Our Company is a joint stock company (*Aktiengesellschaft*, AG) incorporated in Germany and is subject to, among others, the German Stock Corporation Act. Below is a summary of certain provisions of German law, including general companies law and stock corporation law. It does not purport to contain all applicable provisions or constitute a complete and exhaustive review of all relevant German laws and regulations, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

1 THE GERMAN LEGAL SYSTEM

(a) Civil law system

The German legal system is a civil law system rather than a common law system, which means that all legal matters and relationships are primarily governed by statutory law instead of case law.

As a result, lower courts in Germany are not legally bound to follow interpretations of the laws made by higher courts in previous proceedings. This is true except for judgments made by the Federal Constitutional Court concerning, in particular, the unconstitutionality of regulations, which are considered to be binding. In practice, however, courts will generally consider the interpretations and decisions of the higher courts in order to avoid their judgements being overruled by a higher court.

(b) Areas of law

The laws in Germany can broadly be divided into three areas:

(i) civil law (in this context it means the law which governs the relationships between persons and/or companies rather than the statutory law system as described above);

(ii) public law (which governs the relationships between the government and individuals or non-governmental bodies, such as, among others, companies); and

(iii) criminal law (which is strictly speaking a part of public law but is aimed at imposing sanctions on offending people or entities).

2 THE GERMAN JUDICIAL SYSTEM

The German judicial system consists of different sectors for civil, criminal, public and certain other legal matters.

(a) Civil courts

The civil sector is comprised of four levels of courts. The jurisdiction and nature of the four levels of civil courts are set out below:

(i) The lowest court is the district court (*Amtsgericht*). It is the court with original jurisdiction over law suits with a value of €5,000.00 or less (court of first instance).

(ii) The next higher level of court is the regional court (*Landgericht*). It has original jurisdiction over any law suit with a value exceeding €5,000.00 (court of first instance) as well as appellate jurisdiction over judgements of the district court (court of appeals).

(iii) The next higher level of court is the regional appeal court (*Oberlandesgericht*). It is the competent court for appeals against judgements of the regional court (court of appeals).

(iv) The highest court with regard to civil law is the federal court (*Bundesgerichtshof*). It is the competent court for all revisions of judgements (revisional court).

In general, the final ruling at the federal court cannot, be further appealed or revised. However, the claimant may file a suit with the constitutional court which may cause the repeal of a particular judgement if the claimant succeeds in substantiating a breach of constitutional law that violates his rights. Moreover, the European Court of Justice monitors the jurisprudence in every member state to the extent that community law is concerned, with national judges having the duty to seek the view of the European Court of Justice in cases of interpretive problems.

(b) **Acceptance and enforcement of judgments issued outside Germany**

The acceptance and enforcement of foreign judgments in Germany is regulated as follows:

In the case of judgments issued by courts located in an EU country or by courts of countries which are party to a treaty with Germany, the relevant provisions of the "Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters" ("**EC Regulation**") and the relevant treaty, respectively, will apply in determining the recognition and enforcement of the judgments. In other cases, foreign judgments are generally accepted if they do not contradict § 328 of the German Civil Procedure Code (*Zivilprozessordnung*, **ZPO**), which provides that foreign judgments:

(i) must be made by a competent court according to the German Civil Procedure Law;

(ii) must have followed proper service of process on the defendant;

(iii) must not contradict former or pending German court decisions or former foreign court decisions that have been accepted in Germany; and

(iv) may not severely violate the fundamental principles of German law, especially constitutional rights.

When reviewing the enforceability of a foreign judgment, German courts will examine only the verdict of the judgment to ensure compliance with German law and will not evaluate the merits of the judgment. However, certain judgments, such as a judgment obtained by fraud, will not be accepted. Furthermore, the country where the foreign judgment was issued should generally also accept German judgments under standards similar to those established in §328 ZPO (principal of reciprocity). Hong Kong is recognised as a jurisdiction where German judgments are reciprocally accepted, therefore the reciprocal requirement under §328 ZPO is met in the case of Hong Kong judgments.

If a foreign judgment is accepted in Germany, §§722 and 723 ZPO require that a title of execution be obtained in order to enforce the foreign judgment in Germany (or, in the case of judgments issued by courts located in an EU country or by courts of countries which are party to a treaty with Germany, the EC Regulation or the relevant treaty, respectively, are usually applicable). The title of execution can be obtained from a district or regional court. Upon application to the court, it will examine whether the requirements of §328 ZPO are met and whether the foreign judgment is final and binding according to the law under which it was issued. After the title of execution is obtained, the foreign judgment will be enforced by German authorities.

3 GERMAN COMPANIES LAW

(a) Relevant companies laws

An AG is principally governed by the German Stock Corporation Act (the **AktG**). The AktG sets out the legal basis of an AG, and provides for substantive laws and procedural matters with which an AG must comply including matters relating to its establishment, conduct of business, powers of the management and supervisory boards, share capital, the rights and obligations of shareholders and the dissolution of an AG.

Provisions which generally apply to all corporate entities (including an AG) are included in the Constitutional Law of the Federal Republic of Germany (*Grundgesetz*), the Civil Code (*Bürgerliches Gesetzbuch*), the Commercial Code (*Handelsgesetzbuch*) and the Insolvency Code (*Insolvenzordnung*).

Other provisions applicable to, among others, an AG are included in the Transformation Act (*Umwandlungsgesetz*), Securities Trading Act (*Wertpapierhandelsgesetz*), Securities Prospectus Act (*Wertpapierprospektgesetz*), Investment Act (*Investmentgesetz*), Accounting Directives Act (*Bilanzrichtliniengesetz*), Codetermination Act (*Mitbestimmungsgesetz*) and One-Third Codetermination Act (*Drittbeteiligungsgesetz*).

The German Corporate Governance Code (the **German Code**) applies to all companies incorporated under German laws and listed on a stock exchange. The German Code will therefore apply to our Company upon Listing, and accordingly our Company must issue an annual declaration of compliance with the German Code, or to provide reasons for any deviation from the German Code. Certain provisions of the German Code also apply to the subsidiaries of an AG.

The German Code addresses all major issues regarding corporate governance of an AG and covers the following areas:

(i) shareholder interests;

(ii) two-tier system of executive board and supervisory board;

(iii) transparency of German corporate governance;

(iv) independence of German supervisory boards; and

(v) independence of financial auditors.

(b) **Constitutional documents**

The constitutional document of an AG is its articles of association (the **Articles**). An AG does not have a memorandum of association, the usual contents of which (i.e. name, legal form, objectives and share capital of the AG) are instead incorporated in the Articles and the relevant German commercial register responsible for the AG (the **Commercial Register**) which are accessible to the public.

(c) **Commercial Register**

Each AG must be registered with the Commercial Register, which is held and maintained by the local court at its registered office. An excerpt from the Commercial Register and review of the documents filed at the Commercial Register can be requested by the public. The excerpt from the Commercial Register of an AG in particular includes (but is not limited to) information such as company name, registered office, company purpose, share capital, members of the management board and authorised representatives (*Prokuristen*) and their representation power, changes to the Articles, if any, and whether there are any enterprise agreements, such as control or profit transfer agreements. It does not contain information about the shareholders or the supervisory board members.

An AG is obligated to notify the Commercial Register of certain changes with regard to its company, such as amendments of the Articles, changes in the members of the management board or their power of representation and existence and form of enterprise agreements. The corresponding documents, such as shareholder resolutions, must be filed with the Commercial Register. The legal effectiveness of certain corporate acts, such as amendments of the Articles or existence and form of enterprise agreements require registration with the Commercial Register.

(d) **Structure of an AG**

An AG comprises the following three bodies (each of which is strictly separate from one another):

(i) the general meeting of shareholders (*Hauptversammlung*);

(ii) the management board (*Vorstand*) and

(iii) the supervisory board (*Aufsichtsrat*).

Germany follows a dualistic system whereby the leadership of an AG is divided between the management board and the supervisory board. The management board is generally comparable to the executive directors of the monistic system which has one board of directors consisting of executive

and non-executive directors. One of the leading principles of the AktG is that the management board alone bears responsibility for managing an AG's corporate activities. The supervisory board, on the other hand, is generally comparable to the non-executive directors of the monistic system as its main role is to monitor the management board and not be involved in the operations of the company.

(e) **Share capital**

The share capital of an AG is divided into shares. The AktG adheres to the fundamental principle that the registered share capital must be both paid in and maintained. The first requirement is designed to ensure that the amount of capital to be paid by the shareholders will not be reduced during formation of the AG or immediately thereafter by agreements between the shareholders and the AG or among the corporate founders. The second requirement is designed to ensure that the assets of the AG will be maintained throughout its life and will not be reduced by distributions at the expense of the AG or its creditors, unless permitted by law. This requirement corresponds with the principle that shareholders cannot be held personally liable for creditors' claims.

The liability of shareholders of an AG is limited to their respective contribution to the share capital. The share capital may be paid in cash or by contribution in kind. The management is responsible for claiming any unpaid share capital. If a shareholder of the AG does not pay his contribution in time after being requested to do so by the management board, he may be excluded from the AG and thus lose his shareholding and all corresponding rights. The expelled shareholders are not entitled to any consideration for the loss of their shareholding. Each predecessor of the expelled shareholder entered in the share register shall be liable to the company for the default amount. The share capital may also be paid as contribution in kind, which may take the form of any goods or claims the value of which can be determined and transferred or as an empirical formula, which can appear on a balance sheet.

Subject to its Articles, an AG may issue the shares as registered shares (which are registered in the name of the subscribing shareholder), bearer shares or a combination of the two. As at the Latest Practicable Date, our Company only has registered shares in issue. Registered shares must be registered in the share register before the shareholder rights attached to them may be exercised. Details on the transferability of shares are discussed below.

Shares of an AG may consist of par value shares with a minimum nominal value of at least €1 per share, or non-par value shares with no specific nominal value but which represent a pro rata amount of the total registered share capital of the AG of at least €1. Pursuant to shareholder resolutions dated 2 December 2009 and registered with the commercial register on 11 December 2009, our shares have been converted into par value shares of €1.00 each.

The share capital of an AG may be divided into shares with different classes. If different classes of shares are issued, the Articles must specify the special rights attached to each class of shares. Variation of class rights is subject to shareholders' approval.

There is no restriction on the number of shareholders in an AG and fully paid-up shares of an AG are transferable without restrictions unless the Articles state otherwise.

(f) **Increase in share capital**

An AG may increase its capital through one of the following ways:

(i) an ordinary capital increase against contributions in cash or in kind;

(ii) a contingent capital increase, whereby the increased share capital may only be used to the extent that conversion or subscription rights in respect of new shares are exercised;

(iii) an authorised capital increase, whereby the general meeting authorises the management board to issue new shares up to 50% of the registered share capital, subject to the approval of the supervisory board; and

(iv) a capital increase through the capitalisation of the AG's own surplus accounts.

Any increase in share capital requires a shareholder resolution adopted by both a simple majority of votes and a 75% majority of the share capital (the latter may be altered by the Articles provided the requirement of a simple majority of votes is maintained) and must be filed with the Commercial Register. The consequential amendment to the Articles must also be registered with the Commercial Register.

All existing shareholders have the right to subscribe for the new shares. The implementation of the capital increase must also be entered into the Commercial Register.

(g) **Reduction of share capital**

An AG may only reduce its issued share capital in limited circumstances. There are three types of capital decreases:

(i) an ordinary capital decrease;

(ii) a simplified capital decrease; and

(iii) a capital decrease by redemption of shares.

An ordinary capital decrease is similar to a partial liquidation of the AG. An ordinary capital decrease requires a shareholder resolution to be passed by a majority of at least 75% of the share capital represented at the passing of the resolution. The assets of the AG covering the AG's stated capital are released in the same amount that the capital is reduced. The pro rata value of the relevant share either decreases automatically (in the case of non-par value shares) or needs to be corrected (in the case of par value shares). If the pro rata value of the single shares becomes less than €1, then it has to be corrected by consolidation of several shares. The resolution on the reduction of the share capital must be registered with the Commercial Register. For creditor protection, creditors whose claims arose prior to the announcement of the registration of the resolution shall, upon making a request within six months of the announcement date, be granted security.

A simplified capital decrease may only be undertaken for the purpose of restructuring the company. The simplified capital decrease permits a restructuring of losses shown on the AG's balance sheet. In such situation, no distributions are made to the shareholders. This method of capital decrease is simplified because certain complex regulations regarding the protection of creditors do not apply to this method.

A capital decrease by redemption of shares can be approved by the general meeting. The redemption eliminates membership rights connected with the redeemed share and decreases the stated capital by an amount equal to the redemption. Unlike an ordinary capital decrease, a redemption does not affect all shareholders, but only those whose shares are redeemed. The redemption of shares may either be executed through purchase or compulsory redemption. The compulsory redemption of shares must be permitted under the Articles, which may either prescribe that shares must be redeemed if certain conditions occur or allow the general meeting to decide on the redemption. The resolution must be justified and it must comply with the principle of equal treatment of shareholders. The Articles must provide rules concerning the compensation of the affected shareholders in case of a compulsory redemption of shares as prescribed by the Articles. Any redemption must follow the procedures of an ordinary capital decrease. As at the Latest Practicable Date, our Company's Articles do not permit any compulsory redemption.

(h) **Purchase of own shares**

In principle, an AG is prohibited from purchasing its own shares as such act is considered to be an unlawful repayment of contributions. Accordingly, an AG does not issue shares explicitly for the purpose of their subsequent repurchase. However, certain exceptions apply, and they are set out below.

A purchase of own shares is permitted only in the following cases:

(i) to avert a major imminent danger to the AG;

(ii) if the offer of purchase is given to employees;

(iii) to compensate shareholders with regard to certain transformation measures;

(iv) if the purchase is made without compensation or by a credit institution acting on commission;

(v) via universal succession;

(vi) if it is based on a resolution of the general meeting approving share capital reduction via share redemption by means of purchase and not compulsory redemption;

(vii) if the AG is a credit or financial institution, upon a resolution at the general meeting for the purpose of securities trading; or

(viii) pursuant to an authorisation of the general meeting which applies for a maximum duration of 18 months (five years effective from 1 September 2009) and which shall at least set out the minimum and maximum consideration as well as the proportion of the share capital.

In the cases of paragraphs i, ii, iv, vii and viii, own shares may not be purchased unless they are fully paid up. In the cases of paragraphs i to iii, vii and viii, the purchase of own shares must not cause the AG to hold more than 10% of its own shares. In cases where an AG is permitted to hold more than 10% of its own shares, the amount of shares which exceeds 10% of the share capital may only be kept for 3 years. Any purchase that is not covered by the exceptions set out above is void.

Purchases pursuant to paragraphs i or viii must be reported at the next general meeting. Share capital and any transactions relating to own shares have to be stated in the notes to the annual accounts.

(i) **Transfer of Shares**

Shares may be transferred in accordance with the Articles and the relevant laws and regulations. The form of the transfer depends on whether share certificates have been issued and whether they take the form of bearer or registered shares:

(i) Non-certificated registered and bearer shares are transferred in accordance with the principles of assignment. The assignment is unaffected by the share register of the AG, but if the acquisition of shares is noted in the share register, it is assumed that the acquiring shareholder holds shares in the AG.

(ii) Certificated bearer shares are usually transferred as if they are moveable assets through mutual consent and the transfer of the certificate.

(iii) Certificated registered shares are transferred by the transfer of the endorsed certificate (i.e., the certificate or document securely attached to registered shares that contains a signed transfer note), through assignment or according to the specific rules of the Depository Act (*Depotgesetz*). If the registered share is signed without specifying the transferee, it can be transferred much like a bearer share without the need for an additional endorsement. Where registered shares with restricted transferability (which needs to be provided for in the Articles) are transferred, the permission of the relevant body of the AG is required to effect the transfer.

Where share certificates are kept in a special depository institution or a collective investment bank in central securities depositories, the provisions of the Depository Act (*Depotgesetz*) will apply to the transfer. Where shares are kept in collective deposits, all shareholders have collective rights over all shares kept at the bank and each individual shareholder has individual rights with regard to the fraction of shares to which he is entitled.

Each new owner of a registered share has to be entered into the share register of the AG. In general, only registered shareholders in the share register are entitled to exercise their shareholder rights, including dividend rights and rights to liquidation proceeds, the right to participate and vote

in the general meeting, the right to information and the right to contest resolutions passed in the general meeting as well as minority rights. At the same time, only registered shareholders are obliged to fulfil shareholder, obligations including the obligation to pay outstanding contributions on shares. The entry in the share register, however, does not have any effect on the legal ownership of the shares.

There are, however, certain exceptions, such as if a shareholder holds a dividend certificate, he normally has a claim to dividends from this certificate. Also only rights and obligations between the AG and the shareholder outside the shareholder rights, such as rights and obligations based on contracts, are not affected.

A majority shareholder of an AG may under certain circumstances have the right to acquire the minority shareholders' interests pursuant to compulsory acquisition rights under the AktG. Under the AktG, a shareholder who holds more than 95% or more interest in an AG (irrespective of how the 95% interest has been achieved) shall have the right to request a shareholders' resolution (a simple majority of the votes cast is sufficient) regarding the transfer of the remaining shares to himself, against the payment of adequate cash compensation to the minority shareholders.

(j) **Minority protection**

Under German law, there are several minority rights provided to the shareholders of an AG.

A general meeting must be called if shareholders whose shares in aggregate amount to at least 5% of the share capital make a written request to the management board for a meeting, stating the purpose and reason. Furthermore, shareholders whose shares in aggregate amount to at least 5% of the share capital or to the pro rata amount in the share capital of at least €500,000 may demand that the management board gives notice of additional items for resolution in the general meeting. From 1 September 2009, each new item must be provided with a reason or a proposal for a resolution. The request for the notice of additional items must be provided to the company at least 24 days, and in the case of a listed company 30 days, before the meeting.

A minority of shareholders whose shares in aggregate amount to at least 1% of the share capital or to the pro rata amount in the share capital of at least €100,000 can require a special audit be conducted by special auditors, who will be appointed by the competent local court, concerning acts in relation to the formation of the AG or any management acts within the past five years.

A minority of shareholders whose shares in aggregate amount to at least 1% of the share capital or to the pro rata amount in the share capital of at least €100,000 may file claims on behalf of the AG for compensation of any damages from members of the management board or the supervisory board. The conditions under which the filing of such actions is accepted by the courts are: (i) where the relevant shareholders can prove that they had acquired the shares before they had notice of the alleged breaches or the alleged damage via a publication; (ii) where they unsuccessfully requested the company to file a claim itself within an adequate term; (iii) where there are facts which give grounds to assume that the company has suffered a loss due to a gross breach of the law or the Articles; and (iv) where there are no grounds in relation to the welfare of the company to oppose such a claim.

(k) **Shareholder rights**

Each shareholder has, among others, the following general rights:

(i) in addition to special information rights which are only applicable to specific circumstances[(Note 1)], the right to, upon request, be provided with information at the general meeting by the management board regarding the AG's affairs to the extent that such information is necessary to permit a proper evaluation of the relevant item on the agenda;

(ii) the right to contest any resolution of the general meeting that does not comply with the law, the Articles or certain other principles;

(iii) the right to receive dividends out of distributable profit (if any);

(iv) the right to subscribe for new shares in the AG in the event of a capital increase;

(v) the right to receive liquidation proceeds (if any); and

(vi) the right to vote at the general meeting where their shares confer voting rights.

Note 1:

Besides the general right to information in the shareholders' meeting, there are a number of special information rights to which shareholders are entitled. Such provisions mainly concern material affairs of the other contractual party to a structural measure. Examples contained in different legal provisions include the right to information in the context of a conclusion of and amendments to enterprise agreements, the right to information in connection with and as a result of an integration, the right to information in connection with a merger by way of acquisition or new formation or a demerger with transfer of assets to a newly established corporation or to an existing corporation.

Those special legal provisions clarify that material affairs of another party to a contract in the context of enterprise agreements, integration and merger/demerger are at the same time affairs of the company itself, such as:

1 Pursuant to § 293g para. 3 AktG the shareholders' meeting shall also provide each shareholder upon request with information on all affairs of the other contractual party that are material to the conclusion of the contract. This right to information shall also apply to amendments of enterprise agreements.

2 Pursuant to § 319 para. 3 AktG sentence 4, each shareholder shall upon request be provided with information on all material affairs in the context of the integration of the company to be integrated. Pursuant to § 320 para. 1 AktG a corresponding right to information applies to the material affairs of the future principal company.

3 Pursuant to § 326 Transformation Act, each shareholder of the principal company shall be given information on affairs of the integrated company in the same way as on affairs of the principal company.

4 Pursuant to § 64 para. 2 Transformation Act, the shareholders' meeting shall provide each shareholder upon request with information on all material affairs of the other legal entity involved in the context of the merger. A corresponding right to information also applies for de-mergers.

5 Pursuant to § 131 para. 1 AktG, the duty to inform the management board of a parent company in the shareholders' meeting where the group financial statement and the group status report are distributed, also applies to the group and the enterprises included in the group financial statements.

In particular, each shareholder has the following obligations:

(i) to comply with the Articles;

(ii) to pay consideration for the shares he or she has subscribed; and

(iii) to comply with their fiduciary duties towards the AG and other shareholders.

The corporate relationship of an AG creates a special relationship amongst the shareholders which forms a basis of common interests amongst them. In exercising their membership rights arising from the company's interests, the shareholders are obliged to take such actions promoting the purpose of the company and to avoid such actions that are detrimental to the company's purpose. When exercising self-serving membership rights, the limits arising from the prohibition of an arbitrary or unreasonable exercise of rights have to be observed. The fiduciary duty lies with the individual shareholder towards the AG and towards the other shareholders. The voting right is one of the shareholders' right the exercise of which may be limited by such fiduciary duty under German law. Besides the voting right, other shareholders' rights are also subject to the duty of consideration arising from the fiduciary duty, such as the right to participate in the shareholders' meeting. Bringing an action for rescission of shareholders' resolutions for improper reasons also constitutes a breach of the fiduciary duty.

As mentioned, the fiduciary duties apply to all shareholders of an AG, including all shareholders resident in Hong Kong.

The legal consequences for failure to discharge fiduciary duties are as follows:

a. In the case of a certain act or omission resulting from a shareholder's failure to comply with the fiduciary duty, the beneficiary has the right to enforce his claim for fulfillment.

b. If shareholders violate their fiduciary duty when casting votes in a shareholders' meeting, the votes given in breach of such duty shall not be counted. In practice, this principle will only be applied in case of clearly obvious breach of the fiduciary duty.

c. Breach of fiduciary duty of any kinds by any shareholder may lead to liability for damages if the breach was an act of wilful intent.

(l) **General meeting**

The main areas reserved for shareholder approval as provided under the AktG and other laws include, among others:

(i) appointment of members of the supervisory board;

(ii) removal of supervisory board members elected by the general meeting;

(iii) casting of vote of no confidence against a member of the management board at a general meeting, which may lead to the removal of that member by the supervisory board;

(iv) approval of the annual financial statements, to the extent that this does not lie within the competence of the management board and the supervisory board (see paragraphs (m) and (n) below);

(v) appropriation of distributable profits;

(vi) discharge of responsibility of the members of the management board and the supervisory board;

(vii) assertion of damage claims against members of the management board and the supervisory board;

(viii) appointment of special auditors for the examination of matters in connection with the formation or the management of the AG;

(ix) appointment of the external auditor *(Abschlussprüfer)*;

(x) dissolution of the AG;

(xi) amendments to the Articles;

(xii) capital increases and decreases, including the creation of authorised or conditional capital and of the issuance of convertible bonds, profit participation bonds and other similar rights;

(xiii) consent regarding transactions between the AG and the founders or certain major shareholders within two years after the formation of the AG regarding which the AG is required to pay consideration for the acquisition of assets exceeding 10% of its share capital;

(xiv) consent to the conclusion of "enterprise agreements" by the AG, such as control agreements and profit transfer agreements and amendments thereto;

(xv) consent to any transformation of the AG pursuant to the Transformation Act, such as mergers and consolidations, or any change of legal form;

(xvi) consent to the transfer of all of the AG's assets;

(xvii) consent to acts of the management board submitted by the management board to the general meeting; and

(xviii) in accordance with the jurisprudence of the federal court, the general meeting has, without explicit regulation in the AktG, the authority to approve certain fundamental measures, such as a hive-down (*Ausgliederung*) of an essential part of the company's assets to a newly founded subsidiary.

A general meeting must take place once every Fiscal Year within the first eight months of each fiscal year. In general, the management board of the AG is responsible for calling general meetings. However, the supervisory board must call a general meeting if it is required in the interest of the AG, and shareholders holding in aggregate shares amounting to at least 5% of the share capital may also make a written request to the management board to request a meeting, stating the purpose and reason.

Notice of the meeting must be given at least thirty days in advance and effective from 1 September 2009, the day of the notice of the meeting is not included in the calculation. Pursuant to the AktG, it must be published in the Electronic Federal Gazette and in any other publication media required in the Articles and state the company name, registered office, time and place of the meeting and the conditions for participation and voting. The notice must also provide the agenda of the general meeting. Shareholders holding in aggregate shares amounting to at least 5% of the share capital or to the pro rata amount in the share capital of at least €500,000 may also request the addition of items to the agenda. The supervisory board and the management board must provide recommendations for every item on the agenda that is subject to a resolution of the general meeting.

If the Articles or the rules of procedure do not contain provisions regarding a chairman of the general meeting, the general meeting must elect one. Any person may be elected as chairman; he does not need to be a shareholder. However, the members of the management board and the certifying notary may not be elected.

The shareholders' rights at the general meeting include:

(i) ***Right of participation and proxy***

Each shareholder is entitled to participate in the general meeting. In order to attend the meeting, in case of bearer shares, the shareholder must prove his shareholding, either by deposit of the share certificates or by verification from the bank holding the deposit. In case of registered shares, the entry in the share registry establishes the unchallengeable presumption that a registered person is a shareholder and must be admitted to the general meeting. A shareholder may be represented by a representative with a power of attorney. This power of attorney must be in writing, unless the Articles permit another less strict form, such as email or facsimile. From

1 September 2009, the power of attorney must be in text form pursuant to §126b BGB, unless the Articles or the notice of the meeting (if authorised by the Articles) state otherwise, or, with regard to listed companies, a release. The listed company must at least offer the submission of the proof by way of electronic communication. It is up to the shareholders to decide who may represent him or her in the general meeting, but from 1 September 2009, pursuant to the AktG, if the shareholder authorises more than one person, the company has the right to reject one or more of these persons.

(ii) ***Right to information***

Another fundamental shareholder right is the right to information. Each member of both boards, therefore, should attend the general meeting in order to satisfy the shareholders' information requests. The members of the management board must attend in person, but the Articles may stipulate that the supervisory board members may participate by means of telephone or video conference.

(iii) ***Voting rights***

With the exception of certain preferred shares, each issued share usually confers a voting right. The number of votes allocated to each share in the case of par value shares is determined by its par value. In case of non par value shares, each share always carries one vote. The manner of voting is determined by the chairman of the meeting. Usually, the voting is carried out by voting cards, by gesturing, by standing up or by calling.

Effective from 1 September 2009, AGs may grant their shareholders the right under their Articles to participate in the general meeting online. Formerly the audio or video transmission of general meetings was already permitted. However, if shareholders under the previous regime wished to actively participate in the general meeting they will have to either attend in person or appoint a proxy to attend in person.

Also effective from 1 September 2009, shareholders may exercise their voting rights and right to ask questions online in real time, depending on the pertinent provisions in the Articles similar to those shareholders who are physically present at the general meeting. In addition, the Articles may provide for voting via letter or email. This enables shareholders in Hong Kong, for instance, to take part in a general meeting being held in Germany without having to travel to Germany. In the interests of protecting stock corporations, however, disruptions to the internet connection in such cases do not constitute a ground to contest a resolution. As required under German corporate laws, all resolutions passed in a shareholder meeting of an AG must be notarised by a notary public accepted under German laws, failing which the resolutions will be ineffective and not binding on the AG. The German notaries do not have the authority to notarise the passing of resolutions outside of Germany, and notarisation by a Hong Kong notary public will generally not be acceptable under German law. Having regard to the legal requirements for notarisation of shareholders resolutions, the general meetings of our Company will be held in

Germany with the attendance of a competent German notary. We will also consider setting up video-conference facilities in Hong Kong for general meetings of our Company to facilitate the participation of Hong Kong shareholders in the discussion and voting in the general meetings.

All shareholders (including shareholders of non-voting shares) may attend general meetings; however, only shareholders holding voting shares are entitled to vote and will be counted towards total votes cast and valid votes. The AktG distinguishes among three different kinds of majorities: (i) a simple majority of more than 50% of the votes cast at a general meeting; (ii) a special majority of 75% or more of the votes cast at a general meeting; and (iii) a special majority of 75% or more of the share capital present or represented at a general meeting. Except for certain important decisions which require a higher threshold under the AktG or other statutory laws (such as the amendment of the Articles or resolutions affecting the share capital of the AG or shareholder rights or regarding a restructuring of the AG requiring a majority of 75% of the share capital) or as otherwise provided in the Articles, a simple majority of votes cast is sufficient for most resolutions. The Articles have not specified a lower threshold than the stipulated 75% of the votes cast for the removal of supervisory board members by shareholders.

In case a member of the supervisory board is in breach of its duties with respect to the management, the AG has a claim for damages. If the management board or the supervisory board does not enforce such claim for any reason, the shareholders at the general meeting, upon resolution by a simple majority of votes, can force the AG to claim such liability for damages. Shareholders whose aggregate shareholdings at the time of filing the petition are equal to or exceed 1% of the share capital or amount to at least 100,000 Euro, may file a petition for the right to enforce such claims in their own name on behalf of the company.

In addition, § 117 AktG provides that any person who, by exerting his influence on the company, induces a member of the management board or the supervisory board, a registered authorized officer or an authorized signatory to act to the disadvantage of the company or its shareholders, shall be liable for any resulting damage to the AG and to the shareholders, insofar as they have suffered a direct damage in addition to any loss incurred as a result of the damage to the company. In addition to such person, the members of the supervisory board shall be jointly and severally liable to the shareholders if they have acted in violation of their duties.

Holders of preferred shares which normally do not give voting rights may receive voting rights if the preferred right is removed or if the preferred dividend is not duly paid. In this scenario the holders of preferred shares have a voting right in any (ordinary or extraordinary) shareholders' meeting with regard to any resolution topic.

Resolutions that affect certain classes of shares need to be consented by a special resolution of the shareholders of that class with a majority of 75% of the votes cast.

(m) **Management board**

An AG must have a management board comprising one or more executive members (in case of an AG with a share capital of over €3 million, the management board shall consist of at least two members unless the Articles state that the management board shall consist of only one member) to manage the AG and to represent it in its dealings with third parties. An AG with over 2,000 employees is required to have a labour director as a member of the management board. In counting the number of employees, the employees of the AG itself and those of the German subsidiaries of the AG are included. Employees of foreign subsidiaries of the AG are not included in this respect. The labour director is required to represent the employees in the management board and act in their best interest. His rights as a full member of the management board may not be restricted in any way.

The members of the management board, including the labour director, are appointed by resolution of the supervisory board for a maximum term of five years. They can be dismissed for good cause. Members of the management board may serve consecutive terms if re-elected.

Under the AktG, the main rights and obligations of the management board are:

(i) the representation of the AG;

(ii) the operational management of the AG;

(iii) the calling of general meetings and reporting on its work at the general meeting;

(iv) the submission of reports to the supervisory board; and

(v) the submission of the annual financial statements and the annual report to the supervisory board.

In relation to the supervisory board, the management board is obliged to inform the supervisory board on a regular, timely and comprehensive basis about all issues of relevance to the AG with respect to planning, the course of business, risks and risk management, as well as strategic measures. In this regard, the management board is also required to describe and explain any deviations in the course of business from plans and targets that have been set. Furthermore, the chairman of the supervisory board must be informed of any other important developments such as relevant additional tax demands, liquidity problems due to termination of credit agreements or exposure of outstanding amounts. In addition, the supervisory board may request a report concerning the affairs of the company at any time. The management board must also obtain the consent of the supervisory board for certain transactions as specified in the Articles which can be implemented in the rules of procedure of the management board or decided separately by supervisory board resolutions. It is common that the consent of the supervisory board is required for the acquisition of participations, raising of credits or property transactions.

The members of the management board have a duty of care and loyalty to the AG and must apply the diligence of a prudent and faithful manager. A broad spectrum of interests, especially those of the company, its shareholders, employees, creditors, and the general public, must be taken into account when discharging these duties. The management board must take particular account of the rights of shareholders to equal treatment and equal information. If a member of the management board violates his duties he may be liable to compensate the AG.

A member of the supervisory board cannot simultaneously serve as a member of the management board of the same AG. However, for a limited period of time which must not exceed one year set in advance, the supervisory board can appoint members of the supervisory board to act in place of members of the management board who are absent or incapacitated. While serving in lieu of management board members, supervisory board members are not permitted to perform any function as a supervisory board member. Under German stock corporation law, management tasks may not be assigned to the supervisory board.

The supervisory board may appoint a chairman of the management board. The chairman may convene and preside over board meetings and examine the implementation of board resolutions. Like any other member of the management board, he may be granted a casting vote at management board meetings.

(n) **Supervisory board**

(i) ***General duties and obligations of supervisors***

The roles of the supervisory board are to supervise and monitor the management board. The duties of the supervisory board are strictly separate from those of the management board and the general meeting. The supervisory board supervises and advises the members of the management board on decisions of fundamental importance to the AG, but management functions may not be delegated to the supervisory board. The role of the supervisory board is broadly akin to that of non-executive directors. Its primary roles include the appointment and dismissal of members of the management board, initiating and convening general meetings when appropriate, and review of the annual accounts, annual report and dividend proposals.

The supervisory board supervises the management decisions of and actions taken by the management board, which include general corporate matters, management and operation policies. The supervisory board does not only ensure the legality and appropriateness of the management decisions, but also review the expediency and economic efficiency of such decisions and actions. The supervisory board has control over the management board through its power to appoint and dismiss the members of the management board.

(ii) ***Specific powers and obligation of supervisory board***

Without limiting its general duties and obligations, supervisory board of an AG has the following powers and obligations:

(i) it shall supervise the management board;

(ii) it may inspect and examine the books and records of the AG;

(iii) it may inspect and examine the assets of the AG, in particular cash, securities and merchandise;

(iv) it shall instruct the auditor to review the annual financial statements;

(v) it shall call a general meeting whenever the interests of the AG so require;

(vi) it shall appoint the members of the management board and revoke their appointment, if necessary;

(vii) it shall resolve the grant of loans to members of the management board and the supervisory board;

(viii) it shall give its consent if a member of the supervisory board proposes to enter into a contract with the AG other than for his services as a member of the supervisory board;

(ix) it may issue rules of procedure for the management board;

(x) it shall examine the annual financial statements, the annual report and the proposal for appropriation of distributable profits;

(xi) it shall approve the financial statements (unless this is done by the general meeting);

(xii) it shall agree to the advance payment of distributable profit, if required;

(xiii) it shall determine the aggregate remuneration of any member of the management board;

(xiv) its consent is necessary for the carrying on of business by a member of the management board if such business is in the same line of business as the AG; and

(xv) it shall represent the AG both in and out of court against the management board.

(iii) ***Fiduciary duties and standard of care of supervisors***

The fiduciary duties owed by supervisors to shareholders of the company under German law are similar to those owed by directors under the Listing Rules and the Companies Ordinance. Similar to the directors whose duties are regulated by the laws of Hong Kong, the supervisory board members are under obligations to act in good faith and in the best interest of the company and its shareholders, including avoiding any actual or potential conflict with his own interest. As with the duties of confidentiality owed by directors to the company, the fiduciary duties of members of the supervisory board include the duty of confidentiality with regard to any confidential information of the company available to them in the course of their office, including price sensitive information and transactions and other intellectual properties and trade secrets of the company. The obligation of secrecy does not only prohibit disclosure of such confidential information to third parties, but also extends to unauthorised disclosures to the company's shareholders, employees and other related parties. The obligation of secrecy remains binding on the supervisors even after the expiry of their term of office. Furthermore, in line with the prohibition of insider dealings under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), pursuant to § 14 of the Securities Trading Act, the supervisory board members are also restricted from dealing with shares or other securities of the company during such time when he possesses any confidential or price sensitive information not available to the general public.

The supervisory board shall employ the duty of care of a diligent and conscientious manager when discharging its duties, and any breach of such duty may lead to liability for damages of the supervisory board to the company and its shareholders.

(iv) ***Appointment and dismissal of supervisors***

The members of the supervisory board can be nominated by the supervisory board and are appointed by shareholders at the general meeting with a simple majority of the votes cast, subject to the following rules:

(i) where an AG has 500 employees or more in Germany, the employees are entitled to appoint one third of the members of the supervisory board;

(ii) where an AG has 2,000 employees or more in Germany, the employees and the relevant union together are entitled to appoint half of the members of the supervisory board;

(iii) the Articles may provide for a specified shareholder to have the right to appoint a maximum of one-third of the members of the supervisory board who are normally elected by shareholders.

As at the Latest Practicable Date, none of the above applies to our Company.

Members of the supervisory board of the AG are appointed with a term no longer than five years, subject to re-appointment. If appointed for the maximum permissible term, a member's term expires at the end of the annual general meeting after the fourth fiscal year following the year in which the supervisory board member was elected.

If they were appointed by the general meeting, members of the supervisory board may be dismissed by shareholders prior to the end of the term without specific ground by special majority of 75% of the votes cast or a lower threshold of at least more than 50% of the votes cast as may be provided in the Articles. Any member of the supervisory board elected by employees may be removed by three quarters of the votes cast by the electoral delegates representing the employees and any member of the supervisory board elected by unions may be removed by the union that nominated the member.

(v) ***Independence of Supervisors***

Under German law, the supervisory board has to be independent and free of any influence from outside the company or the board of directors.

A person must not be a member of the supervisory board it:

(i) he is already a member of the supervisory board in ten other commercial enterprises each of which is required by law to form a supervisory board;

(ii) he is the legal representative of a controlled enterprise of the AG;

(iii) he is the legal representative of another AG whose supervisory board includes a member of the management board of the AG;

(iv) as a newly appointed members of the supervisory board on or after 5 August 2009, he was in the last two years a member of the management board of the same listed AG, unless he was appointed upon the suggestion of shareholders who hold more than 25% of the voting rights in the AG; or

(v) is already a member of the management board of the AG, a permanent deputy member of the management board, a registered authorised officer or general manager of the AG.

According to the German Corporate Governance Code, a person shall not be a member of the supervisory board if:

(i) he is considered not independent in accordance with the German Corporate Governance Code, i.e. if he has a business or personal relations with the AG or its management board which cause a conflict of interest;

(ii) he exercises directorships or similar positions or advisory tasks for important competitors of the enterprise; or

(iii) he is a former member of the management board of the AG and if there are already two or more former members of the management board on the supervisory board.

As set out above, a member of the management board, a permanent deputy member of the management board, a registered authorised officer or general manager cannot be appointed as a supervisory board member of the same company. Under German law, there is no strict prohibition against the election of a connected person (as defined under the Listing Rules) of a company as a supervisory board member. While some differences exist between the criteria under German law and the Listing Rules, they overlap in respect of some important aspects of independence (such as non-executive function, personal and business conflicts of interest, and prior executive positions with the company).

In addition, there are also other protection mechanisms in place under German law to ensure that the supervisory board will not act against the shareholders' interest and to avoid conflict of interest. These include requirements for the approval of the independent supervisory board members (with the interested member abstain from voting) with respect to transactions between the company and the supervisors, such as granting of loans to a supervisory board member by the company and the conclusion of a service agreement between the company and a supervisory board member.

Moreover, supervisors are considered connected persons under the Listing Rules. Therefore, transactions between our Group and any Supervisor or his associates will be subject to the regulatory requirements of connected transactions under the Listing Rules, including the reporting, announcement, independent shareholders/supervisors approval requirements, as the case may be, under Chapter 14A of the Listing Rules.

(vi) ***Composition of supervisory board***

A supervisory board of an AG must have at least three members and the total number of members must be a multiple of three. The AktG limits the number of supervisory board members based on the amount of the AG's share capital. The maximum number of supervisory board members for an AG with a share capital of up to €1,500,000 is nine. An AG with a share capital exceeding €1,500,000 can have up to 15 members of supervisory board and for an AG with a share capital exceeding €10,000,000 the maximum number of supervisory board members is 21.

The supervisory board elects a chairman and a vice chairman from among its members. If no candidate is elected by a vote of two-thirds of the members of the supervisory board, the representatives of the shareholders have the right to elect the chairman and the representatives of the employees (if any) have the right to elect the vice chairman. Should the chairman or the vice chairman leave office prior to the expiry of his term, the supervisory board must without delay elect a successor to fill the remaining term of the departing chairman or vice chairman.

(vii) ***Proceedings of supervisory board meetings***

The supervisory board must hold at least two meetings every half year. Meetings of supervisory board can be held with a quorum of, not less than half of all supervisory members, but at least three members. Therefore, if a supervisory board has only three members, all members must be present in order for the meeting to be validly held. If any supervisory board member is absent from the meeting, he may deliver his written vote (or vote by telephone conference, if consented to by the other supervisory board members) to the supervisory board, and such written vote will be counted as a quorum with the consent of other members. Further details of the quorum can be specified in the Articles.

(viii) ***Relationship with independent non-executive directors***

An AG has a three-tier structure comprising (a) the management board; (b) the supervisory board; and (c) the general meeting of shareholders. German law only distinguishes between members of the management board and supervisory board members, but do not distinguish between executive and non-executive directors. Therefore, proposed appointment of independent non-executive directors to the executive management board is not a concept recognized under German law. In this regard, the appointment of independent non-executive directors in an AG is prohibited under German law.

Under German law, the supervising functions of the supervisory board appear to be similar to the monitoring function of independent non-executive directors. The Listing Rules require independent non-executive directors to establish conventional board committees, including audit committee, remuneration committee and nomination committee, to oversee the business, financial reporting and corporate governance matters of the company. In this connection, the supervisory board has the right under German law to autonomously establish board committees, which can be either permanent or temporary for the duration of for a particular transaction for the purpose of supervising the management board. The members of the supervisory board may form an audit committee, a remuneration committee and a nomination committee on similar terms as required under the Listing Rules to perform the general duties and obligations of the independent non-executive directors.

In addition to the conventional board committees, as and when required by the Listing Rules, the independent non-executive directors shall also form an independent board committee to advise shareholders of the company as to whether the terms of the relevant transaction are fair and reasonable and whether such transaction is in the interests of the company and its shareholders as a whole.

Due to the two-tier management system under German law, the roles and responsibilities of members of the management board are distinct to those of members of the supervisory board. Supervisors assume duties and obligations fundamentally different from members of the management board under German law. Therefore, supervisors are required to comply with their own set of rules provided by the German Stock Corporation Act and other applicable laws. The obligations and liability as imposed on members of the management board under German laws

are not directly or strictly binding on supervisors. On the same basis, the statutory duties and obligations specifically imposed on directors of listed companies in Hong Kong, including the SFO, the Companies Ordinance, Takeovers Code, and the Listing Rules, are not entirely and straightly applicable on supervisors.

However, since both the management board members and supervisors are accountable to the AG and its shareholders, certain obligations which are of fundamental importance to shareholders protection and fair market apply equally to management board members and supervisors, such as the fiduciary duties owed to the AG and prohibition of insider dealing by management board members and supervisors. Furthermore, supervisors are also regarded as connected persons pursuant to Rule 14A.11(3) of the Listing Rules.

(o) **Accounting and auditing requirements**

All members of the management board are responsible for ensuring the proper keeping of books. They also prepare the annual accounts, which consist of annual balance sheet, profit and loss statements and notes on the accounts, on a Euro currency basis. The accounts of an AG have to be prepared in accordance with sound accounting principles.

The supervisory board is responsible for examining the annual accounts, the management report, the auditor's report and the management board's proposal on profit allocation. The supervisory board is required to submit a written report on its examination of the accounts to the general meeting. The supervisory board must also present its report to the management board within one month after its receipt of the submitted documents. The annual accounts are approved upon their adoption by the supervisory board, but can be approved by the shareholders instead if the management board and the supervisory board resolve to have the accounts approved by the general meeting, or if the supervisory board has refused to adopt the annual accounts, or if the supervisory board has not sent its report to the management board within a timeframe of one month after it has received the relevant documents plus an additional extension of not more than another month (in which case the annual accounts are deemed not to have been adopted by the supervisory board).

Bookkeepers are responsible for preparing the annual accounting and provide all the necessary data for the preparation of the financial statements. Tax advisers (in the case of smaller companies) and auditors (in the case of larger companies) are usually responsible for preparing the annual financial statements. Only auditors are entitled to certify the annual financial statements (i.e. to execute the formal act of certification that the data provided in the financial statements is in accordance with the data of the accounts provided by the AG).

(p) **Appointment and retirement of auditors**

Pursuant to the AktG, the auditor of the AG shall be determined by the general meeting. The contract with the auditor will be concluded by the supervisory board. The supervisory board will then instruct the chosen auditor to perform the audit assignment.

The auditor may only be dismissed by court order and only if there is reason to believe he has a conflict of interest. Only the supervisory board or shareholders whose shares in aggregate amount to at least 5% of the share capital or have a stock market value of at least €500,000 may petition a court to dismiss such an auditor.

(q) **Distribution of profits**

Distribution of profits is decided by resolution of the general meeting, based on the approved annual financial statements.

Dividends either in cash or in kind may be distributed only from the balance sheet profit and only to the extent that the distribution of the profit to the shareholders has not been excluded pursuant to the Articles or by resolution of the general meeting. In addition, the undistributable reserves may not be distributed as profit to the shareholders.

(r) **Financial assistance**

An AG must not grant an advance payment, a loan or a guarantee for the purpose of acquisition of its own shares. The agreements to enter into such transactions are void under German law. This does not apply to transactions within the ordinary business of financial institutions or for the granting of an advance payment or a loan or for the granting of a security for the purpose of an acquisition of shares by employees of the company or an affiliated company (unless the company, in the case of an acquisition of own shares would not be able to set aside the required reserve for own shares without reducing the share capital or reserves mandated by law or the Articles, which must not be used for payments to the shareholders), or in the case of a controlling and profit transfer agreement.

(s) **Dissolution and liquidation**

Under German law, upon dissolution, an AG ceases to be an active company (*werbende Gesellschaft*) aiming at the realization of profits and begin to liquidate its assets. An AG liquidates once it ceases to exist due to deregistration.

An AG can be dissolved pursuant to resolution of the shareholders, situations outlined in the Articles, the AktG or other legal provisions. Usually the dissolution of an AG is followed by liquidation proceedings during which the assets are liquidated in order to cover liabilities. Any surplus remaining after liquidation is distributed to the shareholders. An AG must be dissolved in the following situations:

(i) *Reasons set out in the Articles.* An AG is usually formed for an indefinite time period. If the Articles contain a certain period for the AG's existence it will be automatically dissolved at the end of such period.

An AG may also be dissolved if a shareholder exercises a right of termination given to him in the Articles.

(ii) *Shareholder resolution.* The general meeting may pass a resolution requiring the dissolution of an AG. This resolution must be passed with a majority of 75% of the represented share capital. The Articles may provide for a larger majority and additional requirements.

(iii) *Insolvency Proceedings*. An AG is dissolved upon institution of bankruptcy proceedings over the company's assets. The creditors, each member of the management board and each liquidator are entitled to file for insolvency.

(iv) *Lack of assets*. The Commercial Register can delete an AG from the Register because of its lack of assets, which in effect dissolves the AG. If it is subsequently discovered that the AG still has assets, an application for the appointment of a liquidator may be filed who will then dispose of them.

(v) *Other Reasons*. If an AG, or rather its managing body, endangers the "common welfare" of the public because of a breach of the law, the AG can be dissolved by an order of the regional court where the AG has its registered office. The requisite petition for dissolution must be filed by the competent authority of the state where the AG has its registered office.

(t) **Loss of share certificates**

A shareholder whose share certificates have been stolen or who has no access to the share certificates or whose share certificates have been destroyed can apply to the local court at the registered office of the AG to obtain a declaration that the relevant share certificates are no longer valid. After such declaration has been obtained the shareholder may apply to the AG for the issuance of a replacement certificate and can exercise the rights attached to his shares on the day of declaration.

(u) **Merger and other transformation acts**

Under German Law, there are four types of acts of transformation: merger (*Verschmelzung*), division (*Spaltung*), transfer of assets (*Vermögensübertragung*) and conversion (*Formwechsel*). Except in the case of a transfer of assets which is only available to German insurance companies and under German public law, each of these acts of transformation in most cases require approval by shareholders representing at least 75% of the share capital. In certain circumstances however, such as when an AG is to be transformed into a partnership with unlimited liability, unanimous shareholder consent is required. Each shareholder of an AG can contest the resolution on the grounds that it does not comply with the law, the Articles or certain other principles, if the transformation is not void pursuant to the AktG, and in which case he may apply to court for a declaration that the resolution is void.

(v) **Disclosure obligations of shareholders of an AG**

Disclosure shareholding threshold

According to § 20 of the AktG, there are certain prescribed shareholding thresholds in an AG that trigger obligations for disclosure. They are: (a) a shareholder holding more than 25% of the shares in a company (§ 20 para. 1 AktG); (b) a shareholder which is a stock corporation, a company with limited liability or a partnership limited by shares ("KGaA") with its registered office in Germany holding more than 25% of the shares in the company (which is calculated differently than the 25% threshold under (a), see below) (§ 20 para. 3 AktG); (c) a shareholder holding a majority (i.e. more than 50%) of shares or votes in the company (§ 20 para. 4 AktG); and (d) a shareholding and/or the number of votes held by a shareholder have fallen below the thresholds set out under (a), (b) and (c) above (§ 20 para. 5 AktG). If a shareholder reaches several thresholds at once with one acquisition or subsequently with several acquisitions, a separate disclosure should be made with regard to each threshold.

§§ 16 and 20 AktG set out the following calculation methods for shareholding percentages which may trigger the disclosure obligations:

(i) 25% threshold: (a) if a company has par value shares, the percentage equals the nominal amount of the shares held by the shareholder divided by the total nominal share capital of the company; (b) if a company has non-par value shares, the percentage equals the relation of the number of shares held by the shareholder divided by the total number of shares of the company.

Shares are deemed to be held by the shareholder when (a) the shares are held by a controlled enterprise of the shareholder; (b) the shares are held by a third party for the account of the shareholder or of a controlled enterprise of the shareholder; and (c) the transfer of ownership of shares can be requested by or has to be accepted by the shareholder, by a controlled enterprise of the shareholder or by a third party for the account of the shareholder or of a controlled enterprise of the shareholder (in particular including transfer rights from share transfer agreements which have not yet been fulfilled, as well as transfer rights from trust agreements, option agreements and binding offers).

If the shareholder is a stock corporation, a company with limited liability or a partnership limited by shares (KGaA) with registered office in Germany and holds more than 25% of the shares in the Company, he also has a disclosure obligation even without the rights with respect to shares as set out under (c) above.

(ii) 50% threshold: (a) if a company has par value shares, the percentage equals the nominal amount of the shares held by the shareholder divided by nominal share capital of the company; (b) if a company has non-par value shares, the percentage equals the number of shares held by the shareholder divided by the total number of shares of the company; (c) if the company holds own shares, or if a third person holds shares in the

company for the account of the company, these shares have to be deducted from the total nominal share capital or the total number of shares of the company as basis for the calculation stated in (a) and (b) above, respectively. Shares are deemed to be held by the shareholder when (a) the shares are held by a controlled enterprise of the shareholder; (b) the shares are held by a third party for the account of the shareholder or a controlled enterprise of the shareholder. The votes held by a shareholder are determined by the relation of the number of votes which the shareholder can exercise out of the shares held by him to the total number of votes granted through the shares of the company and, those votes from shares held by the company itself or held by third parties for the account of the company have to be deducted from the total number of votes.

Pursuant to § 328 AktG, if a German stock corporation or a KGaA with registered office in Germany and another stock corporation, a company with limited liability or another KGaA, with registered office in Germany, hold more than 25% of the shares in each other, respectively, ("cross-shareholdings"), then the following rules shall apply:

1) Rights arising from the shares which are held by any such company in another company may not be exercised with respect to more than one-fourth of all shares of such other company as from the date on which such other company has received knowledge of the existence of such cross-shareholding or the other company has given due notice to such company pursuant to § 20 para. 3 or § 21 para. 1 AktG (§ 21 AktG determines the obligation of the company to notify another stock corporation, a company with limited liability or another KGaA with registered office in Germany if it holds more than 25% of the shares or a majority of shares or votes in such company). Shares are deemed to be held by the shareholders when (a) the shares are held by a controlled enterprise of the shareholder; or (b) the shares are held by a third party for the account of the shareholder or a controlled enterprise of the shareholder.

2) The restriction as described in 1) above shall not apply if such company has given notice to the other company pursuant to § 20 para. 3 AktG or § 21 para. 1 AktG prior to receiving such notice from the other company and prior to having received knowledge of the cross-shareholding.

3) In the general meeting of a listed company, a company aware of a cross-shareholding as described in 1) above may not exercise its voting rights to elect members of the supervisory board.

4) The companies have to notify each other immediately in writing about the extent of their participation in the other company and any changes thereto. The law, however, does not provide for any sanctions if they do not comply with this disclosure obligation.

Whether the respective shareholdings exceed 25% is determined pursuant to § 16 para. 2 s.1, para. 4 AktG, which provides that if at least one of the companies with cross-shareholdings has a majority holding in the other enterprise or is able to exert, directly or indirectly, a controlling influence over the other, such enterprise shall constitute the controlling and the other the controlled enterprise. If each of the companies with cross-shareholdings has a majority holding in the other company, or if each is able to exert, directly or indirectly, a controlling influence over the other, each company shall constitute a controlling and a controlled enterprise. § 328 AktG does not apply to a controlling or a controlled enterprise.

The disclosure obligations mentioned above apply to (a) all companies, including companies having their registered office abroad; (b) public authorities; and (c) any individuals if such individuals have relevant commercial interests other than their participation in the company.

With regard to the term "relevant commercial interests" referred to in (c), any individual shareholder is bound by such disclosure obligations if he has relevant commercial interests other than his participation in the company. In this context other relevant commercial interests of the shareholder are those which may lead to the risk that the shareholder pursues his other commercial interests to the detriment of the company. An individual shareholder is generally bound by such disclosure obligations if he acts commercially, i.e. operates a commercial enterprise or is self-employed or holds another relevant participation in another company. The shareholder holds a relevant participation if he holds a majority in another company or if he, although he does not hold a majority, is anyhow practically in the position to exercise significant influence on the composition of the boards or the profit distribution. It is generally accepted that a shareholder, whose commercial interests are related exclusively to the shareholding in one German stock corporation, is not bound by such disclosure obligations.

These disclosure obligations apply to such companies, public authorities and individuals as referred to under (a), (b) or (c), respectively.

Prescribed method and time limit for making the required disclosure

The disclosure set out above must be made in writing. The signature has to be an original signature or a qualified electronic signature acceptable under German law, which does not recognize a scanned signature to be sufficient. It is sufficient if the notice is signed and then sent to the company by fax. It is not sufficient to if the notice is provided orally or by phone, or if the company receives notice of the relevant shareholding through other channels. If the company has been notified about such participation, it has to then make appropriate disclosure in the Electronic Federal Gazette (Elektronischer Bundesanzeiger).

The content of a notice has to include the following information: (i) the fact that it constitutes a disclosure and the legal basis which triggers the disclosure (§ 20 para. 1, 2, 3 or 5 AktG); and (ii) the kind of participation and, in the case of a shareholder disclosing not only his own direct shareholdings but also shares attributed to him, then the fact that shares are attributed and pursuant to which provision, attributed by which company and to whom or to which company and on what legal basis. The exact shareholding amount does not have to be disclosed. When shares are attributed among different affiliated companies, all companies (i.e. the company to whom the shares are attributed as well as the company that participates directly and whose shares are attributed) must fulfill their obligation to disclose if their shareholdings reach one of the thresholds set out above.

In relation to the time limit for making the required disclosure, the notice has to be made immediately, i.e. without undue delay after that acquisition (or the disposal) of the share(s) which has triggered the corresponding disclosure obligation.

Failure to disclose

In the event of a failure to comply with the aforesaid disclosure obligation, the consequences are as follows:

(i) In case of a violation of the threshold under § 20 para. 1 AktG (25% of the shares) or § 20 para. 4 AktG (50% of the shares or the votes) the shareholder still qualifies as the legal owner of his shares, but his shareholder rights do not exist until due notice is given to the company. This includes in particular the rights to participate, vote and speak in the general meeting, the right to information, the right to contest resolutions passed in the general meeting, subscription rights in case of a capital increase against contributions, and the right to dividends and liquidation proceeds. In general, these rights are invalid until notice is given to the company, and cannot be retrieved afterwards. However, with respect to rights to dividends and liquidation proceeds if the notice was not omitted intentionally and is made later, the rights are retrospectively restored once due notice is given.

These consequences apply to all shares of the shareholder who is obliged to disclose and to all shares held by a controlled enterprise of the shareholder or held by a third party for the account of the shareholder or a controlled enterprise of the shareholder, but not to the shares the transfer of ownership of which can be requested by or has to be accepted by the shareholders, by a controlled enterprise of the shareholders or by a third party for the account of the shareholder or of a controlled enterprise of the shareholder.

If, however, a shareholder who has not complied with his disclosure obligations, transfers his shares to another person and such person duly complies with the disclosure obligations that might be triggered by such transfer, the acquirer has all the relevant shareholder rights despite of the non-disclosure of the previous shareholder.

(ii) If a shareholder is a stock corporation, a company with limited liability or a partnership limited by shares (KGaA) with registered office in Germany holding more than 25% of the shares in the company (the calculation of the percentage of the shareholding in this case does not include shares the transfer of ownership of which can be requested by or which has to be accepted by the shareholder, by a controlled enterprise of the shareholder or by a third party for the account of the shareholder or of a controlled enterprise of the shareholder) does not comply with the corresponding disclosure obligation provided in § 20 para. 3 AktG, the following applies:

If a German stock corporation or a partnership limited by shares (KGaA) with registered office in Germany and another stock corporation, a company with limited liability or another partnership limited by shares (KGaA) with registered office in Germany hold more than 25% of the shares in each other's entity respectively ("cross-shareholdings"), pursuant to § 328 para. 1 AktG, rights arising from shares which are held by such company in the other company may not be exercised with respect to more than one-fourth of all shares of such other company as from the date on which such other company has received knowledge of the existence of such cross-shareholding or the other company has given notice to such company pursuant to § 20 para. 3 or § 21 para. 1 AktG (see also page V-27, 1)). This restriction shall not apply if such company has given notice to the other company pursuant to § 20 para. 3 AktG or § 21 para. 1 AktG prior to having received such notice from the other company and prior to having received knowledge of the cross-shareholding. Accordingly, if notice pursuant to § 20 para. 3 AktG is not made, the restriction of the exercise of rights outlined above shall apply.

If at the same time the disclosure obligation pursuant to § 20 para. 1 AktG (which is triggered if the threshold of 25% of the shares, including shares the transfer of ownership of which can be requested by or which has to be accepted by the shareholder, by a controlled enterprise of the shareholder or by a third party for the account of the shareholder or of a controlled enterprise of the shareholder - is exceeded) is infringed, the consequence described under (i) above applies.

(iii) In the event that the shareholding and/or the number of votes held by a shareholder have fallen below the thresholds a), b) and c) set out in the section headed "Disclosure shareholding threshold" above, the law does not address the consequences of failing to observe the obligation to disclose the disposal of shares.

Apart from the consequences set out above, damage claims might be possible if the relevant disclosure obligations are not met. It is also possible to make a notice by way of precaution.

The aforesaid disclosure obligation is applicable to the Shareholders who hold the shares of our Company in Hong Kong through CCASS.

4 FOREIGN EXCHANGE CONTROL

(a) European foreign exchange law

According to the EC Treaty, all restrictions on the movement of capital and on payments between Member States and between Member States and third countries shall be prohibited.

However, the EC Treaty contains a number of exceptions from the basic prohibition of restrictions on the movement of capital and on payments. These exceptions leave room for the Member States to enact their own regulations. The exceptions include, but are not limited to:

(i) tax law distinguishing between taxpayers who are not in the same situation with regard to their place of residence or with regard to the place where their capital is invested;

(ii) measures to prevent infringements of national law, particularly in the field of taxation and the prudential supervision of financial services;

(iii) procedures for the declaration of capital movements for administrative or statistical purposes and

(iv) measures justified on grounds of public policy or public security.

(b) German foreign exchange law and German international foreign exchange law

The German foreign exchange law is governed, in particular, by the German Foreign Trade and Payments Law (*Außenwirtschaftsgesetz,* **AWG**) and the German Foreign Trade and Payments Regulation (*Außenwirtschaftsverordnung,* **AWV**). These laws and regulations are exceptions within the sense of the EC Treaty and contain, in particular, provisions regarding procedural and reporting provisions and certain restrictions concerning the transfer of money from and to certain countries. The legal consequences of a breach of domestic foreign exchange law under German law are determined by the respective foreign exchange control regulation and such breach may render the respective transaction null and void.