any notice from the relevant fire safety authorities showing that we are in default with the relevant pre-commencement or filing obligations. Our PRC legal advisor advised that it is unlikely the operation of the relevant service centres will be suspended because of the failure to obtain the pre-commencement fire safety examination certificates. We have approached the relevant fire safety authorities and were given to understand that no additional governmental filings, approvals or procedures including obtaining the outstanding fire safety certificates would be necessary for our two service centres in Guangzhou. In respect of the remaining three service centres, we have passed the fire safety review and are in the course of obtaining the outstanding fire safety certificates. Our applications in respect of the aforesaid three service centres have been accepted and we expect to complete all fire safety certificates by end of February 2012.

Laws and regulations relating to taxes

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (the "Enterprise Income Tax Law"), which became effective on 1 January 2008, the Implementation Rules which was implemented on 1 March 2008 and the Notice Concerning the Implementation of the Transitional Preferential Policy of Enterprise Income Tax by the State Council (the "Income Tax Preferential Policy") which was implemented on 1 January 2008, the enterprise income tax rates has been unified at 25% since 1 January 2008, with no distinction in treatment between domestic enterprises or foreign investment enterprises. According to the new PRC Enterprise Income Tax Law (the "EIT Law") and its implementation rules that became effective on 1 January 2008,

dividends payable by foreign invested enterprises, such as subsidiaries and joint ventures in the PRC out of their post-2007 retained earnings, to their foreign investors are subject to a withholding tax at 10% unless any lower tax treaty rate is applicable. The profits earned by foreign-invested enterprises after 1 January 2008 that are distributed to foreign investors shall be subject to enterprise income tax pursuant to the EIT Law. Under the EIT Law, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in the PRC may be treated as "resident enterprises" for PRC tax purposes and will be subject to PRC income tax at the prevailing rate of 25% on their worldwide income. The dividends paid by these foreign shareholders to their foreign investors could be subject to a 10% withholding tax unless any lower tax treaty rate is applicable.

We believe our Company is not a resident enterprise for PRC enterprise income tax purposes, because our Company is not incorporated in the PRC and its de facto management body is not located in the PRC. Therefore, dividends distributed by our Company to its overseas investors are not subject to the withholding tax. The EIT Laws, imposes a withholding tax at the rate of 10% on dividends paid to non-PRC resident enterprises by PRC resident enterprises as such dividends are regarded as income resourced from the PRC, unless there is an applicable tax treaty with the PRC that provides for a different withholding arrangement and we are deemed to be entitled to such favorable treatment. As such, dividends distributed by Perfect Shape Consultancy, being a foreign investment enterprise, are subject to a withholding tax at the rate of 10%, unless it is approved to enjoy the favorable tax rate of 5% under the tax treaty between Hong Kong and the PRC. Dividends distributed by other PRC subsidiaries to Perfect Shape Consultancy as their sole shareholder are not subject to EIT because they are dividends distributed between qualified PRC resident enterprises.

The enterprise income tax rate of 25% is applicable to our PRC subsidiaries as their dates of establishment were subsequent to 1 January 2008.

Laws and Regulations Regarding Foreign Exchange

Foreign exchange in the PRC is primarily governed by the Foreign Currency Administration Rules (the "Exchange Rules"), promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 1 August 2008, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (the "Administration Rules"), promulgated by the People's Bank of China on 20 June 1996. Pursuant to the regulations mentioned above and various regulations issued by SAFE, as well as other relevant PRC government authorities, the Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. For example, upon payment of the applicable taxes, foreign investment enterprises may distribute dividends to their foreign investors by converting Renminbi into foreign currencies and remitting such amounts outside of the PRC through their foreign exchange bank accounts at designated foreign exchange banks without prior approval by SAFE.

However, capital account items, such as direct equity investments, loans and repatriation of investments require the prior approval of SAFE or its local counterpart for the conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittances of the foreign currency outside the PRC.

Laws and regulations relating to labour and personnel

On 5 July 1994, the Labour Law of the People's Republic of China (the "Labour Law") was announced by the Eighth Meeting of the Standing Committee of the Eighth National People's Congress, and became effective on 1 January 1995. Pursuant to the Labour Law, an employer unit should establish and perfect a regime system to safeguard the labour rights enjoyed and the labour obligations performed by labourers, to enter into written labour contracts to establish labour relationship with labourers, to safeguard the rest and holiday periods of labourers, to implement same pay for same work, not to withhold or delay payment of wages of labourers, and to establish a sound labour safety and health system, to implement strictly the labour safety and health regulations and standards of the State, to undertake labour safety and health education of labourers, to prevent accidents in the course of labour and to reduce occupational hazards.

The Labour Contract Law of the People's Republic of China (the "Labour Contract Law") and its Implementation Regulations, which became effective on 1 January 2008, provide that a labour relationship should be established by entering into a written labour contract. At the same time, the Labour Contract Law and its Implementation Regulations have exacerbated the penalties for contravention of the provisions in respect of labour emoluments, working hours, rest days and holidays, labour safety and health, insurance benefits.

Laws and regulations relating to protection of consumer rights

We should comply with the laws and regulations relating to the protection of consumers' legal rights within the PRC in providing services to consumers. On 31 October 1993, the Consumer Rights Protection Law of the People's Republic of China (the

"Consumer Protection Law') was passed by the Fourth Meeting of the Standing Committee of the Eighth National People's Congress on 31 October 1993 and became effective on 1 January 1994. Pursuant to the Consumer Protection Law, consumers shall enjoy a series of rights, including the right not to be harmed in respect of personal and property safety, the right to know the true situation of goods purchased or used or services accepted, the right to choose goods or services, the right to fair trading, the right to obtain damages and compensation legally, the right to establish society or organisation to sustain and protect personal legal interests legally, the right to obtain knowledge relating to consumption and consumer rights protection, the right to have personal dignity, customs and practices being respected and the right to supervise goods and services and safeguard consumer rights.

On 10 May 2011, the Beijing Administration Bureau of Industry and Commerce published the Key Terms of the Transaction Agreements of Prepaid Consumption Services in Beijing (北京市預付費消費合同核心條款) (the "Draft") on its website for public opinions. The official regulatory document was promulgated on 25 August 2011, and came into effect on 1 September 2011, the name of which was changed to Guidance on the Transaction Agreements of Prepaid Consumption Services in Beijing (Trail Implementation) (北京市消費類預付費服務交易合同行為指引(試行)) (the "Guidance"). The Guidance applies to transactions in Beijing in such industries as leisure and entertainment, beauty and hairdressing, body-shaping and fitness, automobile maintenance, and bathing, where the consumers need to make prepayments for services provided in installments.

Pursuant to the Draft and the Guidance, the operator shall display in an obvious way the terms of use of the business sites so that the consumers will have the same knowledge. Before accepting the prepayment, the operator shall, subject to the specialty of the transaction, informing the consumer the following information: the time, place, and manner of the services to be provided, scope and authorisation of the use, standard of the price, favorable conditions, standard of the services, brand names of the products used, term of validity or times of the services, lost and replacement, transfer and refunding, and liabilities of breach. The consumer has the right to ask the operator to record all oral undertakings in writing. Pursuant to the Guidance, service providers shall provide a cooling-off period of seven days after payment to their customers. Upon expiry of the prepaid contracts, in respect of the unused portion of expired prepaid packages, service providers shall offer one of the following options to their clients: (i) one free extension of the term of service for not less than half of the original term; (ii) refund of the unused service fees; (iii) provision of alternative service arrangements within an agreed term at a prevailing price, however the unused service fees can still be refunded upon requirement of the customer. Any disputes between the operator and the consumer can be resolved through negotiation, mediation before the consumer associations or similar industry associations, or claim with the government authorities. The parties may as well resort to civil litigations or arbitrations.

As advised by our PRC Legal Advisor, the Guidance does not prescribe any administrative liabilities on violation of the Guidance, is not mandatory in nature and is only applicable to transactions in Beijing after the effective date. We have not followed the recommended practices in the Guidance with respect to our operations in Beijing since the Guidance is newly issued and its actual implementation is still not certain, the compliance is voluntary in nature, and may impose additional operating cost on our Group, as advised by

our PRC Legal Advisor, departure from the Guidance will not result in any material legal consequence to us. We will follow the Guidance once the PRC Government legislates the practices and promulgates the relevant laws and regulations.

Laws and regulations relating to publication of advertisements

The Advertising Law of the PRC was adopted in the Tenth Meeting of the Standing Committee of the Eighth National People's Congress of the PRC on 27 October 1994 and took effect on 1 February 1995.

The Advertising Law requires that advertisers, advertisement operators and advertisement publishers shall abide by such advertising laws when engaging in advertising business within the territory of the PRC. The term "advertisers" refers to any legal person, economic organisations or individuals that, directly or through certain agents, design, produce and publish advertisements for the purpose of promoting products or providing services.

Pursuant to the Advertising Law, advertisements shall not contain any false contents or misrepresent to or mislead the consumers. An advertisement should present distinct and clear specifications on the product's function, place of origin, uses, quality, price, manufacturer, validity period, promises or the contents, forms, quality, price or promises of the services offered. Where a gift is attached to a commodity or services supplied, the advertisement concerned should clearly define the kind and quantity of the attached gift. An advertisement should not have any content that denigrates the commodities or services of other producers or operators. For acts of falsely advertising commodities or services in violation of this law, the advertising supervision and administration organisations shall order the advertisers to stop publication and to use the amount of expense equal to the expenses for advertising to make open corrections to offset the influence within corresponding scope and to pay a fine ranging from twice to less than five times the amount used for advertising.

HONG KONG

There is at present no specific legislation governing the provision of slimming and beauty services and products in respect of our business in Hong Kong, including qualification of the employed personnel or devices used, save and except legislation governing medical practitioners and Chinese medical practitioners. There is also no specific legislation regulating the import or sale of medical devices in Hong Kong except for those containing pharmaceutical products or radioactive substances. We are not engaged in the import or sales of medical devices containing pharmaceutical products or radioactive substances.

However, our operations in Hong Kong are subject to certain general rules and regulations in relation to food, health, safety, importation and exportation, medical practitioners and Chinese medical practitioners.

Public Health and Municipal Services Ordinance

Food products which do not contain Chinese medicines or western medicines are regulated under the Public Health and Municipal Services Ordinance (Cap 132 of the Laws of Hong Kong) whereas no registration, licensing or permit is required for importing or selling such food products. The Public Health and Municipal Services Ordinance covers general protection for food purchasers, offences in connection with sale of unfit food and adulterated food, composition and labelling of food, food hygiene, seizure and destruction of unfit food. Pursuant to the Public Health and Municipal Services Ordinance, no person shall add any substance to food, use any substance as an ingredient in the preparation of food, abstract any constituent from food, or subject food to any other process or treatment, so as (in any such case) to render the food injurious to health, with intent that the food shall be sold for human consumption in that state. The Public Health and Municipal Services Ordinance also provides that any person shall be guilty for selling any food or drug which is not of the nature, or not of the substance, or not of the quality, of the food or drug demanded by a purchaser. Further, any person who sells or offers any food intended for, but unfit for, human consumption, or any drug intended for use by man but unfit for that purpose, shall be guilty of an offence.

Food and Drugs (Composition and Labelling) Regulations

Pursuant to the Food and Drugs (Composition and Labelling) Regulations (Cap 132W of the Laws of Hong Kong), all prepackaged food should be labelled in either English or Chinese or in both languages with its food name or designation, list of ingredients, indication of "best before" or "use by" date, statement of special conditions for storage or instructions for use, count, weight or volume and Name and address of manufacturer or packer. Further, Schedule 5 of the Food and Drugs (Composition and Labelling) Regulations states that, the prepackaged food shall be legibly marked or labelled with a list of nutrients setting out the energy value of the food, the content of the certain nutrients contained in the food and if applicable, the content of any other nutrient contained in the food for which a nutrition claim is made on the food label.

Any person who sells pre-packaged food without proper label shall be guilty of an offence.

The Consumer Goods Safety Regulation

The Consumer Goods Safety Regulation (Cap 456A of the Laws of Hong Kong) requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods must be given in both Chinese and English. Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods themselves, on any package containing the consumer goods, or be a label securely affixed to the package, or be a document enclosed within the package.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Cap 362 of the Laws of Hong Kong) prohibits vendors of goods from providing false descriptions. Any person who in the course of any trade or business applies a false description to any goods, or supplies any goods to which a false trade description is applied, or has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied, commits an offence. Any person who imports any goods to which a false trade description is applied commits an offence, unless he proves that he did not know, had no reason to suspect and could not with reasonably diligence have found out that the goods are goods to which a false trade description is applied.

Import and Export Ordinance

The import and export of slimming and beauty products (other than pharmaceutical products and medicines as defined by the Pharmacy and Poisons Ordinance (Cap 138 of the Laws of Hong Kong) and Chinese herbal medicines specified in the Chinese Medicine Ordinance (Cap 549 of the Laws of Hong Kong)) are not subject to control under the Import and Export Ordinance (Cap 60 of the Laws of Hong Kong).

Medical Registration Ordinance and Chinese Medicine Ordinance

Medical practitioners and Chinese medical practitioners are subject to Medical Registration Ordinance (Cap 161 of the Laws of Hong Kong) and Chinese Medicine Ordinance (Cap 549 of the Laws of Hong Kong) respectively. According to Medical Registration Ordinance, a western medicine practitioner is required to be registered with the Medical Council of Hong Kong under Medical Registration Ordinance before he is permitted to practice medicine and surgery in Hong Kong. According to Chinese Medicine Ordinance, a Chinese medicine practitioner is required to be listed or registered under Chinese Medicine Ordinance before he is permitted to practice Chinese Medicine in Hong Kong.

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Cap 231 of the Laws of Hong Kong) prohibits any persons to advertise any medicine, surgical appliance or treatment in relation to the correction of deformity or the surgical alteration of a person's appearance.

Publication of Advertisements

The publication of advertisements in Hong Kong may be subject to, among others, the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong), the Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong), the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong), the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Copyright Ordinance

(Chapter 528 of the Laws of Hong Kong) and laws relating to, amongst other things, libel and defamation, intellectual property rights, public security, solicitation, gambling, pornography, confidentiality, contempt of court and infringement of third parties' rights.

Regulatory Authorities

Our business operation in Hong Kong is principally subject to the regulation of the Food and Health Bureau, the Food and Environmental Hygiene Department, the Centre for Food Safety and the Hong Kong Consumer Council.

Food and Health Bureau is a government bureau that oversees policies on food and health issues in Hong Kong. The Food and Environmental Hygiene Department is responsible for the enforcement of the relevant laws and regulations. It may take samples of all kinds of food products at their points of entry to Hong Kong and may prohibit or restrict importation of a food product if it is found to be harmful to public health. The Centre for Food Safety has the power to make an order to prohibit the import or supply and to order a recall of the food under certain conditions.

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

MACAU

There is at present no specific legislation governing the provision of slimming and beauty services and products, as well as the provision of medical beauty services in respect of our business in Macau, including qualification of the employed personnel or devices used, save and except legislation governing medical practitioners and Chinese medical practitioners. There is also no specific legislation regulating the import or sale of medical devices in Macau except for those containing pharmaceutical products or radioactive substances. Perfect Shape Macau is not engaged in any import or sales of medical devices containing pharmaceutical products or radioactive substances.

However, the operations of Perfect Shape Macau in Macau are subject to certain general rules and regulations in relation to business operation, food, health, safety, importation and exportation, medical practitioners and Chinese medical practitioners.

Legal Regime of Administrative Licensing of Certain Economic Activities (Decree-Law n.° 47/98/M)

Decree-Law n.° 47/98/M stipulated that certain economic activities conduct in Macau and subject to administrative licensing by the Institute of Civil and Municipal Affairs ("ICMA").

According to the said legislation, administrative licensing to conduct business in relation to slimming and beauty service will be granted by way of submitting a written notification to the ICMA prior to the commencement of the business within the time period prescribed in the mentioned legislation should the ICMA has no objection to the application.

Operators of business activities stipulated in Decree-Law n.° 47/98/M without the appropriate administrative licensing shall be illegal and shall be liable to administrative fine together with an order of closure of establishment.

Law of Offense Acts against Public Health and Economy (Law n.° 6/96/M)

Food products *(Note 1)* which do not contain any Chinese medicines, western medicines, and products or substances (which are not subject to the control under the Foreign Trade Law) are governed by the Law n.° 6/96/M, and there is no registration, licensing or permit required for selling of such food products. Law n.° 6/96/M sets out a general legal framework covering including but not limited to the general protection to the food purchasers, offences in connection with the sale of unfit food and adulterated food, the composition and labeling of food, food hygiene, the seizure and destruction of unfit food. According to the Law n.° 6/96/M, no person shall add any substance to food, use any substance as ingredient in the course of preparation of food, abstract any constituent from food, or undergo any process or treatment to food, so as (in any such case) to render the food injurious to health, with intention that the food shall be sold for human consumption in that state. Besides, the Law n.° 6/96/M also provides that any person shall be guilty for selling any food which is not of the nature, substance, quality, the food or drug as demanded by the purchaser. Furthermore, any person who sells or offers any food intended for, but unfit for, human consumption, or any drug intended for use by human but unfit for that purpose, shall be considered as an offence.

Prepared Food (Composition and Labeling) Regulation (Decree-Law n.° 50/92/M)

According to the Decree-Law n.° 50/92/M, all prepackaged food and non-prepackaged food should be labeled in either English, Portuguese or Chinese (prepackaged food and non-prepackaged food which produced in Macau should be labeled in both of Portuguese and Chinese) by indicating its name or designation, list of ingredients included the additive, minimum duration date, statement of special conditions for storage or instructions for use, net weight, identification of Lot, country of origin and name and address of the person responsible for the labeling or importer.

It is an offence for any person who sells pre-packaged food or non-prepackaged food without proper label.

Note 1: According to the Decree-Law n.° 6/96/M, "food" means any substance for human consumption, treated or untreated, including all ingredients used in their manufacture, preparation and processing, and shall include drinks and chewing gum.

General Regime of Product Safety (Administrative Regulation n.° 17/2008)

Administrative Regulation n.° 17/2008, sets out a general regime in relation to product safety in Macau, stipulates that only safety product *(Note 2)* can be placed on the market. Besides, manufacturer has the obligation to ensure that written caution or warning notice in Portuguese or Chinese with respect to the safety keeping, use, consumption or disposal of any products shall be enclosed to the product. Furthermore, distributor is also required to suspend the distribution of any product which is considered as unsafe based on the information available and their professional knowledge. In addition, manufacturer, as well as distributor, has the obligation to carry out all prevention for the unsafe products and exercise a safety testing on product sample once requested by the relevant authorities.

Any person who does not observe the rules set forth in the said legislation shall be subject to the penalty prescribed therein.

Foreign Trade Law (Law n.° 7/2003)

In Macau, the import and export of slimming and beauty products (other than products and substances in connection to medicine as listed in import and export lists annexed in the Chief Executive Despatch n.° 368/2006 and Chief Executive Despatch n.° 180/2010 respectively) are not subject to control under Law n.° 7/2003 which is known as the Foreign Trade Law of Macau.

Licensing for Provision of Private Health Care Activity Regulation (Decree-Law n.° 84/90/M)

The medical practitioners and Chinese medical practitioners employed by the Macau Perfect Shape are subject to Decree-Law n.° 84/90/M. According to the said legislation, a western medicine practitioner or a Chinese medical practitioner is required to be registered with the Health Bureau ("HB") before practising medicine and surgery in Macau. Besides, the establishment where western medicine practitioner or Chinese medical practitioner practicing medicine and surgery is also required to be registered with the said authority before the commencement of the provision of medical service.

Any person who practices medicine and surgery or opens any medical establishment which is not in compliance with the said legislation shall be subject to fine and an order of closure of his/her establishment.

Note 2: According to the Administrative Regulation n.° 17/2008, "product" does not include food, real estate, aircraft, ship or vehicle, transited or exported product, used product such as antiques or goods sold in the secondhand market, and products of which their safety that are subject to other specific legislations.

General Regime of Advertisement Activities (Law n.° 7/89/M)

Law n.° 7/89/M sets out the general legal regime in respect of advertisement activities which contains certain specific provisions concerning consumer protection and some products and services (including but not limited to vehicle, medical and medical treatment, building). There are also certain provisions in relation to advertisement contained in various specific legislations in relation to specific types of goods (such as tobacco, spirits and pornographic materials). There is no specific law and regulation governing advertisements in relation to beauty services which do not involve medical or surgical services. As a general requirement under the said Law n.° 7/89/M, information about the source, nature, ingredient, function and conditions in relation to the goods to be sold or the services to be provided shall be true and provable, and it is prohibited to include any information which may lead to misunderstanding of the public by means or by ways of technology, subconsciousness or concealment.

Regulatory Authorities

The business operation of Macau Perfect Shape is generally subject to the supervision of the following authorities: the ICMA, the Economic Bureau ("EB"), the HB and the Macau Consumer Council.

The ICMA is the authority responsible for administrative licensing of operation of slimming and beauty service, where the EB oversees policies on food and health issues in Macau, and it is also one of the principal authorities responsible for the enforcement of the relevant laws and regulations. The EB and the ICMA may take samples of any kinds of food products at the border and may prohibit or restrict any importation of a food product if it has been found that it may cause harmful to public health.

The mission of the Macau Consumer Council is to protect the rights of consumers. The consumers shall be entitled to complain for the unsatisfied price or quality of services. The Macau Consumer Council also assists consumers in case if there are any false claim made by the service providers with respect to specific services.