
KEY JAPAN LEGAL AND REGULATORY MATTERS

Our Company is a stock company (株式会社) incorporated under the Japan Companies Act and our entire business operation is conducted in Japan. We are therefore subject to the Japan Companies Act and other applicable laws and regulations in Japan. The legal and regulatory regime in Hong Kong differs in certain material aspects from that in Japan. Set out below is a summary of certain provisions under our Articles, the Japan Companies Act and other relevant legislations, regulations, rules and policies in Japan that we consider may be material to our Shareholders and potential investors. As the information contained below is in summary form, it does not contain all of the information that may be important to you as potential investors. **If you are in any doubt about any content of this section or information contained in this Prospectus in general, you should obtain independent professional advice.***

A. BEARER SHARES

Under Japan law, our Shares are “*bearer shares*” in nature. A bearer, or a physical holder, of a share certificate issued by our Company is recognised as the owner of the Shares represented by it. Ownership of our Shares can be transferred simply by the delivery of our share certificates, with or without the transferor and the transferee having signed any document evidencing such transfer. This creates inherent risks for Shareholders and potential investors who choose to hold our Shares by physical possession of share certificates.

Set out below is a summary of certain aspects of Japan law provisions relevant to the ownership and transfer of our “*bearer shares*”, the risks associated with these provisions and our recommended measures for our Shareholders and potential investors to mitigate these risks.

Ownership and title

Under the Japan Companies Act, if a company states in its articles of incorporation* (定款) that physical share certificates must be issued for its shares, its shares are “*bearer shares*”. Our Articles provide that our Company must issue physical share certificates for our Shares, and our Shares are as such “*bearer shares*” in nature. Japan law provisions regarding the ownership of, and the title to, our *bearer* Shares are significantly different from those under the laws of Hong Kong and other common law jurisdictions.

General provisions under Japan law

With respect to a company with “*bearer shares*”, Japan law generally recognises a bearer, or a physical holder, of a share certificate as the owner of the shares represented by such share certificate, regardless of whether the name of that bearer appears on such share certificate. It is generally recognised under Japan law for the ownership of the shares of a Japan company to be transferred simply by the delivery of share certificates, with or without the transferor and the transferee having signed any document evidencing such transfer. Bearers, or physical holders of share certificates are presumed under Japan law to have legal rights over the shares represented by such certificates.

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Notwithstanding these Japan law provisions, it is provided under our Articles and the Japan Companies Act that title to our Shares shall not be perfected against our Company until and unless a person's name and address are recorded in our Share Register. Under article 130 of the Japan Companies Act, a company is not obliged to treat anyone as a shareholder unless and until he/she is registered as a shareholder on its share register. As an enhanced measure of Shareholders' protection, our Articles provide that our Company shall not associate any Shareholder's right (such as voting rights and rights to receive dividends) with any person unless his/her name appears on our Share Register in reliance on the above provision under the Japan Companies Act. Our Japan Legal Adviser has confirmed that the aforementioned Articles provisions are in compliance with all relevant Japan law.

Our Company is required under Japan law to register bearers, or physical holders of our share certificates as a Shareholder in our Share Register without any onerous condition unless we have *reasonable grounds* not to do so.

Failure to register interests in our Shares in our Share Register could result in the misappropriation or loss of a Shareholder's rights. In particular, under Japan law, our Company does not have the right to take action on a Shareholder's failure to disclose his/her interests to our Company. Hence, potential investors are strongly cautioned to register your interests in our Shares in our Share Register after you have properly acquired title in our Shares, following the procedures set out in "— Transfer of Shares" in this section below.

Risks associated with bearer shares

Our "*bearer shares*" create inherent risks for our Shareholders and potential investors who choose to hold our Shares by physical possession of our share certificates. These risks include:

- (i) *lost or destroyed share certificates* - Shareholders and potential investors might lose the ownership and value of our Shares represented by a share certificate if it is lost or destroyed;
- (ii) *unauthorised third party acquiring the Shares* - an unauthorised third party coming into possession of a lost share certificate might seek to be recognised as a Shareholder, thereby acquiring the ownership and value of the Shares represented by the lost share certificate and the rights attached to those Shares; and
- (iii) *non-transferability* - Shareholders and potential investors who have reported a lost or destroyed share certificate to our Company will not be able to register a transfer of the Shares represented by the lost or destroyed share certificate or otherwise deposit such Shares into CCASS for trading on the Stock Exchange during a mandatory one-year waiting period prescribed under Japan law.

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See “— A. Bearer Shares — Lost / destroyed share certificates” in this section below for details of the consequences for our Shareholders and potential investors if their share certificates are lost or destroyed. Potential investors may also refer to “*Understanding the Risks of Investing in Overseas Issuers*” in the Stock Exchange’s website, “*Investor Relations — Key Japan Legal and Regulatory Matters*” in our Company’s website, or the circulars despatched by HKSCC to the CCASS Participants from time to time.

To mitigate the risks associated with our “*bearer shares*”, we recommend a number of measures for our Shareholders and potential investors and have adopted certain voluntary measures, both of which are set out below.

Recommended measures for our Shareholders and potential investors

1. *Holding your investments through CCASS* - CCASS Beneficial Owners, who are investors of our Company holding their underlying interests in our Shares through CCASS, are not exposed to the risks associated with our “*bearer shares*” as they do not physically possess our share certificates. Interests of CCASS Beneficial Owners are essentially held and traded in scripless, or paperless, form within CCASS. To become a CCASS Beneficial Owners, apply for the Hong Kong Offer Shares by completing the **YELLOW** Application Forms or giving electronic instructions to HKSCC. See “How to Apply for Hong Kong Offer Shares” for details.

Due to certain Japan legal and regulatory provisions, CCASS Beneficial Owners are subject to the following disadvantages:

- (i) **Withholding tax:** CCASS Beneficial Owners are subject to an initial withholding tax rate of 20.420% on dividend payments as our Company is unable to ascertain the identity, and consequently the tax residence, of the CCASS Beneficial Owners. This tax rate is, in general, higher than that applicable to Shareholders who hold their investments in our Company by physical possession of share certificates. CCASS Beneficial Owners may apply for a refund of taxes withheld in excess to the National Tax Agency in Japan but there may be delays in obtaining the refund payments. See “— E. Taxation” in this section below for details.
- (ii) **Currency of dividend payment:** unlike Shareholders who hold their investments in our Company by physical possession of share certificates, CCASS Beneficial Owners do not have the option to elect the currency of their dividend payments. All dividends payable to the CCASS Beneficial Owners will be in Hong Kong Dollars. See “— C. Shareholders’ Rights — Dividends — Currency of Dividend Payments” in this section below for details.

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- (iii) **Shareholders' rights:** CCASS Beneficial Owners are not recognised as a Shareholder under Japan law and are not presumed to be entitled to Shareholders' rights. They rely on HKSCC Nominess to exercise the rights on their behalf in the same way it does for shareholders of other companies listed on the Stock Exchange the shares of which are deposited into CCASS.
- (iv) **Inspection of Share Register:** CCASS Beneficial Owners are not recognised as a Shareholder under Japan law and they may not inspect our Share Register unless allowed to do so under the Personal Information Protection Act. See “— C. Shareholders' Rights — Inspection of our Share Register” for details.
- (v) **Voting on last-minute amendments:** under Japan law, after the convocation notice of a general meeting has been despatched, a Shareholder is permitted to propose last-minute amendment(s) to the matters included in an existing meeting agenda of a general meeting without any prior notice, if a matter of similar nature is included in the original meeting agenda. CCASS Beneficial Owners, who customarily do not attend general meetings in person, may lose the chance to vote on a last-minute amendment at their own will. See “— B. Shareholders' Meetings — Request for last-minute amendment to a meeting agenda” for details.

Despite these disadvantages, given the risks associated with our “bearer” Shares (which are very significant in the opinion of our Directors), **it is our Board's strong recommendation that potential investors should hold your investments in our Company through CCASS.**

2. *Surrendering your share certificates* - Shareholders and potential investors who choose to invest outside CCASS and physically possess our share certificates are recommended to surrender their share certificates to our Company. Surrendered share certificates will be cancelled and the risks associated with our “bearer shares” will no longer apply. However, before a Shareholder may transfer or trade the Shares represented by a surrendered share certificate or otherwise deposit the Shares into CCASS, they must wait for a period of up to six business days for a new share certificate to be re-issued. See “— A. Bearer Shares — Share certificate surrender” in this section below for details. Successful applicants or partially successful applicants of the Hong Kong Offer Shares wishing to surrender their share certificates should apply through our Hong Kong Share Registrar immediately upon receipt of their share certificates.

Share certificates will be sent to successful or partially successful applicants by registered post. If you do not elect to adopt the recommended measures above, you run the risks associated with our “bearer shares” and are highly cautioned to, above all, safe-keep your physical share certificates at all times.

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Voluntary measures adopted by our Company

We have put in place the following voluntary measures to minimise your exposure to the risks associated with our “bearer shares” for our Shareholders other than CCASS Beneficial Owners:

1. *Registration of share transfers*

Upon Listing, our Company will be subject to certain requirements in Hong Kong to register transfers of our Shares and other documents relating to or affecting the title to our Shares. These include paragraph 1(1) of Appendix 3 to the Listing Rules and the Stamp Duty Ordinance. To comply with these requirements, we have amended our Articles to adopt the following internal procedures for share certificates and share transfers:

- (i) our Company will issue share certificates in registered form with the names and addresses of our Shareholders imprinted thereon;
- (ii) any person seeking to have his/her name and address recorded as a Shareholder in our Share Register must present an instrument of transfer and/or a contract note duly stamped pursuant to the Stamp Duty Ordinance and executed by such person (as transferee) and the original holder of the relevant Shares (as transferor) whose name(s) appear on the relevant share certificate and our Share Register (the “*record Shareholder*”);
- (iii) our Company will regard a standard transfer form customarily adopted by listed companies on the Stock Exchange or a transfer form printed at the back of the share certificates as an acceptable instrument of transfer and/or a contract note referred to in paragraph (ii) above;
- (iv) where the transferor or transferee is a clearing house, execution by hand or machine-imprinted signature will be accepted for the purpose of paragraphs (ii) and (iii) above; and
- (v) our Share Register maintained in Hong Kong will be our sole and principal share register.

See “— A. Bearer Shares — Transfer of Shares” in this section below for detailed procedural and documentary requirements. Our Directors have undertaken to the Stock Exchange not to put forward any proposal to our Shareholders which would otherwise revoke these Articles provisions so long as our Shares are listed on the Stock Exchange, unless and until our Company ceases to issue share certificates upon implementation of a scripless, or paperless securities market on the Stock Exchange.

Our Japan Legal Adviser is of the view that the Articles provisions set out above should be permissible under the applicable Japan laws and regulations that are currently in force as at the date of this Prospectus. This is on the basis that (i) we are allowed under Japan law to impose

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documentary and procedural requirements to register a person as a Shareholder in our Share Register if we have *reasonable grounds* to do so; and (ii) our obligations to, as a company listed on the Stock Exchange, comply with paragraph 1(1) to Appendix 3 to the Listing Rules and the Stamp Duty Ordinance would likely be regarded as a *reasonable ground*; and (iii) the Articles provisions set out above are disclosed to our Shareholders and potential investors in this Prospectus.

Notwithstanding the views of our Japan Legal Adviser above, you should note that the Articles provisions set out above have not been tested in a Japan court. It is possible for a bearer, or physical holder, of our share certificate to initiate legal proceedings against these Articles provisions and require a Japan court to recognise him/her as a Shareholder of our Company. We consider that the likelihood of these legal proceedings is remote, as substantially all potential investors are expected to hold their investments in our Company through CCASS as in the case of most companies listed on the Stock Exchange. Nevertheless, we have been advised by our Japan Legal Adviser that our Articles provisions are highly likely to be upheld by a Japan court.

See “Risk Factors — Risks Relating to Key Japan Legal and Regulatory Matters — Our Shares are “bearer shares” in nature and there are significant risks associated with physical possession of Share certificates and “Risk Factors — Risks Relating to Key Japan Legal and Regulatory Matters — Our Articles provisions on the registration of share transfers are not judicially precedented in Japan and may be challenged in court” for the residual risks associated with our “*bearer shares*” despite the internal rules we put in place.

CCASS Beneficial Owners are not subject to the Articles provisions above and may trade, transfer and deal in our Shares electronically under the customary procedures in Hong Kong and arrangements made with their respective securities brokers.

2. *Single Share Register maintained in Hong Kong*

To minimise the risks exposed to our Shareholders and potential investors in respect of our “*bearer*” Shares, our Articles provide that our Hong Kong Share Registrar will maintain our Share Register, which will be our sole and principal share register, in Hong Kong upon Listing. All issued Shares of our Company will be registered in our Share Register and subject to the Articles provisions set out in “— A. Bearer Shares — Voluntary Measures adopted by our Company — 1. Registration of Share Transfers” in this section above. This includes any application for registration of share transfer lodged with our headquarters in Japan. See “— A. Bearer Shares — Transfer of Shares” in this section below for details.

Our Japan Legal Adviser has confirmed that there is no provision under Japan law under which our Company is required to appoint a share registrar or transfer agent based in Japan or maintain a share register within the Japanese territory. Our Hong Kong Share Registrar will be responsible for the customary share registrar duties as required under the Listing Rules.

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3. *Adoption of scripless securities model*

As a permanent solution to the risks associated with our “bearer shares”, our Company has undertaken to use all reasonable endeavours to, subject to Shareholders’ approval, adopt the scripless, or paperless securities model as soon as all relevant legislations, rules and regulations have been enacted and in place for the implementation of a scripless securities market on the Stock Exchange. Under the scripless securities model currently proposed by the Stock Exchange and the SFC, our Company will cease to issue share certificates and all risks associated with our “bearer shares” will no longer apply.

The relevant legislative changes to implement a scripless securities market on the Stock Exchange have been gazetted and tabled at the Legislative Council of Hong Kong in June 2014.

Transfer of Shares

Our Articles provide that transfers of our Shares are free from restrictions or limitation and do not require approval from our Board of Directors or Shareholders. Set out below are the procedures and documentary requirements for registering a share transfer in our Share Register.

Shareholders outside CCASS (WHITE Application Form / White Form eIPO applicants under the Hong Kong Public Offering)

Shareholders who choose to invest outside CCASS may lodge an application for registering a transfer in our Share Register either with our Hong Kong Share Registrar or our Company’s headquarters in Japan, subject to the same documentary requirements:

	<u>Hong Kong Share Registrar</u>	<u>Headquarters in Japan</u>
Address	Shops 1712-1716, 17/F Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong	1-39 Hohaccho 1-chome, Koriyama-shi, Fukushima, Japan
Office hours	9:00 a.m. to 4:30 p.m. (Hong Kong time)	9:00 a.m. to 5:00 p.m. (Japan time)
Processing time	up to ten business days	ten business days
Documentary requirements	Applicants for registration of share transfers are required to produce the following documents, or the relevant application will not be processed: <ul style="list-style-type: none">• share certificates representing the Shares to be transferred; and• an acceptable transfer document which must conform to the requirements under the Stamp Duty Ordinance and be an instrument of transfer and/or contract note duly executed by the transferee and the transferor, whose name and address is recorded as the record Shareholder in our Share Register. An acceptable transfer document can be a standard transfer form customarily adopted by companies listed on the Stock Exchange or a transfer form printed at the back of the share certificates.	

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Our Share Registrar will also record the applicant's signature on the relevant transfer document as specimen signature for future verification purpose. Applications made with our headquarters in Japan must be made in person.

It is the responsibility of the applicant to contact the record Shareholder to sign as the transferor on the transfer document before making an application to us. If an applicant cannot locate the record Shareholder to sign on the relevant transfer document, or if the record Shareholder refuses to sign on the same, the relevant application will not be processed. For simultaneous multiple transfers, a separate transfer document is required for each such transfer.

CCASS Beneficial Owners (YELLOW Application Form / electronic applicants via HKSCC under the Hong Kong Public Offering)

CCASS Beneficial Owners are not subject to the procedures and requirements above and may trade, transfer and deal in our Shares electronically under the customary procedures in Hong Kong and arrangements made with their respective securities brokers.

Lost / Destroyed share certificates

Procedures for replacement of lost or destroyed share certificates adopted by our Company differ from those under the Companies Ordinance in Hong Kong and those adopted by most companies listed on the Stock Exchange.

Consequences of lost / destroyed share certificates

A Shareholder is exposed to significant risks if he/she loses its share certificate or has it destroyed. He/she may lose the value of our Shares represented by the lost or destroyed share certificate (together with the rights attached to those Shares) and run the risk of an unauthorised third party coming into contact of a lost share certificate and requiring a Japan court to recognise him/her as a Shareholder.

Shareholders are required to report a lost or destroyed share certificate to our Company through our Hong Kong Share Registrar. We are not allowed under Japan law to re-issue a replacement share certificate in lieu of a lost or destroyed share certificate until the expiry of a mandatory one-year waiting period prescribed under Japan law. There is no circumstance under Japan law under which we are able to shorten the one-year waiting period.

During the one-year waiting period, we are required to handle the relevant Shareholders' rights in accordance with the Japan Companies Act as follows:

- (i) the person whose name and address are recorded in our Share Register as the holder of the relevant Shares (i.e. the record Shareholder) will continue to be treated as our Shareholder;
- (ii) dividends, if declared, will be paid to the record Shareholder;

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- (iii) no person may effect a valid registration of a transfer of the relevant Shares or otherwise deposit the Shares into CCASS for trading on the Stock Exchange, subject to the circumstances set out in “— Cancellation of a lost/destroyed share certificate report” below;
- (iv) no other person will be registered as a holder of the relevant Shares in our Share Register;
- (v) a record Shareholder who reports a lost or destroyed share certificate will continue to be entitled to exercise all voting rights attached to the relevant Shares.

Under Japan law, there are limited circumstances whereby a person other than the record Shareholder may report a lost or destroyed share certificate. These include an unregistered owner of our Shares who has lost his/her share certificates prior to registering a valid transfer in our Share Register. In order to report a lost or destroyed share certificate, such unregistered owner must present an acceptable transfer document, which must conform to the requirements under the Stamp Duty Ordinance and be an instrument of transfer and/or contract note duly executed by the transferee and the record Shareholder as the transferor. In that case, no one shall be entitled to exercise the voting rights attached to the relevant Shares during the one-year waiting period. If an unregistered owner fails to present an acceptable transfer document, no report of lost or destroyed share certificate will be accepted and no replacement share certificate will be issued. In that case, an unregistered owner may seek to assert his/her title with a competent court in Japan.

CCASS Beneficial Owners are not subject to the risks associated with the loss or destruction of share certificates, including the one-year waiting period, as they do not physically possess share certificates. You are strongly recommended to hold your investments in our Company through CCASS. Due to certain Japan legal and regulatory provisions, **CCASS Beneficial Owners are subject to certain disadvantages**. See “— A. Bearer Shares — Ownership and Title — Recommended measures for our Shareholders and potential investors” in this section above for details.

Reporting a lost / destroyed share certificate

We accept reports of lost or destroyed share certificates through our Hong Kong Share Registrar. We do not handle lost or destroyed share certificates at our headquarters in Japan.

Cancellation of a lost / destroyed share certificate report

If a lost share certificate is recovered, the person who filed the original lost share certificate report shall inform our Hong Kong Share Registrar to release himself/herself from the one-year waiting period.

There are limited circumstances whereby an unauthorised third party might come into possession of a share certificate reported as lost and seek to be recognised as a Shareholder. In that case, we are required under Japan law to terminate the one-year waiting period and a

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replacement share certificate will not be issued to the person who filed the original lost share certificate report. We consider that these circumstances are very rare in practice as substantially all of our potential investors are expected to hold their investments in our Company through CCASS, as in the case of most companies listed on the Stock Exchange.

It is a provision under our Articles that no one shall be registered as a Shareholder in our Share Register unless an acceptable transfer document (which must conform to the requirements under the Stamp Duty Ordinance and be an instrument of transfer and/or contract note duly executed by the transferee and the record Shareholder as the transferor) is presented to us. As such, an unauthorised bearer of a share certificate reported as lost will not be recognised as a Shareholder in our Share Register unless he/she is able to present an acceptable transfer document. In that case, an unauthorised bearer may seek to assert his/her title with a competent court in Japan if he/she believes that he/she has genuine and valid title to the relevant Shares.

Once we become aware that an unauthorised bearer of a share certificate reported as lost is seeking to be recognised as a Shareholder, we will notify the record Shareholders through our Hong Kong Share Registrar by writing to his/her registered address recorded in our Share Register. Record Shareholders may assert his/her title with a competent court in Japan. It is therefore important to update your contact details with our Hong Kong Share Registrar from time to time.

Share certificate surrender

Shareholders and potential investors who choose to invest outside CCASS are encouraged to surrender their share certificates to us. Surrendered share certificates will be cancelled and the risks associated with our “*bearer shares*” will no longer apply.

Implications of share certificate surrender

Surrendered share certificates will be cancelled, void and destroyed and our Share Register will indicate that no share certificate exists in respect of the Shares represented by them. As such, the risks associated with our “*bearer shares*”, including the risks associated with a lost or destroyed share certificate, will no longer apply.

However, you should note that our Hong Kong Share Registrar may take up to six business days to re-issue a new share certificate in lieu of a surrendered share certificate. During the waiting period of up to six business days, the relevant Shares may not be transferred or otherwise deposited into CCASS for trading on the Stock Exchange. This will in particular affect Shareholders and potential investors who seek to trade the Shares on a “*T+2*” basis, whereby dealings in Shares on the Stock Exchange customarily take place two business days prior to settlement. The waiting period of up to six business days may lead to settlement failure. It is the responsibility of individual Shareholder to carefully formulate their investment schedule, taking into account the waiting period of up to six business days to avoid settlement failure.

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See “Risk Factors — Risks Relating to Key Japan Legal and Regulatory Matters — Surrendered Share certificates can only be re-issued after a waiting period of up to six business days, which could result in settlement failures” for details.

Our Directors have been advised that the waiting period of up to six business days does not contravene the provisions under Rules 13.59 and 13.60(1) of the Listing Rules.

Surrendering your share certificates

We accept applications for surrendering a share certificate through our Hong Kong Share Registrar. We do not handle share certificate surrenders at our headquarters in Japan.

Any record Shareholder whose name and address appears on our Share Register is entitled to surrender their share certificates to us. To apply, he/she must bring along (i) the share certificates he/she is seeking to surrender; (ii) identity proof; (iii) a completed and duly signed share certificate surrender form; (iv) specimen signature of such Shareholder (in case of individual Shareholders) or authorised corporate representative (in case of corporate Shareholders) to our Hong Kong Share Registrar. Surrendered share certificates will be acknowledged by a written receipt. Shareholders wishing to check or verify the record of their shareholdings in respect of their surrendered share certificates may request to inspect and/or print a copy of our Share Register in accordance with the requirements and procedures set out in “— C. Shareholders’ Rights — Inspection of our Share Register” in this section below.

Successful applicants or partially successful applicants of the Hong Kong Offer Shares wishing to surrender their share certificates should apply through our Hong Kong Share Registrar immediately upon receipt of their share certificates. Share certificates will be despatched by registered post, at the applicants’ own risks.

Re-issuing a new share certificate in lieu of a surrendered share certificate

A new share certificate can be re-issued in lieu of a surrendered share certificates by applying to our Hong Kong Share Registrar. To apply, a Shareholder must bring along (i) identity proof; and (ii) a completed and duly signed share certificate re-issuance form, the signature(s) on which must match the ones on the share certificate surrender form, to our Hong Kong Share Registrar.

B. SHAREHOLDERS’ MEETINGS

Set out below are the Japan law provisions with respect to matters relating to the convocation of and voting in our general meetings which in our opinion are relevant to our Shareholders and potential investors and materially differ from the conventional requirements applicable to other companies listed on the Stock Exchange.

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Record date

Our AGM is usually held in June every year. Our Articles provide that our Board of Directors may from time to time designate a record date for our AGMs and extraordinary general meetings. A record date is the date for determining the list of eligible Shareholders entitled to vote in our AGMs and extraordinary general meetings. We may also set the same or a different record date to determine the eligibility of our Shareholders to receive dividends and/or other distributions.

AGMs

Under the Japan Companies Act, an AGM must be held within three months from the record date. Upon Listing, we plan to set our (i) record date for attendance and voting at our AGM shortly before the despatch date of our AGM convocation notice; and (ii) record date for final dividend entitlement shortly after the announcement of any final dividend declared. To comply with the requirements under the Japan Companies Act and Rule 13.66(1) of the Listing Rules, a record date in relation to our AGMs and final dividend, if any, will be announced by public notice in Japan, which will be replicated on the Stock Exchange's website and our Company's website in English and Chinese, at least 14 days prior to the proposed record date.

Our Directors have been advised that Rule 13.66(2) of the Listing Rules does not apply to us as our dividend payments (annual, interim or other) are not subject to Shareholders' approval under our Articles.

Extraordinary general meetings

Our Board of Directors may under the Japan Companies Act set a record date of an extraordinary general meeting. To comply with the requirements under the Japan Companies Act, a record date in relation to our extraordinary general meetings will be announced by public notice in Japan, which will be replicated on the Stock Exchange's website and our Company's website in English and Chinese, at least 14 days prior to the proposed record date.

Interim and other dividend payments

Upon Listing, we plan to set our record date for interim or other dividend entitlement shortly after the announcement of any interim or other dividend declared. To comply with the requirements under the Japan Companies Act and Rule 13.66(1) of the Listing Rules, a record date in relation to our interim or other dividend, if any, will be announced by public notice in Japan, which will be replicated on the Stock Exchange's website and our Company's website in English and Chinese, at least 14 days prior to the proposed record date.

Shareholders who acquire our Shares after the record date will not be entitled to vote in our general meetings and/or receive dividend payment, if any.

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Notice and distribution of annual report and accounts

Under Japan law and our Articles, we are required to convene our AGM within three months after the day following 31 March, which is the last day of each financial year. Under our Articles and the Listing Rules, we are required to despatch the convocation notice of our AGM at least 21 days prior to the date thereof. Upon Listing, we will, as required under the Listing Rules and the Japan Companies Act, prepare and despatch the following documents together with our AGM convocation notice:

- (a) a business report* (事業報告), which would include overview of our key business status, such as, the progress and results of the business, capital expenditures and fund-raising, trends in assets and profit/loss in the most recent three financial years, corporate reorganisations, status of major subsidiaries, shares outstanding and major shareholders, SARs, operation systems, and a status update of other important aspects of our business. Our business report* (事業報告) will be prepared in Japanese, English and Chinese upon Listing;
- (b) an audited financial report, which would include material annual financial information such as the auditor's report and opinion, the consolidated statement of income, consolidated balance sheet, consolidated statement of changes in net assets, and notes to the consolidated financial statements, and the same for the statements of our Company and of our Group on a consolidated basis, respectively. Our audited financial report will be prepared in accordance with the JGAAP as required under the Japan Companies Act in Japanese, English and Chinese; and
- (c) either (i) an annual report including our Group's annual accounts, which will be in compliance with the contents requirements under Appendix 16 to the Listing Rules; or (ii) a summary financial report, which will be in compliance with the contents requirements under Rule 13.46(2)(a) of the Listing Rules. Our annual report or summary financial report, as the case may be, will be prepared in accordance with the IFRS.

All documents above will be approved and authorised by our Board of Directors before they are despatched to our Shareholders.

Proxies and corporate representatives

Our Articles provide that any Shareholder who is entitled to attend and vote in a general meeting of our Company may appoint another person as his/her proxy to attend and vote on his/her behalf. Corporate Shareholders may appoint corporate representatives to attend or vote on its behalf. A Shareholder (including nominee companies such as HKSCC Nominees) who is the holder of two or more Shares may appoint multiple proxies or corporate representatives to represent him/her and vote on his/her behalf in a general meeting of our Company. A proxy or corporate representative needs not be a Shareholder of our Company and there is no limitation

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or restriction on the qualification and identity of the proxies and/or corporate representatives to be appointed by our Shareholders. A proxy or corporate representative is entitled to exercise the same powers as if he/she was the Shareholder himself/herself provided that he/she can present a duly signed authorisation document proving his/her authority.

Upon Listing, we expect to require Shareholders and their proxies or corporate representatives to submit their authorisation documents, the form and substance of which will commensurate with the forms of proxy adopted by other companies listed on the Stock Exchange. Detailed requirements will be set out in the convocation notice of each general meeting (including AGM).

Request for a general meeting

A Shareholder who has no less than 3% of the voting rights in our Company may request our Directors to convene a general meeting. If our Directors do not send out a convocation notice for such general meeting to be held and such general meeting is not convened by our Directors within eight weeks from the date of such request, the relevant Shareholder who made the request may convene a general meeting with court permission.

Request for additional matters in a meeting agenda

Any Shareholder who has either (i) no less than 1% of the voting rights in our Company; or (ii) no less than 300 Shares may request our Directors to include certain additional matter(s) or amend certain existing matter(s) in the meeting agenda of a general meeting. Such request must be made to our Directors no less than eight weeks prior to the general meeting of our Company. If the request is made to our Directors less than eight weeks prior to the general meeting, the requested additional matter(s) or amendment(s) may be included or made in the next general meeting of our Company.

Our Articles provide that we must announce (as a voluntary announcement on the Stock Exchange's website and our Company's website) the date of a general meeting no less than 10 weeks prior to the date of that meeting so that our Shareholders, if eligible, will have a two-week period to exercise the right set out above.

Request for last-minute amendments to a meeting agenda

After the convocation notice of a general meeting has been despatched, a Shareholder is permitted to propose a last-minute amendment to the matters included in an existing meeting agenda of a general meeting of our Company without any prior notice if a matter of similar nature is included in the original meeting agenda. For example, a Shareholder may propose last-minute amendments to an existing meeting agenda and nominate a person for election as a Director any time before the relevant general meeting or even at the meeting, if the original meeting agenda includes a proposal of the appointment of a new Director, or Directors, to our Board of Directors. These last-minute amendments are a theoretical mechanism which, according to our Directors' knowledge, is exceptional and rarely put into actual practice in Japan.

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If any agenda in a general meeting is rejected without receiving 10% of the votes cast at that general meeting, last-minute amendments of substantially the same nature will not be treated as an official agenda by our Company in the forthcoming general meetings within the following three years. For example, Shareholders may not be able to propose a person for election as a Director as a last-minute amendment in the following three years if a last-minute nomination of the same person as a proposed Director fails to receive 10% favourable votes in a general meeting in the past three years (so long as the backgrounds or conditions of both proposals are similar).

Due to these Japan law provisions, we are unable to comply with Rule 13.70 of the Listing Rules and paragraph 4(4) of Appendix 3 to the Listing Rules, which provide that (i) an issuer shall publish an announcement or issue a supplementary circular upon receipt of a notice from a shareholder to propose a person for election as a director at the general meeting where such notice is received by the issuer after publication of the notice of meeting; and (ii) the minimum length of the period for notice to propose a person for election as a director and that person to notify the issuer of his willingness to be elected, must be at least seven days. We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with these requirements on the basis of the voluntary measures we put in place, the details of which are set out in “Waivers — B. Additional Waivers — Announcement of Nomination of Director(s)” and “Waivers — B. Additional Waivers — Articles of Incorporation — Nomination of Director(s)”.

Shareholders and potential investors (in particular, CCASS Beneficial Owners, who customarily do not attend general meetings in person) should note that you may lose the chance to vote on a last-minute amendment if you do not attend a general meeting in person, or if you have not appointed a proxy to attend and vote on your behalf. Under our Articles, where a Shareholder (including CCASS Beneficial Owners, who cast their votes by giving instructions to HKSCC Nominees) has casted a written vote on the original matter (regardless of whether such vote was for, against or abstention from the relevant matter), his/her vote will be counted as abstention from any last-minute amendment thereof. If a Shareholder has not casted a written vote on the original matter, they will lose the right to vote on any last-minute amendment thereof unless they attend the relevant general meeting in person or through their proxies. CCASS Beneficial Owners who are unable to give instructions to HKSCC Nominees on the original matter prior to the specified deadline will lose their right to vote on any last-minute amendment thereof. In both circumstances, the voting rights of the relevant Shareholder / CCASS Beneficial Owner will not form the quorum of the original matter and any last-minute amendment thereof.

Casting your votes in different ways

Under the Japan Companies Act, a Shareholder (including a nominee such as HKSCC Nominees) is permitted to divide his/her Shares and cast his/her votes corresponding to these Shares in different ways, casting his/her votes partly for and partly against a resolution. A Shareholder who wishes to cast his/her votes in different ways is required to notify our Company of his/her intention and the reasons therefor at least three days prior to the date of the relevant general meeting. Our Company may object to a Shareholder casting his/her votes in different ways if the Shareholder holds our Shares on his/her own behalf rather than as a nominee on behalf of others. Upon Listing, we will enclose a notification form with the convocation notice of each general meeting. Shareholders who wish to cast their votes in different ways should notify

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our Company by completing and returning the prescribed notification form to our Hong Kong Share Registrar. Shareholders (including nominee companies such as HKSCC Nominees) may also make a permanent election to cast their votes in different ways at all forthcoming general meetings, which may be withdrawn by writing to our Hong Kong Share Registrar.

Material Interests in a transaction

The Listing Rules require that, where a transaction or arrangement of an issuer is subject to shareholders' approval under the provisions of the Listing Rules, any shareholder that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement in a general meeting. In addition, controlling shareholders must abstain from voting in favour of certain matters under the Listing Rules. There are also certain matters where independent shareholders approvals are required under the Takeovers Code.

Under Japan law, a company shall not amend its constitutional document to restrain or restrict its shareholders, including controlling shareholders, from voting on any particular resolution. Each Shareholder is, in general, entitled to a single vote for each Share he/she holds in our Company and we may not restrict this right in the circumstances provided under the Listing Rules and the Takeovers Code.

To afford our Shareholders protections comparable to those available under the Listing Rules and the Takeovers Code, our Shareholders have resolved to adopt the following alternative provisions in our Articles:

"Where a transaction or arrangement or contract or other matter is required to be approved by our Shareholders under the Listing Rules and/or the Takeovers Code:

- (a) a general meeting shall be convened to seek our Shareholders' approval of such matter;
- (b) our Hong Kong Share Registrar shall count the votes casted at the said general meeting in accordance with the criteria and requirements under the Japan Companies Act;
- (c) we shall appoint our compliance adviser or another independent financial or legal adviser to review the votes counted by our Hong Kong Share Registrar and confirm that the resolution would have been successfully passed if the votes cast had excluded the votes of our Shareholders that would otherwise be required to be abstained or otherwise uncounted under the Listing Rules and/or the Takeovers Code; and
- (d) the Shareholders' approval referred to in item (a) above and the confirmation referred to in item (c) above shall be made conditions precedent in the relevant transaction agreement and we shall implement such matter only if both conditions have been satisfied."

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Our Japan Legal Adviser is of the view that the alternative provisions in our Articles set out above should be permissible under the applicable Japan laws and regulations that are currently in force as of the date of this Prospectus on the basis that (i) while there are no definitive provisions in the Japan Companies Act, it is generally accepted that reasonable closing conditions, such as approval by regulatory authorities, may be included in a contract for a transaction that requires shareholders' approval under the Japan Companies Act; (ii) our voluntary measures in place would likely be regarded as a reasonable closing condition because our Company, as a company listed on the Stock Exchange, is required to comply with Rule 2.15 of the Listing Rules and the other relevant provisions under the Listing Rules and/or the Takeovers Code; and (iii) the closing condition would be disclosed to all Shareholders prior to the relevant general meeting, and therefore, our Shareholders who vote on the transaction should be aware of, and vote on the basis of, the transaction as a package including that condition.

We consider that the alternative provisions in our Articles set out above will allow us to comply with (i) the abstention requirements under Rule 2.15 of the Listing Rules and other relevant requirements under the Listing Rules which specifically apply these abstention requirements; and (ii) the abstention requirements under the Takeovers Code with respect to transactions that require independent shareholders' approval.

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirement under paragraph 14 of Appendix 3 to the Listing Rules to amend our Articles in accordance with the abstention requirements under the Listing Rules. See "Waivers — B. Additional Waivers — Articles of Incorporation — Material Interests in a Transaction" for details.

C. SHAREHOLDERS' RIGHTS

Entitlement of certain Shareholders' rights under Japan law may differ from those available under Hong Kong law and/or the Listing Rules.

CCASS Beneficial Owners

A CCASS Beneficial Owner is not recognised as a Shareholder under Japan law until he/she withdraws the relevant Shares from CCASS and re-registers himself/herself as the registered Shareholder in our Share Register.

HKSCC Nominees will exercise the rights on behalf of CCASS Beneficial Owners in the same way it does for shareholders of other companies listed on the Stock Exchange the shares of which are deposited into CCASS.

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Inspection of our Share Register

Shareholders and creditors

We generally allow a Shareholder or a creditor to inspect our Share Register from time to time as required under the Japan Companies Act. We however are entitled under the Japan Companies Act to refuse a request from such persons to inspect our Share Register under the following limited circumstances:

- (i) where a request is made for a purpose other than in relation to securing or exercising rights as a Shareholder or creditor;
- (ii) where a request is made for the purpose to interfere with our business operation or to damage the interests of our Shareholders as a whole;
- (iii) where a request is made to inform, in exchange for payment, a third party of any fact that could not have been obtained other than from an inspection (including copying);
- (iv) where a person making a request has informed, in exchange for payment, a third party of any fact that could not have been obtained other than from an inspection (including copying) during the last two years; and
- (v) where the person making a request is carrying on, or engaged in, a business substantially in competition with our business (this requirement has been removed in the JCA Amendments).

A Shareholder or creditor wishing to inspect our Share Register shall attend our Hong Kong Share Registrar's office during normal business hours in Hong Kong. Our Hong Kong Share Registrar will require the person to complete a prescribed form setting out his/her details and the purposes of inspection. Our Hong Kong Share Registrar will then contact our Company and notify the relevant Shareholder or creditor of our Company's decision within two business days and, if approved, our Hong Kong Share Registrar will notify the Shareholder or creditor the date of inspection. A printed copy of our Share Register may also be requested. Other than applicable printing costs, no fee will be charged for the inspection.

Non-shareholder and non-creditor

Any person who is not a Shareholder or creditor of our Company (including national and prefectural government agencies) may also, to the extent allowed under the Personal Information Protection Act, inspect and obtain a copy of our Share Register. As advised by our Japan Legal Adviser, our Share Register is, under the Personal Information Protection Act, open for inspection for persons other than our Shareholders and creditors if:

- (i) the inspection of our Share Register is based on laws and regulations;

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- (ii) the inspection of our Share Register is necessary for the protection of the life, body, or property of an individual and if it is difficult to obtain the consent of the person who is the subject of the inquiry;
- (iii) the inspection of our Share Register is necessary for improving public health or promoting the sound growth of children and if it is difficult to obtain the consent of the person who is the subject of the inquiry; or
- (iv) the inspection of our Share Register is necessary for cooperating with a state organ, a local government, or an individual or a business operator entrusted by one in executing the affairs prescribed by laws and regulations and if obtaining the consent of the person who is the subject of the inquiry is likely to impede the execution of such affairs.

CCASS Beneficial Owners are not recognised as a Shareholder under Japan law and they may not inspect our Share Register unless they are allowed to do so under the Personal Information Protection Act.

Shareholders who have surrendered their Share certificates to our Company may inspect our Share Register to check and verify their shareholdings in our Company.

Dividends

Record date for distributing dividends

Our AGM is usually held in June every year. Our Articles provide that our Board of Directors may from time to time designate a record date for our AGMs and extraordinary general meetings. A record date is the date for determining the list of eligible Shareholders entitled to vote in our AGMs and extraordinary general meetings. We may also set the same or a different record date to determine the eligibility of our Shareholders to receive dividends and/or other distributions.

Final dividend

Upon Listing, we plan to set our record date for final dividend entitlement shortly after the announcement of any final dividend declared. To comply with the requirements under the Japan Companies Act and Rule 13.66(1) of the Listing Rules, a record date in relation to final dividend, if any, will be announced by public notice in Japan, which will be replicated on the Stock Exchange's website and our Company's website in English and Chinese, at least 14 days prior to the proposed record date.

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Interim and other dividend payments

Upon Listing, we plan to set our record date for interim or other dividend entitlement shortly after the announcement of any interim or other dividend declared. To comply with the requirements under the Japan Companies Act and Rule 13.66(1) of the Listing Rules, a record date in relation to our interim or other dividend, if any, will be announced by public notice in Japan, which will be replicated on the Stock Exchange's website and our Company's website in English and Chinese, at least 14 days prior to the proposed record date.

Shareholders who acquire our Shares after the record date will not be entitled to receive dividend payment, if any.

Restrictions on dividend distributions

Our Company may declare and pay, in accordance with the Japan Companies Act and our Articles, (i) interim cash dividends (declared at the end of the second quarter of a financial year) with the approval of our Board of Directors and (ii) other dividends (including year-end dividends) with the approval of our Board of Directors (unless such dividend is proposed to be paid in kind (other than scrip dividends in the form of Shares, bonds (including convertible bonds) and SARs issued by our Company, which the Japan Companies Act prohibits) without giving Shareholders the right to demand distribution in cash, in which case a special resolution in a general meeting would be required). Scrip dividends in the form of Shares, bonds (including convertible bonds) or SARs issued by our Company are prohibited under the Japan Companies Act. The amount or value of any dividends declared may not exceed the available Distributable Amount.

The Japan Companies Act provides that a company's Distributable Amount is calculated using the retained earnings* (剰余金) recorded in a company's financial statements prepared in accordance with JGAAP (rather than IFRS) with certain adjustments (including deduction of the book value of any treasury stock* (自己株式) held by a company) available under the Japan Companies Act and the relevant ordinance of the Japanese Ministry of Justice. The Japan Companies Act also requires an amount equivalent to 10% of any dividend resulting in a decrease in retained earnings* (剰余金) to be allocated to reserves* (準備金) until the aggregate amount of the reserve* (準備金) equals 25% of the amount of share capital. See "Appendix V — Summary of our Articles of Incorporation and Japan Corporation Law — 6. Dividends and Distributions" for a detailed description on how Distributable Amount is calculated under the Japan Companies Act.

Given that our consolidated financial information set out as Appendix I to this Prospectus have been prepared in accordance with IFRS, the amounts of the consolidated retained earnings determined under IFRS differ from the retained earnings* (剰余金) recorded in our Company's entity level financial statements under JGAAP. The differences are caused by items which include, for example, the adjustment related to goodwill and intangible asset amortisation, share-based payments and derivative financial liabilities.

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Our Company will procure our accounting auditor to prepare reconciliation between our financial statements under JGAAP and IFRS for each financial year following the Listing and despatch of such reconciliation documents to our Shareholders together with our annual report (or summary financial report). For indicative purposes, our Company's annual report incorporating financial statements (or a summary financial report) prepared in accordance with IFRS will include the Distributable Amount as at the end of the financial year.

Currency of dividend payments

Shareholders entitled to receive cash dividends from our Company (other than CCASS Beneficial Owners) will have the option of receiving their entitlements in either Japanese Yen or Hong Kong Dollars (to be converted by our Company at the then prevailing foreign exchange rates available to our Company), provided that, in order to elect Japanese Yen, Shareholders must supply bank account details in Japan (such bank must be a member of The Japanese Bankers Currency Exchange Institution) to our Company through our Hong Kong Share Registrar. No partial election will be allowed, and Shareholders, including nominee companies which hold Shares on behalf of our Shareholders, cannot elect to receive part of the cash dividends in Japanese Yen and part of the cash dividends in Hong Kong Dollars. If no election is made by a Shareholder, such Shareholder will receive dividend payments in Hong Kong Dollars. Shareholders who have previously elected to receive dividend payments in Japanese Yen and supplied bank account details in Japan to our Company will continue to receive dividend payments in Japanese Yen. Each such Shareholder can exercise their option by informing our Hong Kong Share Registrar of its election. Upon declaration of dividend payment, our Hong Kong Share Registrar will notify our Company of the aggregate amount in Japanese Yen and Hong Kong Dollars to be paid to our Shareholders. Dividend payments in Hong Kong Dollars will be paid by our Hong Kong Share Registrar to the relevant Shareholders upon receipt of the requisite funds from our Company, whereas dividend payments in Japanese Yen will be directly paid by our Company.

All CCASS Beneficial Owners will receive dividend payments in Hong Kong Dollars. Any CCASS Beneficial Owner who wishes to elect to receive his/her dividend payments in Japanese Yen must withdraw the relevant Shares from CCASS and supply bank account details in Japan (such bank must be a member of The Japanese Bankers Currency Exchange Institution) to our Company through our Hong Kong Share Registrar.

Compulsory Acquisitions

Under the Companies Ordinance, the minority shareholders of a Hong Kong-incorporated company may be compulsorily brought out or may require an offeror to buy out their interests if the offeror acquires 90% of the issued shares in a successful takeover without shareholders' approval. Under the relevant Japan laws and regulations, compulsory acquisitions can be achieved without shareholders' approval by the following transactions:

- (i) An offeror (which must be a Japan-incorporated company) having acquired 90% or more of the voting rights in a stock company* (株式会社) (which our Company is one) may (aa) acquire the remaining interests of the minority shareholders by way of a share

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exchange* (株式交換) arrangement; or (bb) cash out the remaining interests of the minority shareholders by way of a merger* (合併) arrangement (the “**JCA Compulsory Acquisitions**”) only with the approval of the board of directors of the said company. In case of a share exchange* (株式交換) arrangement, the offeror must be a stock company* (株式会社) or a limited liability company* (合同会社).

- (ii) Under the JCA Amendments, which will come into effect on 1 May 2015, an offeror having acquired 90% or more of the voting rights in a stock company* (株式会社) (which our Company is one) may compulsorily acquire the interests of all remaining shareholders only with the approval of the board of directors of the said company (the “**JCA Amendment Compulsory Acquisition**”).

Other than the transactions above, there is currently no provision under Japan laws and regulations similar to the compulsory acquisition regime under the Companies Ordinance that would otherwise allow an offeror in a successful takeover to buy out the minority shareholders without shareholders’ approval, regardless of the shareholding percentage acquired by such offeror.

Apart from the JCA Compulsory Acquisitions and the JCA Amendment Compulsory Acquisition, under Japan laws, an offeror of a successful takeover or the minority shareholders of a Japan-incorporated company may also achieve a similar outcome of compulsory acquisitions by proposing a number of alternative transactions (the “*Share Transactions*”) to the subject company, all of which are subject to shareholders’ approval.

To initiate the Share Transactions, an offeror in a successful takeover or minority shareholders may either (i) request for the convocation of a general meeting; or (ii) request for additional matter(s) to be included in the agenda of a general meeting. See “- B. Shareholders’ Meetings” in this section above for the detailed procedures.

Under the Japan Companies Act, the approval threshold of the Share Transactions is two-third of the votes of shareholders present at a general meeting, which is significantly lower than the 90% threshold of the compulsory acquisition regime under the Companies Ordinance. As an enhanced measure of shareholders’ protections, our Articles provide that at least 90% of the votes of Shareholders present at a general meeting are required to effect the Share Transactions.

Our Directors are of the view that, in relation to compulsory acquisitions, the level of protections under our Articles and the relevant Japan laws and regulations taken as a whole is largely commensurate to the shareholders’ protections provided under the Companies Ordinance (given the Articles provisions put in place by us).

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In addition, investors should note that, unlike the Companies Ordinance, there is no restriction under the relevant Japan laws and our Articles on the acquisition price of the transactions set out above. Minority shareholders may resort to a number of court procedures to (i) request the court to cease the relevant transactions; or (ii) determine a fair acquisition price. There may be significant delays and costs involved in the initiation of the aforementioned court procedures.

See “Appendix V – Summary of our Articles of Incorporation and Japan Corporation Law – 8. Compulsory Acquisitions” for the details of the compulsory acquisition provisions under Japan law and our Articles.

D. CAPITAL STRUCTURE

Set out below are the key provisions under Japan law regarding allotment and issue of Shares to a third party and share repurchases on the Stock Exchange, which differ from the regulatory regime in Hong Kong.

Issuing Mandate

There is no concept of pre-emptive rights (as defined in the Listing Rules) under Japan law. Under the Japan Companies Act, when a Japanese company issues new shares and SARs (including convertible bonds), certain subscription requirements (the “*Subscription Requirements*”) shall be determined. The Subscription Requirements include the number of shares or SARs (including convertible bonds) to be issued, price, payment due date and other matters prescribed under the Japan Companies Act.

Under our Articles, the Subscription Requirements of any new issue of Shares or SARs (including convertible bonds) must be determined by an ordinary resolution in a general meeting, provided however that the Subscription Requirements of the issue and allotment of Shares or SARs (including convertible bonds) at a price or term *especially favourable* to the allottees must be determined by a special resolution in a general meeting. Our Board may issue and allot the Shares or SARs once the Subscription Requirements have been determined and approved by an ordinary or special resolution (as the case may be) in a general meeting.

Our Articles further provide that (a) the total number of Shares authorised by our Shareholders to be issued is 2,000,000,000 Shares; and (b) our Shareholders may entrust the power to determine the Subscription Requirements of any new issue of Shares or SARs (including convertible bonds) to our Board by way of a general mandate. The authority of the said general mandate must be approved with an ordinary (or a special resolution, if such mandate specifically provides for an allotment at a price or term *especially favourable to the allottee*) resolution in a general meeting, which resolution shall prescribe, among others, the maximum number of Shares and SARs to be issued and allotted under the general mandate and the minimum price to be paid by the allottees. Under our Articles, the general mandate shall not be effective for more than one year from the date of the resolution approving the same. As advised by our Japan Legal Adviser, our Issuing Mandate was duly approved by our Shareholders at our extraordinary general meeting held on 16 March 2015.

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The Articles and Japan Companies Act provisions described above apply equally to the disposal of our treasury stock* (自己株式), if any.

On 16 March 2015, our Board has been granted with the Issuing Mandate to issue, allot and deal in our Shares, the details of which are set out in “Appendix VI — Statutory and General Information — A. Further Information about our Company — 5. Extraordinary General Meeting held on 16 March 2015”. Under our Articles and the Japan Companies Act, the Issuing Mandate is only enforceable when:

- (i) our total number of issued Shares will not exceed 2,000,000,000 Shares, which are the total number of Shares authorised to be issued by our Company, as a result of the issue and allotment made under the Issuing Mandate; and
- (ii) the allotments under the Issuing Mandate are not made at a price or term *especially favourable* to the allottees, in which case a special resolution in a general meeting is required.

For the avoidance of doubt, the Issuing Mandate grants power to our Board to issue, allot and deal with Shares only and does not grant authority to issue SARs and dispose of treasury stock* (自己株式). Our Japan Legal Adviser has confirmed that the Shareholders’ resolution in our extraordinary general meeting held on 16 March 2015 approving the Issuing Mandate contained all the required information prescribed under our Articles. Our Directors have undertaken to the Stock Exchange that they will not exercise the Issuing Mandate if any of conditions (i) to (ii) set out above has not been fulfilled, in which case they will seek specific approval from our Shareholders in order to issue and allot new Shares.

As to the term “*especially favourable*” referred to in (ii) above, our Japan Legal Adviser has confirmed that there is no clear definition under Japan law as to the circumstances where the terms of an allotment may be deemed as *especially favourable* to the proposed allottees. Under the internal rules of The Japan Securities Dealers Association, an allotment may be taken as *especially favourable* to the proposed allottees when less than 90% of the market value of the Shares so allotted is set as consideration from the proposed allottees. Our Board may from time to time appoint an independent expert to determine whether an allotment is *especially favourable*.

Our Directors have been advised that the Issuing Mandate is in compliance with Rule 13.36 of the Listing Rules. The aggregate number of Shares under the Issuing Mandate is subject to the limit under Rule 13.36(2)(b) of the Listing Rules and is no more than the sum of:

- (a) 20% of the total number of Shares issued by our Company immediately upon completion of the Global Offering; and
- (b) the aggregate number of Shares repurchased by our Company, if any, under the Repurchase Mandate referred to below.

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Share repurchases

Under the Japan Companies Act, a company may in general repurchase its shares through the following ways:

- (i) a company may repurchase its own shares upon agreement with one or more particular shareholder(s) with a special resolution in a general meeting approving (a) the number and class of the shares to be repurchased; (b) the contents and the aggregate amount of consideration to be paid in exchange for the repurchased shares; (c) the period during which the company may repurchase its shares (which shall not be more than one year); and (d) the name of such particular shareholder(s). Once approved, the company may repurchase the shares within the scope of the special resolution following certain prescribed procedures under the Japan Companies Act, provided however that, where the repurchase price exceeds the market price of the shares, the company shall give a notice to other shareholders to provide them with the opportunities to participate in the share repurchase prior to the general meeting approving the share repurchase;
- (ii) a company may repurchase its own shares through an offer to all shareholder with an ordinary resolution in a general meeting approving items (a) to (c) set out in (i) above. Once approved, the company may repurchase the shares within the scope of the ordinary resolution following certain prescribed procedures under the Japan Companies Act; and
- (iii) a company may repurchase its own shares through a market transaction etc.* (市場取引等) as defined under the Japan Companies Act with an ordinary resolution in a general meeting or, where allowed under its articles, a resolution of its board of directors, approving items (a) to (c) set out in (i) above. Once approved, the company may repurchase the shares within the scope of the said resolution.

Upon Listing, we will effect repurchases of our Shares outside the Stock Exchange in accordance (i) and (ii) above, subject to compliance with all applicable Listing Rules and/or the Takeovers Code. Repurchases on the Stock Exchange will be effected under the Repurchase Mandate granted to our Board by our Shareholders on 16 March 2015 in compliance with Rule 10.06 of the Listing Rules and in accordance with (iii) above as market transactions etc.* (市場取引等). Our Articles provide that repurchases of our own Shares can be effected through a market transaction etc.* (市場取引等) as defined under the Japan Companies Act with a resolution of our Board (so long as such repurchases comply with the applicable requirements under the Listing Rules), allowing our Directors to effect repurchases under the Repurchase Mandate without Shareholders' specific approval.

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Based on the foregoing Articles and Japan law provisions, repurchases under the Repurchase Mandate must be market transactions etc.* (市場取引等) as defined under the Japan Companies Act. There is no judicial precedent or interpretation confirming that a repurchase through the Stock Exchange, which is not a securities exchange in Japan, is a market transaction etc.* (市場取引等). Given the lack of judicial precedent, our Directors have undertaken to the Stock Exchange that they will not exercise the Repurchase Mandate to repurchase our Shares on the Stock Exchange unless there is clear judicial authority allowing us to make repurchases on the Stock Exchange thereunder.

For details of the Japan law and Listing Rules provisions on the repurchases of our Shares, see “Appendix VI — Statutory and General Information — B. Repurchase of our Shares”.

E. TAXATION

Set out below are the key tax obligations that might arise from dealing in our Shares. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase the Shares or with regard to the taxation of our Company. Potential investors should consult your own tax advisers as to the possible tax consequences of the purchase and ownership of the Shares based on their particular circumstances. No conclusion should be drawn with respect to issues not specifically addressed by this summary. The following description of Japan law is based upon the Japan law and regulations in effect and as interpreted by the National Tax Agency of Japan as at the date of this Prospectus and is subject to any amendments to the relevant laws (or their interpretation) later introduced, whether or not on a retroactive basis. It is not intended to be, nor should it be construed to be, legal or tax advice.

It is emphasised that none of our Company, our Directors, or other parties involved in the Global Offering can accept responsibility for any impact on the tax liabilities of, Shareholders/ potential investors resulting from their subscription for, purchase, holding or disposal of or otherwise dealing in our Shares or exercising any rights attaching to them.

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1. Withholding Tax on Dividend Payment

Japanese Shareholders

Shareholders who choose to invest outside CCASS who are either a resident in Japan or a corporation incorporated in Japan are subject to the following withholding tax rate on dividend distribution:

Dividends paid and due	Individual Shareholder that is interested in less than 3% of our total number of issued Shares	Individual Shareholder that is interested in 3% or more of the entire issued Shares of our total number of issued Shares	Corporate Shareholder
On or before 31 December 2037	20.315%	20.420%	15.315%
On or after 1 January 2038	20%	20%	15%

Non-Japanese Shareholders

Shareholders who choose to invest outside CCASS who are not residents in Japan or corporations incorporated in Japan without a permanent establishment in Japan are subject to the following withholding tax rate on dividend distribution:

Dividends paid and due	Individual Shareholder that is interested in less than 3% of our total number of issued Shares	Individual Shareholder that is interested in 3% or more of the entire issued Shares of our total number of issued Shares	Corporate Shareholder
On or before 31 December 2037	15.315% or 10% ⁽¹⁾	20.420% or 10% ⁽¹⁾	15.315% or 5%/10% ⁽¹⁾
On or after 1 January 2038	15% or 10% ⁽¹⁾	20% or 10% ⁽¹⁾	15% or 5%/10% ⁽¹⁾

Note:

- (1) Individual and corporate Shareholders who are residents or entities incorporated in Hong Kong having no permanent establishment in Japan will be subject to a withholding tax in Japan not exceeding 10% (or not exceeding 5% for corporate Shareholders who are interested in 10% or more of our total number of issued Shares for the six consecutive months ending on the record date for dividend distribution) for dividend payments under the Hong Kong-Japan Tax Treaty. See “— Hong Kong-Japan Tax Treaty” in this section below for details.

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CCASS Beneficial Owners

Notwithstanding that CCASS Beneficial Owners are not recognised under the Japan Companies Act as Shareholders, our Tax Adviser has confirmed that Japanese tax laws would recognise CCASS Beneficial Owners who hold their investments through CCASS, being the ultimate payees of any dividend, as taxpayers. As such, the withholding tax rate applicable to the dividend paid to CCASS Beneficial Owners should, in principle, be the tax rate applicable to each CCASS Beneficial Owner on an individual basis in accordance with their identity, shareholding percentage and tax residence.

However, due to the inherent characteristics of CCASS, our Company is not able to ascertain the identity, and consequently the tax residence, of the CCASS Beneficial Owners. Our Company is therefore unable to apply a rate of withholding tax on an individual basis to CCASS Beneficial Owners. In addition, CCASS does not have the capacity to attribute to each CCASS Participant (and, accordingly, to each CCASS Beneficial Owner) its respective share of distributed profits with the purpose of enabling our Company to apply the proper withholding tax (if any).

As such, our Company will withhold tax on the dividends payable to CCASS Beneficial Owners at the highest possible withholding tax rates under Japan law, which is 20.420% for dividends paid and due on or before 31 December 2037.

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Withholding tax held in excess

CCASS Beneficial Owners are subject to an initial withholding tax rate of 20.420%, which is the highest possible withholding tax rate under Japan law. Eligible CCASS Beneficial Owners may apply for a refund of taxes withheld in excess of the applicable rates that would have applied to them if they choose to invest outside CCASS from the National Tax Agency. Set out below are the rates of refunds that our CCASS Beneficial Owners may be entitled to depending on their residence or jurisdictions of incorporation:

(a) Hong Kong CCASS Beneficial Owners

CCASS Beneficial Owners who are either residents in Hong Kong or corporations incorporated in Hong Kong without any permanent establishment in Japan may be entitled to claim a refund of taxes withheld in excess from the National Tax Agency at a rate set out below:

	Individual Shareholder that is interested in less than 3% of our total number of issued Shares	Individual Shareholder that is interested in 3% or more of the entire issued Shares of our total number of issued Shares	Corporate Shareholder
Withholding tax rate initially withheld by our Company	20.420%	20.420%	20.420%
Applicable tax rate that would have applied to them if they choose to invest outside CCASS	15.315%	20.420%	15.315%
Possible rate of refunds from the National Tax Agency	5.105%	0%	5.105%

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(b) Japanese CCASS Beneficial Owners

CCASS Beneficial Owners who are either residents in Japan or corporations incorporated in Japan may be entitled to claim a refund of taxes withheld in excess from the National Tax Agency at a rate set out below:

	Individual Shareholder that is interested in less than 3% of our total number of issued Shares	Individual Shareholder that is interested in 3% or more of the entire issued Shares of our total number of issued Shares	Corporate Shareholder
Withholding tax rate initially withheld by our Company	20.420%	20.420%	20.420%
Applicable tax rate that would have applied to them if they choose to invest outside CCASS	20.315%	20.420%	15.315%
Possible rate of refunds from the National Tax Agency	0.105%	0%	5.105%

Japanese CCASS Beneficial Owners should note that, if they elect to invest in our Company through a recognised financial instruments business operator* (金融商品取引業者等), the obligation to pay the relevant withholding tax rests with those operators. As such, they are entitled to claim a full refund of the withholding tax withheld by our Company from Japan's National Tax Agency (i.e. 20.420% of the dividends paid).

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(c) Other CCASS Beneficial Owners

Other CCASS Beneficial Owners who are neither residents in Japan or Hong Kong or corporations incorporated in Japan or Hong Kong without any permanent establishment in Japan may be entitled to claim a refund of taxes withheld in excess from the National Tax Agency at a rate set out below:

	Individual Shareholder that is interested in less than 3% of our total number of issued Shares	Individual Shareholder that is interested in 3% or more of the entire issued Shares of our total number of issued Shares	Corporate Shareholder
Withholding tax rate initially withheld by our Company	20.420%	20.420%	20.420%
Applicable tax rate that would have applied to them if they choose to invest outside CCASS	15.315%	20.420%	15.315%
Possible rate of refunds from the National Tax Agency	5.105%	0%	5.105%

CCASS Beneficial Owners may be able to claim a refund from Japan's National Tax Agency of withholding tax withheld in excess of by completing and returning a designated application form prepared by us in the form and substance acceptable to the National Tax Agency. Electronic copies of such application forms will be available on our Company's website upon Listing. In addition, physical application forms for tax refund in Japanese, English and Chinese will be made available to our Shareholders at our Company's principal place of business in Hong Kong and our Hong Kong Share Registrar. Our Company will announce to our Shareholders on each occasion these application forms become available. Potential investors should note that there may be delays in obtaining this refund. Detailed documentary requirements for the refund process applicable to our CCASS Beneficial Owners will be specified in our dividend payment announcements.

Hong Kong-Japan Tax Treaty

Following the conclusion of the Hong Kong-Japan Tax Treaty, effective in Japan since 14 August 2011, dividends paid by our Company to our Shareholders who (i) are Hong Kong residents or companies incorporated in Hong Kong; and (ii) have no permanent establishment in Japan, will be subject to a withholding tax in Japan not exceeding 10% (or not exceeding 5% for corporate Shareholders who are interested in 10% or more of our total number of issued Shares for the six consecutive months ending on the record date for dividend distribution) for dividends payable after 1 January 2012.

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Corporate and other individual Shareholders who hold the Shares in their own names and believe that they are entitled to reduced withholding tax rates on dividend payments made by our Company under the Hong Kong-Japan Tax Treaty will need to make an application to Japan's National Tax Agency through our Hong Kong Share Registrar to establish their eligibility to the satisfaction of Japan's National Tax Agency.

Applications for reduced withholding tax rates under the Hong Kong-Japan Tax Treaty applicable to dividend payments by our Company can be made before the record date on which Shareholders are determined to be eligible for such dividends. Applications must be made using the Application Form for Income Tax Convention (Relief from Japanese Income Tax on Dividends). Such application form is available in Japanese and English on the website of Japan's National Tax Agency at www.nta.go.jp/tetsuzuki/shinsei/annai/joyaku/annai/pdf2/250.pdf. Application forms in Japanese and English, together with an unofficial Chinese translation of the instructions for completing the application form, will be made available to our Shareholders at our Company's principal place of business in Hong Kong and our Hong Kong Share Registrar prior to the record date on which Shareholders are determined to be eligible for dividend payments. Our Company will announce to our Shareholders on each occasion these application forms become available. Detailed documentary requirements for the application process under the Hong Kong-Japan Tax Treaty will be specified in our dividend payment announcements.

Alternatively, Shareholders may be able to claim a refund from Japan's National Tax Agency of withholding tax withheld in excess of the rate payable under the Hong Kong-Japan Tax Treaty. Applications must be made using the Application Form for Refund of the Overpaid Withholding Tax Other Than Redemption of Securities and Remuneration Derived from Rendering Personal Services Exercised by an Entertainer or a Sportsman in Accordance with the Income Tax Convention which is available in Japanese and English on the website of Japan's National Tax Agency at www.nta.go.jp/tetsuzuki/shinsei/annai/joyaku/annai/pdf2/260.pdf. Physical application forms for tax refund in Japanese and English, including an unofficial Chinese translation of the instructions for completing the application form, will be made available to our Shareholders at our Company's principal place of business in Hong Kong and our Hong Kong Share Registrar. Our Company will announce to our Shareholders on each occasion these application forms become available. Potential investors should note that there may be delays in obtaining this refund. Detailed documentary requirements for the refund process under the Hong Kong-Japan Tax Treaty will be specified in our dividend payment announcements.

Potential investors are strongly advised to consult their professional advisers if you are in any doubt as to the implications of the Hong Kong-Japan Tax Treaty or the application process for any reduced rates on dividend payments made by our Company. We do not assume any responsibility to ensure withholding is made at the reduced treaty rate or to ensure no withholding is made for Shareholders who would be so eligible under any applicable income tax treaty.

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Our Tax Adviser is of the view that at this moment, CCASS Beneficial Owners cannot make a claim under a tax treaty, because the name, address and other information of a CCASS Beneficial Owner cannot be identified due to the inherent characteristics of CCASS. We will, on an on-going basis, discuss with the National Tax Agency regarding the applicability of any tax treaty between Japan and any other country to CCASS Beneficial Owners residing in such other country. In the event that the National Tax Agency has approved the application of tax treaty to such CCASS Beneficial Owners, we will publish a separate announcement on the Stock Exchange's website and our Company's website describing the procedures to make a claim under tax treaty.

2. Stamp duty

Japan stamp duty

Share transfers do not attract stamp duty in Japan. However, issue of a new Share Certificate in Japan would be subject to Japanese stamp duty (印紙税) ranging from ¥200 to ¥20,000. Upon Listing, all Share certificates of our Company will be issued by our Hong Kong Share Registrar. Accordingly, no Japanese stamp duty is, in principle, payable for our new Share certificates.

Hong Kong stamp duty

Our Shares are considered as "Hong Kong stock" for the purpose of the Stamp Duty Ordinance. Dealings in the Shares in our Company, which are required to be registered in our share register through the Hong Kong Share Registrar in Hong Kong, are subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction.

3. Capital gain tax

Japan capital gains tax

As a general rule, gains derived from the sale outside Japan of our Shares by non-resident Shareholders or corporate Shareholders established outside Japan who have neither a permanent establishment in Japan nor a permanent representative in Japan to which the Shares are attributable are generally not liable to any Japanese income or corporate taxes, except for (i) any Shareholder who is interested in 25% or more in our Company's entire issued Shares at any time during the taxable year of sale or during two preceding years; and (ii) any Shareholder who transfers 5% or more of our total number of issued Shares in the taxable year of sale.

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The above taxation is subject to the application of relevant double tax treaties and, based on the provisions of the Hong Kong-Japan Tax Treaty, capital gains realised by a Shareholder, who is a resident or corporation in Hong Kong, will not be taxable under Japanese capital gains tax (even if such Shareholder is interested in 25% or more in our Company's total number of issued Shares at any time during the taxable year of sale or during two preceding years, and transfers 5% or more of our total number of issued Shares in the taxable year of sale). The absence of capital gains taxation in Japan is not subject to any specific formalities and our Shareholders who are residents or corporations in Hong Kong are therefore not required to take any action in order to enjoy this exemption.

Our Tax Adviser has confirmed that in respect of Shares deposited into CCASS, only capital gains realised by the CCASS Beneficial Owners are taxable under Japan law. Neither HKSCC Nominees nor the CCASS Participants are subject to any Japanese capital gains tax reporting or payment obligation directly arising from dealing in our Shares on behalf of the CCASS Beneficial Owners (even if a CCASS Beneficial Owner is interested 25% or more in our Company's total number of issued Shares at any time during the taxable year of sale or during two preceding years, and transfers 5% or more of our total number of issued Shares in the taxable year of sale).

Individual Shareholders

Individual Shareholders who are residents in Japan who effect their dealings in our Shares through a recognised financial instruments business operator (金融商品取引業者等) are subject to capital gains tax in Japan at 20.315% for the year ending before 31 December 2037 or 20% for the year ending on or after 31 December 2038.

Corporate Shareholders

Corporate Shareholders established in Japan are subject to capital gains tax in Japan at approximately 36%.

Hong Kong capital gains tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of the Shares by a person carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, will be subject to Hong Kong profits tax.

4. Inheritance tax and gift tax

Japanese inheritance tax and gift tax at progressive rates may be payable by an individual who has acquired common Shares* (普通株式) of our Company as a legatee, heir or donee even though neither the acquiring individual nor the deceased nor donor is a Japanese resident.

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5. General

Zeirishi-Hojin PricewaterhouseCoopers* (税理士法人プライスウォーターハウスコーパーズ), our Tax Adviser, has advised our Company in writing as to (1) our potential investor's exposure to (i) Japanese withholding tax on dividend payments from our Company; (ii) Japanese capital gains tax from dealing in the Shares of our Company; (iii) Japanese stamp duty on issue of share certificates; (iv) Japanese inheritance tax and gift tax from the acquisition of the Shares of our Company as legatee, donee and heir; (2) our Company's exposure to Japanese withholding tax on dividend payments from our subsidiaries; and (3) the Japanese corporate income tax rates applicable to our Group during the Track Record Period. The letter of advice is available for inspection in accordance with "Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection".

F. FOREIGN EXCHANGE CONTROL

The Foreign Exchange and Foreign Trade Act of Japan* (外国為替及び外国貿易法) (Act No. 228 of 1949) and the cabinet orders and ministerial ordinances (collectively, the "*Foreign Exchange Regulations*") thereunder govern certain matters relating to the issue of equity-related securities by us and the acquisition, holding and disposal of Shares by foreign investors of our Company. Under certain prescribed circumstances, Shareholders and CCASS Beneficial Owners may be required to file a foreign exchange report or notification to The Bank of Japan.

The filing obligations are generally exempted if: (i) a Shareholder or CCASS Beneficial Owner is a resident of, or a corporation organised under the laws of, certain exempted jurisdictions (which include Hong Kong, the U.S., the United Kingdom, Canada, Australia, the PRC, among others); and (ii) if their shareholding interests in our Company do not exceed 10%.

See "Appendix V — Summary of our Articles of Incorporation and Japan Corporation Law — 10. Foreign Exchange Control" for a list of the exempted jurisdictions and details of the filing requirements under the Foreign Exchange Regulations.

G. SHAREHOLDERS PROTECTION

Set out below is a comparison of the applicable laws and regulations in Hong Kong and Japan on certain key shareholder protection standards that we consider material to our Shareholders and investors.

Amendment to constitutional documents

Under Hong Kong law, any alteration to the articles of association of a company (except for alternation to the maximum number of shares that the company may issue) must generally be made by a 75% majority vote in a general meeting. Under Japan law, in order to amend the articles of incorporation, the resolution of the shareholders' meeting shall in general be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japan law is similar to or comparable with that under Hong Kong law.

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Variation of rights

Under Hong Kong law, rights attached to shares in a class of shares in a company may be varied only with either (a) a written consent of holders representing at least 75% of the total voting rights of holders of shares in the class; or (b) a 75% majority vote passed at a separate general meeting of holders of shares in the class sanctioning the variation, unless otherwise provided under the articles of association. Under Japan law, in order to vary the rights attached to any class of shares, the resolution of the general meeting shall be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least a majority (which is lowered to one-third under our Articles) of the voting rights who are entitled to exercise their voting rights are present. Moreover, if a proposed amendment would be detrimental to shareholders of such class of shares, the resolution of the class shareholders' meeting must be approved by at least two-third of the voting rights of the class shareholders present at a meeting where the class shareholders holding at least a majority of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japan law is not materially different to that under Hong Kong law.

Under our Articles, our Company is not allowed to issue any other class of Shares other than our common Shares* (普通株式). The requirements in relation to class meetings set out above are therefore not applicable to us.

Liability to the company

Under Hong Kong law, a person who is a member of a company is not bound by any alteration of the articles of association of the company that takes effect after the date on which the person became a member if the alteration increases the person's liability to the company unless the person agrees in writing before, on or after the alternation taking effect to be bound by such alteration. Under Japan law, existing shareholders are not subject to any liability to the company except to the extent of the amount payable in respect of the shares such existing shareholders subscribed or purchased when they acquired such shares from our Company. The standard of shareholders' protection under Japan law is not materially different to that under Hong Kong law.

Winding Up

Under Hong Kong law, the voluntary winding up of a company must be approved by shareholders with a 75% majority vote in a general meeting. Under Japan law, in order to voluntarily wind up a company, the resolution of a shareholders' meeting must be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least a majority (which is lowered to one-third in our Articles) of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japan law is not materially different to that under Hong Kong law.

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Auditors

Under Hong Kong law, the appointment, removal and remuneration of auditors must be approved by a majority vote in a general meeting. Under Japan law and our Articles, in order to appoint an accounting auditor of our Company, the resolution of our general meeting must be approved by a majority vote of our Shareholders present at the meeting where the Shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The removal of accounting auditor requires a resolution of a general meeting to be approved by at least a majority of the voting rights of the Shareholders present at a meeting where the Shareholders holding at least a majority of the voting rights who are entitled to exercise their voting rights are present. The remuneration of accounting auditor, on the other hand, is determined by our Audit Committee which is entirely made up of Independent Non-executive Directors. The standard of shareholders' protection under Japan law is similar to or comparable with that under Hong Kong law.

Register of members

Under Hong Kong law, a member of a company is entitled, on request made in the manner prescribed under law and without charge, to inspect the register of members of the company. In the case of our Company, our Hong Kong Share Registrar will maintain our Share Register in Hong Kong and make available a copy for inspection by our Shareholders and creditors. However, there are certain limited circumstances under the Japan Companies Act under which our Company may reject a request for inspection from our Shareholders and creditors. In addition, the Personal Data Information Act provides that we may not allow a person other than our Shareholders and creditors to inspect our Share Register except under certain circumstances. For details of the rejection criteria under the Japan Companies Act and the relevant provisions under the Personal Information Protection Act, see “— C. Shareholders' Rights — Inspection of our Share Register” in this section above.

Compulsory Acquisition

Under the Companies Ordinance, the minority shareholders of a Hong Kong-incorporated company may be compulsorily brought out or may require an offeror to buy out their interests if the offeror acquires 90% of the issued shares in a successful takeover without shareholders' approval. Under the relevant Japan laws and regulations, compulsory acquisitions can be achieved without shareholders' approval by the following transactions:

- (i) An offeror (which must be a Japan-incorporated company) having acquired 90% or more of the voting rights in a stock company* (株式会社) (which our Company is one) may (aa) acquire the remaining interests of the minority shareholders by way of a share exchange* (株式交換) arrangement; or (bb) cash out the remaining interests of the minority shareholders by way of a merger* (合併) arrangement (the “*JCA Compulsory Acquisitions*”) only with the approval of the board of directors of the said company. In case of a share exchange* (株式交換) arrangement, the offeror must be a stock company* (株式会社) or a limited liability company* (合同会社).

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- (ii) Under the JCA Amendments, an offeror having acquired 90% or more of the voting rights in a stock company* (株式会社) (which our Company is one) may compulsorily acquire the interests of all remaining shareholders only with the approval of the board of directors of the said company (the “*JCA Amendment Compulsory Acquisition*”).

Other than the transactions above, there is currently no provision under Japan laws and regulations similar to the compulsory acquisition regime under the Companies Ordinance that would otherwise allow an offeror in a successful takeover to buy out the minority shareholders without shareholders’ approval, regardless of the shareholding percentage acquired by such offeror.

Apart from the JCA Compulsory Acquisitions and the JCA Amendment Compulsory Acquisition, under Japan laws, an offeror of a successful takeover or the minority shareholders of a Japan-incorporated company may also achieve a similar outcome of compulsory acquisitions by proposing a number of alternative transactions (the “*Share Transactions*”) to the subject company, all of which are subject to shareholders’ approval.

To initiate the Share Transactions, an offeror in a successful takeover or minority shareholders may either (i) request for the convocation of a general meeting; or (ii) request for additional matter(s) to be included in the agenda of a general meeting. See “— B. Shareholders’ Meetings” in this section above for the detailed procedures.

Under the Japan Companies Act, the approval threshold of the Share Transactions is two-third of the votes of shareholders present at a general meeting, which is significantly lower than the 90% threshold of the compulsory acquisition regime under the Companies Ordinance. As an enhanced measure of shareholders’ protections, our Articles provide that at least 90% of the votes of Shareholders present at a general meeting are required to effect the Share Transactions.

Our Directors are of the view that, in relation to compulsory acquisitions, the level of protections under our Articles and the relevant Japan laws and regulations taken as a whole is largely commensurate to the shareholders’ protections provided under the Companies Ordinance (given the Articles provisions put in place by us).

Meetings

Under Hong Kong law, except for a private company or a company limited by guarantee, a company must, in respect of each financial year, hold a general meeting as its annual general meeting within six months after the end of its accounting reference period. Japan law provides that a Japan company must hold an annual general meeting within three months from the end of its financial year. The standard of shareholders’ protection under Japan law is similar to or comparable with that under Hong Kong law.

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Right to convene meetings

Under Hong Kong law, the directors are required to call a general meeting if the company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings. In addition, a company must circulate a resolution proposed as a written resolution if it has received requests to do so from the members of the company representing not less than 5% (or a lower percentage prescribed in the company's articles of association) of the total voting rights of all the members entitled to vote on the resolution. Japan law provides that a shareholder who has held no less than 3% of the voting rights in a company for the last six consecutive months may request its directors to convene a general meeting. If the directors do not send out a convocation notice for such general meeting to be held and such shareholders' meeting is not convened by the directors within eight weeks from the date of such request, the relevant Shareholder who made the request may convene a general meeting with court permission.

The standard of shareholders' protection under Japan law is not materially different to that under Hong Kong law.

Notice of meetings

Under Hong Kong law, the notice period for all general meetings is 14 days (regardless of whether an ordinary or special resolution is proposed for consideration), except the notice period for an annual general meeting is 21 days. Our Articles provide that convocation notice of our AGMs and extraordinary general meeting must be despatched 21 days prior to the date thereof.

In addition, after the convocation notice of a general meeting has been despatched, a Shareholder is permitted to propose a last-minute amendment to the matters included in an existing meeting agenda of a general meeting of our Company without any prior notice if a matter of similar nature is included in the original meeting agenda. For example, a Shareholder may propose last-minute amendments to an existing meeting agenda and nominates a person for election as a director at any time before the relevant general meeting or even at the meeting, if the meeting original agenda includes a proposal of the appointment of a new Director, or Directors, to our Board of Directors. These last-minute amendments are a theoretical mechanism which, according to our Directors' knowledge, is exceptionally rarely put into actual practice in Japan.

Distribution of notices

Under Hong Kong law, notice of a general meeting must be (i) given in hard copy form or in electronic form; or (ii) by making the notice available on a website; or (iii) a combination of the aforementioned manners. Japanese companies have similar procedures for the distributions of notices and voting. Upon Listing, notice of our general meetings will be despatched in hard copies and published on a Japanese newspaper as well as our Company's website and the website of the Stock Exchange.

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Voting

The Listing Rules require that, where a transaction or arrangement of an issuer is subject to shareholders' approval under the provisions of the Listing Rules, any shareholder that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement in a general meeting. In addition, controlling shareholders must abstain from voting in favour of certain matters under the Listing Rules. There are also certain matters where independent shareholders approvals are required under the Takeovers Code. See "— B. Shareholders' Meetings — Material Interests in a Transaction" in this section above for the voluntary measures we have put in place to afford our Shareholders protections comparable to those available under the Listing Rules and the Takeovers Code.

Proxies

Under Hong Kong law, a member of a company is entitled to appoint another person (whether a member or not) as a proxy to exercise all of the member's rights to attend and to speak and vote at a general meeting. A company must also ensure that in a notice calling a general meeting of the company, there must appear, with reasonable prominence, a statement informing the members of their rights to appoint a proxy. In addition, a body corporate which is a member of a company may authorise any person it thinks fit to act as its corporate representative at any meeting of the Company, exercising the same powers on behalf of the body corporate as the body corporate could exercise if it were an individual member of the company. In the case of our Company, we do not impose any restriction or limitation on the identity or qualification of proxies or corporate representatives appointed by our Shareholders. See "— B. Shareholders Meetings — Proxies and Corporate Representatives" in this section above for powers entitled to be exercised by proxies or corporate representatives appointed by our Shareholders, which are not materially different by those offered under Hong Kong law.

Voting by poll

Under Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Voting in our general meetings is conducted by poll in practice. Each Share held by our Shareholders, in general, entitles them one vote in our general meeting. Under our Articles, we must count our votes in accordance with the number of Shares owned by each Shareholder. Voting by show of hand is not possible under the Japan Companies Act and our Articles.

Appointment of directors

Under Hong Kong law, the appointment of each director is required to be voted on individually. A unanimous approval of the shareholders is required to pass a resolution permitting appointment of two or more directors by a single resolution. Japan law generally does not require

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the appointment of each director to be voted on individually. The standard of shareholders' protection under Japan law is not materially different to that under Hong Kong law as this is purely an administrative matter. In case of our Company, cumulative voting on the appointment of Directors is prohibited under our Articles.

Declaration of interest

Under Hong Kong law, if a director of a company is in any way, directly or indirectly, interested in a transaction, arrangement or contract, or a proposed transaction, arrangement or contract, with the company that is significant in relation to the company's business and the director's interests is material, the director must declare the nature and extent of the director's interest to the other directors. A declaration of interest in a transaction, arrangement or contract that has been entered into must be made as soon as reasonably practicable, and a declaration of interest in a proposed transaction, arrangement or contract must be made before the company enters into the said transaction, arrangement or contract. Under the Japan Companies Act, a director must report all the material facts, including his/her interest, with respect to a transaction at the meeting of the board of directors to approve the relevant transaction prior to voting on it. Any such director with an interest in the transaction is not entitled to be counted in the quorum for voting on the transaction. Directors are in general not required to declare any material interest in any transaction with the company as soon as practicable after he/she is aware of such interest, but as the interest must be declared prior to approval of the transaction and the relevant director is not entitled to have his or her vote counted towards a quorum, this is not materially detrimental to shareholders. The standard of shareholders' protection under Japan law is similar to or comparable with that under Hong Kong law.

In addition, our Articles provide that a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates (as defined under the Listing Rules) has a material interest (as explained under the Listing Rules) nor shall he be counted in the quorum in the relevant meeting.

Loans to directors

Under Hong Kong law, a company may only make loans to a director in certain limited circumstances. The Japan Companies Act does not contain specific provisions on loans to, or credit transactions with, directors, but such transactions will be governed by article 356 and article 365 of the Japan Companies Act which restrict transactions that result in a conflict of interest. Although companies are not prohibited from entering into transactions with their directors, such transactions must be approved by a vote of the board of directors which excludes the interested director from voting and being counted for the quorum. The relevant director must also report all material facts relating to such transaction at the meeting of the board of directors and after such transaction takes place without delay. The standard of shareholders' protection under Japan law is similar to or comparable with that under Hong Kong law.

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In addition, our Articles provide that our Company shall not directly or indirectly make a loan, enter into a guarantee or provide security to a Director except as permitted under both the Japan Companies Act and the Companies Ordinance (as if our Company was a public company incorporated in Hong Kong).

Payments to directors

Under Hong Kong law, any payment to a director or former director of a company as compensation for loss of office or retirement from office is required to be approved by a majority vote in a general meeting. Under Japan law, for companies with three committees* (委員会設置会社) (which our Company is one), any remuneration, compensation or other payment (including compensation for loss of office or retirement from office) is made to directors or past directors must be determined and approved by their remuneration committees. Given that the majority of our Remuneration Committee comprises Independent Non-executive Directors, we consider that the standard of protection under Japan law is not materially different from that under Hong Kong law.

Alteration of share capital

Under Hong Kong law, any alteration of share capital in the company must be approved by a majority vote in a general meeting. Japan law provides that an increase in the number of shares authorised to be issued can only be made by an alteration of a company's articles of incorporation* (定款), which requires the resolution of the shareholders' meeting to be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least a majority (which is lowered to one-third under our Articles) of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protections under Japan law is similar to or comparable with that under Hong Kong law.

Reduction of share capital

Under Hong Kong law, reduction of share capital in a company is generally subject to confirmation by the court or supported by a solvency statement given by all directors of the company and be approved by shareholders with a 75% majority vote in a general meeting. Alternatively, a company may reduce its capital by seeking approval of disinterested members by a 75% majority vote together with the satisfaction of a solvency test and publication of notices in the government's gazette and newspaper. Japan law generally permits a company to reduce its share capital without a court confirmation and instead by way of a resolution of the shareholders' meeting to be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least a majority (which is lowered to one-third under our Articles) of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protections under Japan law are not materially different to that under Hong Kong law.

KEY JAPAN LEGAL AND REGULATORY MATTERS

Redemption of shares

Under Hong Kong law, a company may make a payment in respect of a redemption of its own shares out of the company's distributable profits, out of the proceeds of a fresh issue of shares made for the purpose of redemption or out of its capital. Under Japan law, any shares to be purchased by a company must be acquired from distributable profits and a company may issue callable shares so long as such shares are issued as a separate class. Our Company however issues one class of shares only, being common Share(s)* (普通株式). Our Articles provide that our Company shall not issue any class of shares other than common Shares. The standard of shareholders' protection in respect of share redemption under Hong Kong law is therefore not applicable to us.

Financial assistance

Under Hong Kong law, a company is prohibited from giving financial assistance for the acquisition of its shares or shares in its holding company in certain circumstances. Although there are no specific provisions in the Japan Companies Act that are intended to prevent financial assistance, giving direct or indirect financial assistance for the acquisition of its shares or shares in its holding company that results in a reduction of the net assets of a company would amount to a violation of fiduciary duty of directors and other officers, unless there is a reasonable ground to do so. The standard of shareholders' protections under Japan law is not materially different to that under Hong Kong law.

In addition, our Articles provide that our Company may not give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any Share except as permitted under both the Japan Companies Act and the Companies Ordinance (as if our Company was a listed company in Hong Kong).

H. ONGOING INVESTOR EDUCATION

Information contained in this section will be available at our Company's website upon Listing for the benefits of potential investors who may invest in our Company in secondary markets. If we become aware of any legal or regulatory development which may affect the information contained in this section, we will update the relevant contents on our Company's website and issue a voluntary announcement.

We will also caution our investors the risks associated with our "bearer shares" in our share certificates, annual/interim reports and the front page of the "Investor Relations" section of our Company's website.