

POTENTIAL REQUIREMENT TO DEMATERIALIZE OUR SHARES

Dematerialization

Dematerialization means that title to shares is no longer evidenced by way of share certificates, i.e. represented in certificated (also known as “materialized” or “physical”) form. Under Italian law, where the shares of a company are dematerialized, title to the shares is evidenced by recording the shareholder’s name in the account held by the authorized Intermediary (defined below) with whom the shares are deposited and the legitimate attendance to shareholders’ meetings and the exercise of voting rights are confirmed by a statement to the issuer from the intermediary on behalf of the shareholder.

Relevant Italian law and regulations

Under the Italian Legislative Decree no. 58 of February 24, 1998 (as subsequently amended, the “TUF”), financial instruments of an Italian company which are, or are to be, traded on Italian regulated markets must be fully dematerialized. Since our Shares will not be traded on Italian regulated markets, we are not required under Italian primary regulation to dematerialize our Shares.

However, under the TUF, the Commissione Nazionale per le Società e la Borsa (“CONSOB”), the Italian public authority responsible for regulating the Italian securities market, has been granted the power to extend, under secondary legislation and in agreement with the Bank of Italy, this requirement to other financial instruments, taking into consideration the extent of their circulation among the public.

On the basis of this power, on December 24, 2010, CONSOB and the Bank of Italy have issued a regulation modifying the former provisions relating to the functioning of the centralized system (*“Disciplina dei servizi di gestione accentrata, di liquidazione, dei sistemi di garanzia e delle relative società di gestione”*) (the “Regulation on Dematerialization”). Article 15 of the Regulation on Dematerialization provides that financial instruments of an issuer having shares widely spread among the public are also required to be held in a dematerialized form.

Under Regulation n.11971/99 adopted by CONSOB (the “Issuers Regulation”), Italian issuers having more than 200 shareholders (other than the controlling shareholder(s)) owning in the aggregate more than 5% of their share capital¹ are deemed to be issuers of shares widely spread among the public if the shares issued by them:

- (a) have been the subject of a public offering or have been tendered as consideration in an exchange tender offer; or

¹ There is a second requirement relating to the size of the issuer in terms of total assets, revenues and number of employees which is not relevant in our case since our Company clearly passes the relevant thresholds (namely, it has total assets exceeding €4.4 million, revenues exceeding €8.8 million and a number of employees exceeding 50).

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- (b) have been the subject of a placement, in whatever form, even if addressed only to qualified investors; or
- (c) are traded on multilateral trading systems with the agreement of the issuer or the controlling shareholder; or
- (d) are issued by banks and purchased and sold or subscribed to in the head or branch offices of the issuer.

However, the issuer would have, under the relevant Italian regulations, until the start of the next financial year after the one in which the conditions for the duty to dematerialize, if any, are satisfied in order to implement a dematerialized structure for its shares.

Our Company has been advised that, based on our Italian legal advisors' analysis of the applicable Italian laws as at the date of this prospectus, the requirement for the dematerialization of shares set forth above should not apply to our Company. The rationale for the duty to dematerialize is to simplify the transfer of financial instruments held by the public and, in particular, to protect those who invest in the financial markets by ensuring that the trading of financial instruments taking place therein is performed in a safe, efficient and timely manner.

In the case of our Company, we are of the view that the need for shareholder protection in this respect is satisfied by the application of the Listing Rules and the clearing and trading rules of the Hong Kong Stock Exchange and HKSCC which, among other things, are designed to ensure an open market for the efficient trading of securities in a regulated environment. Based on our Italian legal advisors' analysis of the applicable Italian laws as at the date of this prospectus, we are of the view that the obligation to dematerialize should therefore not apply where our Shares are listed on the Hong Kong Stock Exchange, and this conclusion is supported by certain Italian authors who have affirmed that the duty to dematerialize should not arise where the financial instruments are traded on a foreign regulated market.

We further believe that, even if, for any reason, the relevant Italian authorities do not accept the above reasoning, there are further arguments that enable us to maintain that a duty to dematerialize will not arise with respect to our Shares.

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More specifically:

- (i) the secondary legislation must be construed consistently with the primary one. Since the primary regulation, as indicated above, refers only to financial instruments traded, or to be traded, on Italian regulated markets, we consider it appropriate to interpret the secondary regulation with the same geographic scope. It follows that the requisites contemplated in points (a) to (d) above (the “**Requisites**”) as alternative and exclusive requisites to be met for an issuer to be regarded as having shares widely spread among the public, should be construed as events taking place within the Italian financial markets. We believe that the listing of our Shares, being intended solely on the Hong Kong Stock Exchange, does not give rise to the occurrence of any such events within the Italian financial markets, so that, even if, as a consequence thereof, we were to have more than 200 shareholders, we should not be deemed to be an issuer having shares widely spread among the Italian public for the purposes of the Issuers Regulation;
- (ii) in addition, each of the Requisites consists of a wilful action of the issuer or its controlling shareholder(s) directed to place, or facilitate the trading of, the issuer’s shares in the Italian financial markets. We believe that an issuer should not be deemed to have shares widely spread among the public as a result of events outside of its control or the control of its controlling shareholder(s). Given that, as indicated in sub-paragraph (i) above, the listing of our Shares on the Hong Kong Stock Exchange does not give rise to any of the Requisites, it follows that our Company should not be deemed to have shares widely spread among the Italian public by virtue, or as a result, of such listing.

Based on this interpretation of the relevant Italian regulations in force as at the date of this prospectus, our Company has concluded that the obligation to dematerialize will not apply to us as a result of our Shares being listed on the Hong Kong Stock Exchange.

Our Company is, therefore, proceeding with the Global Offering on the basis that our Shares are to be issued to shareholders in materialized form, i.e. in accordance with the procedures that are normally adopted for initial public offerings in Hong Kong.

However, despite our belief that the duty to dematerialize should not apply to our Company, there remains a possibility which cannot be ruled out that a different interpretation of the relevant Italian regulations might be adopted by Italian regulators (namely CONSOB and the Bank of Italy), as a result of which we may be required to dematerialize our Shares in order to comply with Italian requirements. Should this be the case, (i) our Company would not (in any event) be required to complete the dematerialization of our Shares until the start of the next financial year, i.e. February 1, 2012; and (ii) the actions to be taken by our Company and our shareholders are set out below.

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How dematerialization would be implemented

In the case of our Company, dematerialization would mean that we will cease to issue share certificates and any existing share certificates issued in respect of our Shares will also cease to have effect as evidence of a shareholder's entitlement to exercise certain rights pertaining to the shares (as explained in sub-paragraphs (ii) to (v) of the paragraph headed "Consequences of dematerialization for shareholders" of this section).

Dematerialization would involve, based on the existing Italian model for the deposit and registration of shares and Italian law and regulations in force as at the date of this prospectus (and in the absence of specific arrangements between Monte Titoli S.p.A. ("**Monte Titoli**"), the Italian central securities depository, and CCASS), our Shares being dematerialized and registered with Monte Titoli (or another central clearing depository authorized by CONSOB and the Bank of Italy).

Under the Italian system, shareholders hold dematerialized shares of an issuer by establishing an account with an intermediary qualified at Monte Titoli ("**Intermediary**") (typically being commercial banks or stockbrokers). The ownership of Shares registered with Monte Titoli is represented by an electronic entry (in the name of the shareholder) in the accounts of an Intermediary.

In a dematerialized structure, we envisage that: (i) the legal ownership of our Shares which are traded on the Hong Kong Stock Exchange would be represented with Monte Titoli by an electronic entry in the name of HKSCC Nominees; and (ii) investors whose Shares are held in CCASS and registered in the name of HKSCC Nominees would continue to hold beneficial title to the Shares and remain unaffected by dematerialization. However, shareholders who hold Shares physically outside of CCASS would be required, if our Shares are to be dematerialized, to take action as described in the paragraph headed "Consequences of dematerialization for shareholders" below.

In the event that our Company is required to dematerialize our Shares, our Company will publish an announcement on the Hong Kong Stock Exchange's website in accordance with the Listing Rules and on the Company's website and will dispatch a circular to inform shareholders of the action required to be taken by them in connection with the dematerialization of our Shares and the latest date by which such action must be taken (the "**Record Date**").

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Consequences of dematerialization for shareholders

As a consequence of the dematerialization of our Shares, based on the existing model for the holding and registration of securities in the Hong Kong market and the Italian regulations currently in force:

(i) a shareholder holding Shares in his own name (e.g. a shareholder who has applied for Shares using a **WHITE** Application Form or by means of **White Form eIPO** and who has not subsequently transferred his Shares or deposited them into CCASS via an account established with a CCASS Participant) would be required to, at his own expense and by the Record Date, either:

(a) if he intends to have his shares capable of being traded on the Hong Kong Stock Exchange:

(1) deliver the share certificate(s) held by him to his broker or custodian to deposit into the CCASS Participant account maintained by such broker or custodian; or

(2) open a stock account with a broker or custodian who maintains a CCASS Participant account and deliver the share certificate(s) held by him in accordance with sub-paragraph (1) above; or

(3) fill in and sign a form of agreement with the Hong Kong Share Registrar appointing the Hong Kong Share Registrar as his nominee and instructing the Hong Kong Share Registrar to deposit the share certificate(s) held by him into the CCASS Participant account maintained by an agent of the Hong Kong Share Registrar; and

in each case, transfer his legal ownership of the Shares to HKSCC Nominees for the latter to hold as his nominee in CCASS through the CCASS Participant account maintained by his broker or custodian or his nominee; or

(b) if he intends to retain legal ownership of the Shares in his own name or has created a pledge (or wishes to create a pledge) over the Shares owned by him which is valid under Italian law, at his own expense, establish an account with an Intermediary and to have his shareholding recorded through such Intermediary. If a shareholder adopts this approach, his Shares shall not be capable of being traded on the Hong Kong Stock Exchange unless he transfers such Shares to HKSCC Nominees and deposits them in CCASS in accordance with point (a) above.

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If a shareholder does not undertake the actions set out in sub-paragraph (i) above by the Record Date:

- (ii) he will cease to be able to exercise his shareholder rights in respect of the Shares held by him, including the right to attend, vote and speak at shareholder meetings;
- (iii) our Company will continue to send cheques payable to him to his last known address for any dividends declared and paid by our Company;
- (iv) corporate communications will continue to be sent to his last known address; and
- (v) he will not be able to transfer his Shares.**

in each case, until he takes the actions set out in sub-paragraph (i) above.

Shareholders should note that under Italian law, dividends not collected within five years of the day on which they become payable will be proscribed in favour of the Company and allocated to reserves.

Shareholders who do not take action by the Record Date

Shareholders holding Shares in physical form may, at any time after the Record Date, dematerialize their Shares in accordance with the procedures set out in sub-paragraph (i) above. Upon completion of the dematerialization process for the Shares owned by them (by taking the action set out in sub-paragraph (i) above), the relevant shareholders will be able to exercise their rights with effect from the dematerialization.

The legal title to Shares held by shareholders who have not undertaken the actions set out in sub-paragraph (i) above will continue to be reflected in the Company's register of shareholders in the name of those shareholders. However, shareholders should be aware of the consequences of a failure to dematerialize the Shares held by them by taking the action set out in sub-paragraph (i) above, which are set out in sub-paragraphs (ii) to (v) above.

Investors whose Shares are held in CCASS and registered in the name of HKSCC Nominees are not required to take any action in respect of the dematerialization of our Shares should our Company be required to do so, and the consequences set out in sub-paragraphs (iv) to (v) shall not apply to such investors.

Difference between holding Shares physically and in CCASS

Under the current scrip system operating in Hong Kong (which applies to and will be adopted by our Company for so long as our Company is not required to dematerialize our Shares), investors in Hong Kong can hold their interest in shares in one of two ways — in physical form outside CCASS or in electronic form within CCASS. Investors who hold shares in physical form outside CCASS,

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and in their own names, hold them as registered or legal owners and their names appear on the register of shareholders. Investors who hold shares in electronic form inside CCASS hold only a beneficial interest in the shares and legal title remains with HKSCC Nominees. The register of shareholders therefore shows HKSCC Nominees (and not the investor) as the shareholder.

Holders of physical shares outside CCASS are served by the issuer's share registrar, who provides corporate communications directly to, and processes corporate actions directly with, these investors. As shareholders, these investors receive information regarding shareholders' meetings from the share registrar directly and are able to attend the meeting and vote in person or by proxy.

For investors who hold their shares inside CCASS, HKSCC Nominees, as registered shareholder of the shares, would receive information on corporate action events. Investors who wish to exercise corporate actions rights attaching to the shares (for example, to attend and vote at meetings) must provide instructions to HKSCC Nominees and exercise corporate action rights via their CCASS Participants. Alternatively in the case of shareholders' meetings, such investors would have the right to be appointed as a corporate representative or proxy of HKSCC Nominees in order to attend the meetings and vote in person.

Important information for applicants for our Shares

Investors whose Shares were, prior to our Company being required to dematerialize our Shares, already registered in the name of HKSCC Nominees and deposited into CCASS (e.g. investors who have applied for Shares using a **YELLOW** Application Form or by giving electronic application instructions to HKSCC via CCASS and who have not subsequently transferred such Shares or withdrawn them from CCASS to be held in certificated form) will not be required to take any action in connection with the dematerialization of our Shares. The Shares owned by them will continue to be deposited in CCASS and registered in the name of HKSCC Nominees.

Investors who intend to apply for Shares using a WHITE Application Form or by means of White Form eIPO should note that, in the event that our Company is required to dematerialize our Shares, holders of physical Shares will be required to, at their own expense, take the action set out under sub-paragraph (i) of the paragraph headed "Consequences of dematerialization for shareholders" in order to continue to exercise their shareholder rights. The fees chargeable by the service providers referred to in sub-paragraphs (i)(a) and (b) of the paragraph headed "Consequences of dematerialization for shareholders" will therefore be borne entirely by the relevant shareholder.

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Investors should note that the information provided in this section is based on our expectation of what will be required to implement a dematerialized system for the holding of our Shares assuming, among other things, that the current systems for the deposit, custody, clearing and settlement in operation in Hong Kong and Italy and the relevant rules and regulations in force as of the date of this prospectus remain unchanged. As there are currently no definitive plans on how to address all issues arising out of the potential requirement to dematerialize our Shares, and as the steps described in sub-paragraph (i) of the paragraph headed “Consequences of dematerialization for shareholders” above may be subject to change, if our Company is required to dematerialize our Shares, we will consult, work and cooperate with HKSCC, the Hong Kong Stock Exchange and the SFC to agree on a viable model for the dematerialization of our Shares which is in compliance with applicable laws and regulations. In order for our Shares to continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS, our Shares will need to continue to meet the eligibility criteria in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. We will also, at the appropriate time, publish an announcement on the Hong Kong Stock Exchange’s website in accordance with the Listing Rules and on our website and will dispatch a circular to inform shareholders of the action required to be taken by them in connection with the dematerialization of our Shares and the latest date by which such action must be taken.