B. SUMMARY OF FOREIGN LAWS AND REGULATIONS

1. SUMMARY OF THE ISRAELI COMPANIES LAW

The following is a summary of certain provisions of the Israeli Companies Law as at the date of this prospectus which are applicable to an Israeli incorporated company whose shares are listed on an overseas stock exchange. The summary below is for general guidance only and does not constitute legal advice nor should it be used as a substitute for specific legal advice on the corporate laws of Israel. The summary does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the corporate laws of Israel, which may different from equivalent provisions in jurisdictions with which interested parties may be more familiar.

The rights and obligations of the Shareholders are set out in the Articles of Association (see "Appendix III—Summary of the Articles of Association of the Company" for details) and are in addition to certain rights and obligations the Shareholders may have in accordance with applicable Israeli laws and regulations.

Duties of Shareholders

Pursuant to the Israeli Companies Law, a shareholder has a duty to act in good faith and in a customary manner toward the company and other shareholders and to refrain from abusing his or her power in the company, including, among other things, in voting at a general meeting and at shareholder class meetings with respect to the following matters:

- an amendment to the company's articles of association;
- an increase of the company's authorized share capital;

- a merger; or
- the approval of related party transactions and acts of office holders that require shareholder approval.

In addition, a shareholder also has a general duty to refrain from discriminating against other shareholders.

Certain shareholders also have a duty of fairness toward the company. These shareholders include any controlling shareholder, any shareholder who knows that he or she has the power to determine the outcome of a shareholder vote at a general meeting or a shareholder class meeting and any shareholder who has the power to appoint or to prevent the appointment of an office holder of the company or other power towards the company. The Israeli Companies Law does not define the substance of the duty of fairness, except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness.

Shareholders' Meetings

In accordance with the Israeli Companies Law, the Company is required to hold an annual general meeting of the Shareholders once every calendar year that must be held no later than 15 months after the date of the previous annual general meeting, which may take place within or outside of the State of Israel. The Articles of Association provide that for as long as the Shares are listed on the Stock Exchange, unless otherwise permitted by applicable law of the Listing Rules, the annual general meeting of the Company will be held in Hong Kong.

Under the Israeli Companies Law, the Board may convene an extraordinary general meeting of Shareholders pursuant to a resolution of the Board and is required to convene an extraordinary general meeting pursuant to a request by (a) any two Directors or 25% of the Directors then in office or (b) any Shareholder or Shareholders holding at least 5% of the Company's issued share capital and at least 1% of the voting rights in the Company or a Shareholder or Shareholders holding at least 5% of the voting rights in the Company.

The agenda at a general meeting is determined by the Board. The agenda must also include proposals for which the convening of an extraordinary general meeting was demanded as set forth above, as well as any proposal requested by one or more Shareholders who hold at least 1% of the voting rights in the Company.

The Articles of Association require that, subject to the provisions of the Israeli Companies Law and the Listing Rules, a notice of any annual general meeting or extraordinary general meeting must be published at least 21 days prior to the meeting and if the agenda of the meeting includes the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, an approval of a merger or approval of dual office as chairman of the Board and chief executive officer, or, with certain exceptions, approval of the Company's Compensation Policy or a settlement or court approved arrangement, notice must be provided at least 35 days prior to the meeting.

The Shareholders entitled to participate and vote at the meeting are the shareholders as of the record date set forth in the resolution of the Board to convene the meeting, which subject to the provisions of the Israeli Companies Law and the regulations promulgated thereunder, may generally be between four and 40 days prior to the date of the meeting.

Under the Israeli Companies Law and as provided in the Articles of Association, the quorum required for a general meeting consists of at least two Shareholders present in person or by proxy who hold in aggregate 25% or more of the voting rights in the Company.

The Israeli Companies Law requires that resolutions relating to the following matters, among other matters, must be passed at a general meeting of the shareholders:

- amendments to the articles of association;
- change of the company's name;
- appointment of non-external directors, unless otherwise provided in the articles of association;
- appointment, termination and remuneration terms of the company's auditors;
- appointment of external directors;
- approval of certain related party transactions;
- approval of dual office as chairman of the board and chief executive officer;
- increases or reductions of the company's authorized share capital;
- merger; and
- the exercise of the board's powers by a general meeting if the board is unable to exercise its powers and the exercise of any of its powers is vital for the company's proper management.

A company may determine in its articles of association certain additional matters in respect of which resolutions by the shareholders at a general meeting will be required.

Generally, under the Articles of Association, Shareholder resolutions (for example, resolutions for the appointment of auditors) are deemed adopted if approved by the holders of a simple majority of the voting rights represented at a general meeting in person or by proxy and voting (excluding abstentions), unless a different majority is required by law or pursuant to the Articles of Association. Notable exceptions to the simple majority vote requirement are resolutions approving extraordinary transactions with a controlling shareholder, the voluntary winding-up of the Company or the amendment to the Articles of Association, which require the approval by a majority of not less than 75% of the voting rights represented at a general meeting in person or by proxy and voting (excluding abstentions).

Shareholders' Suits and Protection of Minority Shareholders

Under the Israeli Companies Law, if any of the affairs of the company were conducted in a manner that discriminates against some or all of its shareholders or if there is a significant concern that they will be so conducted, then the court may, upon the request of a shareholder, issue instructions it deems appropriate to eliminate or prevent the discrimination, including instructions relating to the conduct of the company's business in the future or instructions that shareholders or the company purchase shares of the company.

Any shareholder or director may bring a derivative claim in the name and on behalf of the company, subject to court approval, pursuant to the provisions set forth in the Israeli Companies Law. In the event of an unlawful distribution, the right to bring a derivative claim is also conferred upon a creditor of the company. If an action was brought against a company, any shareholder or director may defend in the name of the company, subject to court approval, pursuant to provisions set forth in the Israeli Companies Law.

The Israeli Class Action Law, 5766-2006 provides the possibility of submitting a class action on behalf of a group, where each of the persons listed in the class action has a cause of action arising from the same connection (as defined in the Class Action Law above) to the security.

Information Rights

Under the Israeli Companies Law, Shareholders are provided access to: minutes of the Company's general meetings, the Shareholders register and principal Shareholders register, the Articles of Association and financial statements and any document that the Company is required by law to file publicly with the Israeli Registrar of Companies or the Israel Securities Authority. In addition, Shareholders may request to be provided with any document related to an action or transaction requiring Shareholders' approval under the interested party transaction provisions of the Israeli Companies Law, however, the Company may deny this request if in its opinion it has not been made in good faith or if such denial is necessary to protect a trade secret or patent or that the document's disclosure may otherwise impair the Company's interests.

Changes in Share Capital

Under the Israeli Companies Law, the power to issue shares and securities convertible or exercisable into shares of the company is vested with the board of directors of a company. The board of directors may issue shares and securities convertible into shares of the company up to the limit of the company's authorized share capital. This authority relating to the issuance of Shares may be delegated under certain specified instances to a committee of the board of directors or the general manager of the company.

The share capital of a company may be altered by the company in the general meeting by way of a resolution passed at the general meeting. The general meeting may increase the company's authorized share capital by different classes of shares. The general meeting may cancel authorized share capital that has not yet been issued, provided that there is no obligation of the company, including a contingent obligation, to issue these shares out of the authorized share capital.

Dividends and Distributions

Under the Israeli Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company, unless in certain special circumstances a controlling shareholder of the company has a personal interest or the company's articles of association provide otherwise. The Articles of Association do not require shareholders' approval of a dividend distribution and provide that dividend distributions may be determined by the Board.

Distributions (including dividend distributions) may be paid out of a company's profits, provided that there is no reasonable concern that the distribution will prevent the company from satisfying its existing and foreseeable obligations as they become due.

Under the Israeli Companies Law, the distribution amount is limited to the greater of retained earnings or earnings accumulated over the two most recent years, after subtracting prior distributions, according to our then last reviewed or audited financial statements (provided that the end of the period to which the financial statements relate is not more than six months prior to the date of distribution). According to the Israeli Companies Law, retained earnings refer to "surplus", that is the sums included in the equity of the company which are derived from its net profits, as determined in accordance with generally accepted accounting principles, and other sums included in the equity in accordance with generally accepted accounting principles, which are not share capital or premium, that the Israeli Minister of Justice has provided that such shall be deemed as surplus. In the event that the company does not have profits legally available for distribution (as defined in the Israeli Companies Law), the company may seek the approval of the court in order to distribute a dividend. Prior to the granting of the court order, the company will be required to give notice of the proposed distribution to its creditors, who are entitled to file their objections with the court. The court may approve the company's request if it is convinced that there is no reasonable concern that the payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

Repurchase of Shares

The repurchase by a company of its own shares as well as the purchase of a company's shares by its subsidiary or other entity under its control, or provision of financing, directly or indirectly, by a company, its subsidiary or other entity under its control, for the purpose of acquiring the company's shares or securities convertible or exercisable into shares of a company is considered a distribution under the Israeli Companies Law and subject to certain limitations (see "Dividends and Distributions" above").

Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions

The Israeli Companies Law requires that an office holder promptly disclose to the board of directors any personal interest that he or she may be aware of and all related material information or documents concerning any existing or proposed transaction with the company. An interested office holder's disclosure must be made promptly and in any event no later than the first meeting of the board of directors at which the transaction is considered. A personal interest includes an interest of any person in an act or transaction of a company, including a personal interest of such person's relative or of a corporate body in which such person or a relative of such person is a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager, but excluding a personal interest stemming from one's ownership of shares in the company. An office holder is not, however, obligated to disclose a personal interest if it derives solely from the personal interest of his or her relative in a transaction that is not considered an extraordinary transaction.

Under the Israeli Companies Law, an extraordinary transaction is defined as any of the following:

- a transaction other than in the ordinary course of business;
- a transaction that is not on market terms; or
- a transaction that may have a material impact on a company's profitability, assets or liabilities.

If it is determined that an office holder has a personal interest in a transaction, approval by the board of directors is required for the transaction. Further, so long as an office holder has disclosed his or her personal interest in a transaction, the board of directors may approve an action by the office holder that would otherwise be deemed a breach of the duty of loyalty where such action was performed by the office holder in good faith and the action or its approval is not adverse to the company's interest. An extraordinary transaction in which an office holder has a personal interest requires approval first by the company's audit committee and subsequently by the board of directors. The compensation of, or an undertaking to indemnify or insure, an office holder who is not a director requires approval first by the company's remuneration or compensation committee, then by the company's board of directors, and, if such compensation arrangement or an undertaking to indemnify or insure is inconsistent with the company's stated compensation policy or if the office holder is the chief executive officer (apart from a number of specific exceptions), then such arrangement is subject to the approval of a majority vote of the shares present and voting at a shareholders meeting, provided that either: (a) such majority includes at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such compensation arrangement (excluding abstaining shareholders); or (b) the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in the compensation arrangement and who vote against the arrangement does not exceed 2% of the company's aggregate voting rights. This is referred to as the "Special Approval for Compensation". Arrangements regarding the compensation, indemnification, exculpation or insurance of a director (who is not a controlling shareholder) require the approval of the remuneration or compensation committee, board of directors and shareholders by ordinary majority, in that order. One key element for all such transactions is that a company cannot approve a transaction or action that is not specifically determined as being for the benefit of the company.

Generally, a person who has a personal interest in a matter which is considered at a meeting of the board of directors or the relevant committee may not be present at such a meeting or vote on that matter unless the chairman of the relevant committee or board of directors, as applicable, determines that he or she should be present in order to present the transaction that is subject to approval. Generally, if a majority of the members of the relevant committee or the board of directors, as applicable, has a personal interest in the approval of a transaction, then all directors may participate in discussions of the audit committee or the board of directors, as applicable. In the event a majority of the members of the board of directors have a personal interest in the approval of a transaction, then the approval thereof shall also require the approval of the shareholders. It should be further noted that a personal interest also generally includes the personal interest of the person voting (whether as a director or in a general meeting) by virtue of a voting proxy if the person who has provided the proxy has no personal interest in the matter.

Certain transactions regarding the compensation of a director or the chief executive officer, which would normally require shareholders' approval, may be approved in the absence of shareholders' approval in certain circumstances, including: (i) where the remuneration or compensation committee has determined that nothing in the transaction is anything other than beneficial to the company; or (ii) the cost of the transaction is not higher than certain statutory thresholds or the thresholds set forth under the company's compensation policy.

Disclosure of Personal Interests of Controlling Shareholders and Approval of Certain Transactions

Pursuant to the Israeli Companies Law, the disclosure requirements regarding personal interests that apply to directors and executive officers also apply to a controlling shareholder of a public company. In the context of a transaction involving a shareholder of the company, a controlling shareholder also includes a shareholder who holds 25% or more of the voting rights in the company if no other shareholder holds more than 50% of the voting rights in the company. For this purpose, the holdings of all shareholders who have a personal interest in the same transaction will be aggregated. The approval of the audit committee or the compensation committee, as the case may be, the board of directors and the shareholders of the company, in that order, is required for (a) extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, (b) the engagement with a controlling shareholder or his or her relative, directly or indirectly, for the provision of services to the company, (c) the terms of engagement and compensation of a controlling shareholder or his or her relative who is not an office holder or (d) the employment of a controlling shareholder or his or her relative by the company, other than as an office holder (collectively referred to as a "Transaction with a Controlling Shareholder"). In addition, such shareholder approval requires one of the following (a "Special Majority"):

- at least a majority of the shares held by all shareholders who do not have a personal interest in the transaction and who are present and voting at the meeting approving the transaction, excluding abstentions; or

- the shares voted against the transaction by shareholders who have no personal interest in the transaction and who are present and voting at the meeting do not exceed 2% of the voting rights in the company.

To the extent that any such Transaction with a Controlling Shareholder is for a period extending beyond three years, approval is required once every three years, unless, with respect to certain transactions, the audit committee determines that the duration of the transaction is reasonable given the circumstances related thereto. Similar to the approval procedure to transactions with officeholders as described in the previous section, any transaction with a controlling shareholder or a transaction in which a controlling shareholder has a personal interest, must be determined as being for the benefit of the company. Additionally, in such transactions the relevant committee and the board of directors are also required to review whether the contemplated transaction includes a distribution to the shareholders.

Arrangements regarding the compensation, indemnification, exculpation or insurance of a controlling shareholder in his or her capacity as an office holder require the approval of the compensation committee, board of directors and shareholders by a Special Majority and the terms thereof may not be inconsistent with the company's stated compensation policy.

Certain transactions with a company's controlling shareholder or in which a controlling shareholder has an interest, which would normally require shareholder approval, may be approved in the absence of shareholder approval in certain circumstances, including: (i) where the audit committee has determined that nothing in the transaction is anything other than beneficial to the company; (ii) where the transaction is within the terms of a validly approved framework transaction which allowed the company to enter into future transactions on the terms proposed in the interested party transaction; or (iii) the cost of the transaction is lower than certain statutory thresholds and or the compensation paid to other officeholders, as the case may be.

Fiduciary Duties of Directors and Executive Officers

The Israeli Companies Law codifies the fiduciary duties that office holders owe to a company. Under the Israeli Companies Law, office holders are defined as any of a company's directors, chief executive officer, chief financial officer, their deputies and any persons acting in such capacities, as well as any other officer who directly reports to the chief executive officer.

An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of loyalty requires that an office holder act in good faith and in the best interests of the company.

The duty of care includes a duty to use reasonable means to obtain:

- information on the advisability of a given action brought for his or her approval or performed by virtue of his or her position; and

- all other important information pertaining to any such action.

The duty of loyalty includes a duty to:

- refrain from any conflict of interest between the performance of his or her duties to the company and his or her other duties or personal affairs;

- refrain from any activity that is competitive with the company;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or herself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of his or her position as an office holder.

Exculpation, Insurance and Indemnification of Directors and Officers

Under the Israeli Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care but only if a provision authorizing such exculpation is included in its articles of association. The Articles of Association include such a provision. The company may not exculpate in advance a director from liability arising out of a prohibited dividend or distribution to shareholders.

Under the Israeli Companies Law, a company may indemnify an office holder in respect of the following liabilities and expenses incurred for acts performed by him or her as an office holder, either pursuant to an undertaking made in advance of an event or following an event, provided its articles of association include a provision authorizing such indemnification, which the Articles of Association contain:

- financial liability imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be reasonably foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned foreseen events and amount or criteria;

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder (1) as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (a) no indictment was filed against such office holder as a result of such investigation or proceeding; and (b) no financial liability, such as a criminal penalty, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and (2) in connection with a monetary sanction; and

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf, or by a third party, or in connection with criminal proceedings in which the office holder was acquitted, or as a result of a conviction for an offense that does not require proof of criminal intent.

Under the Israeli Companies Law, a company may insure an office holder against the following liabilities incurred for acts performed by him or her as an office holder if and to the extent provided in the company's articles of association:

- a breach of the duty of loyalty to the company, provided that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;

- a breach of duty of care to the company or to a third party, to the extent such a breach arises out of the negligent conduct of the office holder; and

- a financial liability imposed on the office holder in favor of a third party.

Under the Articles of Association, the Company may insure an office holder against the aforementioned liabilities as well as the following liabilities:

- a breach of duty of care to the company or to a third party;

- any other action against which we are permitted by law to insure an office holder;

- expenses incurred and/or paid by the office holder in connection with an administrative enforcement procedure under any applicable law including the Efficiency of Enforcement Procedures in the Securities Authority Law (legislation amendments), 5771-2011, or the Efficiency of Enforcement Procedures, and the Israeli Securities Law, which we refer to as an Administrative Enforcement Procedure, and including reasonable litigation expenses and attorney fees; and

- a financial liability in favor of a victim of a felony pursuant to Section 52ND of the Israeli Securities Law.

Under the Israeli Companies Law, a company may not indemnify, exculpate or insure an office holder against any of the following:

- a breach of the duty of loyalty, except for indemnification and insurance for a breach of the duty of loyalty to the company to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;

- a breach of duty of care committed intentionally or recklessly, excluding a breach arising solely out of the negligent conduct of the office holder;

- an act or omission committed with intent to derive illegal personal benefit; or

- a fine, civil fine, administrative fine or ransom or levied against the office holder.

Under the Israeli Companies Law, exculpation, indemnification and insurance of office holders in a public company must be approved by the compensation committee and the board of directors and, with respect to certain office holders or under certain circumstances, also by the shareholders.

The Articles of Association permit the Company to exculpate, indemnify and insure the Company's office holders to the fullest extent permitted or to be permitted by the Israeli Companies Law and the Israeli Securities Law, including expenses incurred and/or paid by the office holder in connection with an Administrative Enforcement Procedure.

Mergers and Acquisitions

Full Tender Offer

A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the target company's issued and outstanding share capital is required by the Israeli Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the same class for the purchase of all of the issued and outstanding shares of the same class.

If the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law (provided that a majority of the offerees that do not have a personal interest in such tender offer shall have approved the tender offer, except that if the total votes to reject the tender offer represent less than 2% of the company's issued and outstanding share capital, in the aggregate, approval by a majority of the offerees that do not have a personal interest in such tender offer is not required to complete the tender offer) (the "Israeli Acceptance Conditions"). The Israeli Acceptance Conditions are intended to ensure fairness to minority shareholders of the company by requiring a high acceptance threshold before their shares in the company can be compulsorily acquired by the acquirer.

However, a shareholder that had its shares so transferred may petition the court within six months from the date of acceptance of the full tender offer, whether or not such shareholder agreed to the tender or not (excluding in cases which the company explicitly determined in advance that any shareholder that agreed to the tender shall not be entitled to such relief), to determine whether the tender offer was for less than fair value and whether the fair value should be paid as determined by the court unless the acquirer stipulated in the tender offer that a shareholder that accepts the offer may not seek appraisal rights, so long as prior to the acceptance of the full tender offer, the acquirer and the company disclosed the information required by law in connection with the full tender offer. If the shareholders who did not accept the tender offer hold 5% or more of the issued and outstanding share capital of the company or of the applicable class, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer.

In addition to the requirements under Israeli law described below, the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") will also apply to the Company upon the Listing. There are differences between the requirements for takeover procedures under Hong Kong and Israeli laws in relation to a mandatory general offer. See "Compliance with the Takeovers Code" below for further details.

Special Tender Offer

The Israeli Companies Law provides that an acquisition of shares of a public Israeli company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company, unless one of the exemptions in the Israeli Companies Law is met. This rule does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a holder of 45% or more of the voting rights in the company, if there is no other shareholder of the company who holds 45% or more of the voting rights in the company, unless one of the exemptions in the Israeli Companies Law is met.

A special tender offer must be extended to all shareholders of a company, but the offeror is not required to purchase shares representing more than 5% of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Under regulations enacted pursuant to the Israeli Companies Law, the above special tender offer requirements may not apply to companies whose shares are listed for trading on a foreign stock exchange if, among other things, the relevant foreign laws or the rules of the stock exchange, include provisions limiting the percentage of control which may be acquired or that the purchaser is required to make a tender offer to the public.

Based on the advice of the Company's Israeli counsel and on the basis that the Takeovers Code will apply to the Company upon the Listing, the above special tender offer requirements should not apply to the Company.

Merger

The Israeli Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Israeli Companies Law are met, a majority of each party's shares voted on the proposed merger at a shareholders meeting called with at least 35 days' prior notice.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares represented at the shareholders meeting that are held by parties other than the other party to the merger, or by any person who holds 25% or more of the outstanding shares or the right to appoint 25% or more of the directors of the other party, vote against the merger. If the transaction would have been approved but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value of the parties to the merger and the consideration offered to the shareholders.

Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be completed unless at least 50 days have passed from the date that a proposal for approval of the merger was filed by each party with the Israeli Registrar of Companies and 30 days have passed from the date the merger was approved by the shareholders of each party.

Winding Up

Under the Israeli Companies Ordinance 1983 (the "Ordinance"), a winding-up of a company may be carried out in a number of ways including principally the following:

(a) winding up by the court;

(b) voluntarily winding up, which can be a shareholders' voluntary winding up or a creditors' voluntary winding up (by adopting a resolution of holders of 75% of voting rights represented at the general meeting and voting on the resolution); and

(c) winding up under the supervision of the court.

A voluntary winding up may be either a shareholders' voluntary winding up or a creditors' voluntary winding up, depending on whether a declaration of solvency is made.

The majority of the directors of the company must make a statutory declaration of solvency (i.e., that the company is able to pay its debts within 12 months from the commencement of the winding up) for a shareholders' voluntary winding up and file it with the Registrar. After that, a general meeting of shareholders to approve a resolution for winding up the company will have to be convened where at least 75.0% of the votes cast approve the special resolution for winding up and appoint a liquidator. The liquidator is responsible for collecting the assets of the company, determining its liabilities and distributing its assets among its creditors and the surplus to the shareholders. A notice of the shareholders' resolution must be published within seven days in Reshumot (the official Israeli governmental publication). The liquidator must notify the Registrar of his appointment within 21 days.

If the company is insolvent and a declaration of solvency cannot be made, a creditors' winding up may occur, provided that the shareholders approve a special resolution to voluntarily wind up the company. A meeting of creditors will also need to be held and a liquidator appointed. All creditors need to be notified of this meeting. A newspaper advertisement and publication in Reshumot (the official Israeli governmental publication) announcing the creditors' meeting are also required.

Voluntary winding up is deemed to have commenced on the date the resolution of voluntary winding up of the company is adopted in the shareholders' general meeting.

Persons permitted to petition the court for winding up by the court, include the company or a creditor or shareholder of the company.

The court may wind-up a company upon the request of the Company, a creditor or any member of the Company, upon inter alia, one of the following occurrences:

(a) the company adopted a special resolution that it will be wound-up by the court;

(b) the company ceased its business for one year;

(c) the company is insolvent; or

(d) the court is of the opinion that it is just and equitable that the company be wound up.

Application for the winding up by court order may be made also by the Attorney General, the Official Receiver or the Registrar in certain circumstances.

When a company decides voluntarily to wind up, the court may order that the winding up be continued under the supervision of the court according to instructions and on general conditions prescribed by it, and that the creditors, shareholders and others shall be entitled to apply to the court, all as the court deems just. If the court orders a winding up under its supervision, it may appoint an additional liquidator. In a winding up under supervision, the liquidator may, subject to any restrictions imposed by court, make use of his powers without approval or intervention of the court, as if the company were winding up voluntarily. An order for winding up under supervision is, for all intents and purposes, equivalent to an order for winding up by the court, except for several differences set forth in the Ordinance.

2. ISRAELI CORPORATE GOVERNANCE RULES AND REGULATIONS

Companies incorporated under the laws of Israel whose shares are publicly traded, including companies with shares listed on overseas exchanges, are considered public companies under Israeli law and are required to comply with various corporate governance requirements under Israeli law relating to such matters as external directors, the audit committee, the remuneration or compensation committee and an internal auditor. These requirements are in addition to the corporate governance requirements imposed by the Listing Rules and to which the Company will become subject upon the Listing.

A summary of the Israeli corporate governance requirements which apply to the Company is set out below.

Board Practices

Board of Directors

Under the Israeli Companies Law and the Articles of Association, the Board directs the Company's policy and supervises the performance of the Chief Executive Officer. The Board may exercise all powers and may take all actions that are not specifically granted to the Shareholders or to management. The Company's executive officers are responsible for the Company's day-to-day management and have individual responsibilities established by the Board. The Chief Executive Officer is appointed by, and serves at the discretion of, the Board.

Under the Israeli Companies Law, the Board must determine the minimum number of Directors who are required to have accounting and financial expertise (see "External Directors" below). In determining the number of Directors required to have such expertise, the Board must consider, among other things, the type and size of the company and the scope and complexity of its operations. The Board has determined that the minimum number of Directors who are required to have accounting and financial expertise is two.

Chairman of the Board

Under the Israeli Companies Law, the Chairman of the Board is appointed and removed by the Board. Additionally, under the Israeli Companies Law, the Chief Executive Officer or a relative of the Chief Executive Officer may not serve as the Chairman of the Board, and the Chairman or a relative of the Chairman may not be vested with authorities of the Chief Executive Officer without shareholder approval consisting of a majority vote of the shares present and voting at a shareholders meeting, provided that either:

- such majority includes at least majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such appointment, present and voting at such meeting (not including abstaining shareholders); or

- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in such appointment voting against such appointment does not exceed 2% of the aggregate voting rights in the company.

In addition, a person subordinated, directly or indirectly, to the Chief Executive Officer may not serve as the Chairman of the Board; the Chairman of the Board may not be vested with authorities that are granted to those subordinated to the Chief Executive Officer; and the Chairman of the Board may not serve in any other position in the company or a controlled company, except as a director or Chairman of a controlled company.

External Directors

Under the Israeli Companies Law, an Israeli company whose shares have been offered to the public or whose shares are listed for trading on a stock exchange in or outside of Israel is required to appoint at least two external directors to serve on its board of directors. External directors must meet stringent standards of independence. Such standards include, among other things the prohibition of the appointment of a person who (i) is a relative of a controlling shareholder, or someone who whose relative, partner, employer, or company which that person controls, has or has had for a period of two years up to the date of the appointment, a "connection" to the company, the controlling shareholder of the company or a relative of the controlling shareholder, or to a company controlled by the controlling shareholder; or (ii) has (or someone who whose relative, partner, employer, or company which that person controls has) a "connection" with the chairman, the chief executive officer, chief financial officer or a shareholder of at least 5% of the shares of the company. A "connection" is defined by the Israeli Companies Law (subject to certain matters set forth under relevant regulations promulgated thereun der), as any on-going employment, business or professional relationship, or control, or service as an office holder (or if not an on-going relationship, anything that is more than negligible), other than as an external director appointed to the board of a company which is to offer its shares to the public in an initial public offering.

According to the Israeli Companies law, at least one of the external directors is required to have "financial and accounting expertise," and the other external director or directors are required to have "professional expertise". The conditions and criteria for possessing accounting and financial expertise or professional qualifications were determined in the Israeli Companies Law regulations promulgated by the Israeli Minister of Justice in consultation with the Israel Securities Authority. The regulations mandate that a person is deemed to have "expertise in finance and accounting" if his or her education, experience and qualifications provide him or her with expertise and understanding in business matters accounting and financial statements, in a way that allows him or her to understand, in depth, the company's financial statements and to encourage discussion about the manner in which the financial data is presented.

The company's board of directors must evaluate the proposed external director's expertise in finance and accounting, by considering, among other things, his or her education, experience and knowledge in the following: (i) accounting and auditing issues typical to the field in which the company operates and to companies of a size and complexity similar to such company; (ii) a company's independent public accountant's duties and obligations; (iii) preparing company financial statements and their approval in accordance with the Israeli Companies Law and the Israeli Securities Law.

A director is deemed to be "professionally qualified" if he or she meets any of the following criteria: (i) has an academic degree in any of the following professions: economics, business administration, accounting, law or public administration; (ii) has a different academic degree or has completed higher education in a field that is the company's main field of operations, or a field relevant to his or her position; or (iii) has at least five years' experience in any of the following, or has a total of five years' experience in at least two of the following: (A) a senior position in the business management of a corporation with significant operations, (B) a senior public position or a senior position in public service, or (C) a senior position in the company's main field of operations. The board of directors here too must evaluate the proposed external director's "professional qualification" in accordance with the criteria set forth above.

The candidate to serve as an external director must sign a declaration stating that the criteria above have been met, as required by law for the appointment of such candidate as an external director.

No person may serve as an external director if the person's position or other business activities create, or may create, a conflict of interest with the person's responsibilities as an external director or may otherwise interfere with the person's ability to serve as an external director. If, at the time external directors are to be appointed, all current members of the board of directors are of the same gender, then at least one external director must be of the other gender. If, at the time external directors are to be appointed, all current members of the board of directors who are not controlling shareholders or relatives of such shareholders are of the same gender, then at least one external director must be of the other gender. Generally, under Israeli law, an external director must be resident in Israel, however this is not required for Israeli companies which have shares listed on a foreign stock exchange.

External directors are to be elected by a majority vote at a shareholders' meeting, provided that either:

- the majority of shares voted at the meeting, including at least a majority of the shares held by non-controlling shareholders and disinterested parties (where a disinterested party will include a shareholder which has an interest in the appointment; provided such interest does not arise out of such shareholder's affiliation with a controlling shareholder) that were voted at the meeting, vote in favor of election of the director; or

- the total number of shares held by non-controlling shareholders and disinterested parties that voted against the election of the director does not exceed two percent of the aggregate voting rights in the company.

The initial term of an external director is three years and, and may be extended for up to two additional three year terms (unless otherwise restricted in the articles of association to one additional term), provided that with respect to the appointment for each such additional three-year term, one of the following has occurred: (i) the reappointment of the external director has been proposed by one or more shareholders holding together 1% or more of the aggregate voting rights in the company and the appointment was approved at the general meeting of the shareholders by a simple majority, provided that: (1) (x) in calculating the majority, votes of controlling shareholders or shareholders having a personal interest in the appointment as a result of an affiliation with a controlling shareholder and abstentions are disregarded and (y) the total number of shares of shareholders who do not have a personal interest in the appointment as a result of an affiliation with a controlling shareholder and/or who are not controlling shareholders, present and voting in favor of the appointment exceed 2% of the aggregate voting rights in the company, and (2) the external director who has been nominated in such fashion is not a linked or competing shareholder, and does not have or has not had, on or within the two years preceding the date of such person's appointment to serve as another term as external director, any affiliation with a linked or competing shareholder. The term "linked or competing shareholder" means the shareholder(s) who nominated the external director for reappointment or a material shareholder of the company holding more than
5% of the shares in the company, provided that at the time of the reappointment, such shareholder(s) of the company, the controlling shareholder of such shareholder(s) of the company, or a company under such shareholder(s) of the company's control, has a business relationship with the company or are competitors of the company; the Israeli Minister of Justice, in consultation with the Israel Securities Authority, may determine that certain matters will not constitute a business relationship or competition with the company; (ii) the reappointment of the external director has been proposed by the board of directors and the appointment was approved by the majority of shareholders required for the initial appointment of an external director; or (iii) the external director has proposed himself for reappointment and the reappointment was approved in accordance with Sub-section (i) above.

External directors may be removed only by the same percentage of shareholders as is required for their election, or by a court, and then only if the external directors cease to meet the statutory qualifications for their appointment or if they violate their duty of loyalty to the company. If an external directorship becomes vacant and there are fewer than two external directors on the board of directors at the time, then the board of directors is required under the Israeli Companies Law to call a shareholders' meeting as soon as practicable to appoint a replacement external director.

Each committee of the board of directors which is authorized to carry out the powers of the board of directors must include at least one external director, with the exception of the audit committee and compensation committee which must include both external directors.

An external director is entitled to compensation as provided in regulations adopted under the Israeli Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with service provided as an external director. Compensation of an external director is determined prior to his or her appointment and may not be changed during his or her term subject to certain exceptions. Following the termination of an external director's service on a board of directors, such former external director and his or her spouse and children may not be provided a direct or indirect benefit by the company, its controlling shareholder or any entity under its controlling shareholder's control, for a period of at least two years.

It should be noted that the criteria for external directors under Israeli law and independent directors under the Listing Rules are very similar but not identical. However, there is no impediment for ensuring that the external directors of the Company are also in compliance with the requirements of the Listing Rules.

Committees of the Board of Directors

Audit Committee

The Israeli Companies Law requires public companies to appoint an audit committee. The responsibilities of the audit committee pursuant to the Israeli Companies Law include identifying irregularities in the management of our business and approving related party transactions as required by law, classifying company transactions with controlling shareholders or transactions in which an officer has an interest as extraordinary transactions or non-extraordinary transactions (which will have the effect of determining the kind of corporate approvals required for such transaction) and classifying certain actions in which an officer has an interest as material or non-material transactions, assessing the proper function of the company's internal audit regime and determining whether its internal auditor has the requisite tools and resources required to perform his role and to regulate the company's rules on employee complaints, reviewing the scope of work of the company's independent accountants and their fees, and implementing a whistleblower protection plan with respect to employee complaints of business irregularities. The responsibilities of the audit committee under the Israeli Companies Law also include the following matters: (i) to establish procedures to be followed in respect of related party transactions with a controlling shareholder (where such are not extraordinary transactions), which may include, where applicable, the establishment of a competitive process for such transaction, under the supervision of the audit committee, or individual, or other committee or body selected by the audit committee, in accordance with criteria determined by the audit committee, or alternatively determine and establish other relevant procedures to be followed in respect of such related party transactions; and (ii) to determine procedures for approving certain related party transactions with a controlling shareholder, which were determined by the audit committee not to be extraordinary transactions, but which were also determined by the audit committee not to be negligible transactions. Under the Israeli Companies Law, an audit committee must consist of at least three directors, including all the external directors of the company, and a majority of the members of the audit committee must be independent or external directors.

The Israeli Companies Law defines independent directors as either external directors or directors who: (1) meet the requirements of an external director, other than the requirement to possess accounting and financial expertise or professional qualifications, with Audit Committee confirmation of such; (2) have been directors in the company for an uninterrupted duration of less than 9 years (and any interim period during which such person was not a director which is less than 2 years shall not be deemed to interrupt the duration); and, (3) were classified as such by the company.

The chairman of the board of directors, any director employed by or otherwise providing services to the company, a controlling shareholder or any relative of a controlling shareholder, and any director who derives his salary primarily from a controlling shareholder may not be a member of the audit committee.

According to the Israeli Companies Law: (1) the chairman of the audit committee must be an external director, (2) all audit committee decisions must be made by a majority of the committee members, of which the majority of members present are independent and external directors and at least one of which is an external director, and (3) any person who is not eligible to serve on the audit committee is further restricted from participating in its meetings and votes, unless the chairman of the audit committee determines that such person's presence is necessary in order to present a certain matter, provided however, that company employees who are not controlling shareholders or relatives of such shareholders may be present in the meetings but not in the actual votes and likewise, company counsel and secretary who are not controlling shareholders or relatives of such shareholders may be present in meetings and decisions if such presence is requested by the audit committee.

Remuneration or Compensation Committee

Under the Israeli Companies Law, the board of directors of an Israeli company, whose shares or debt instruments are publicly traded, is required to appoint a compensation committee.

The number of members in the compensation committee shall not be less than three and each of the company's external directors must be members of the compensation committee and they are to constitute a majority of the members of the compensation committee, with one of the external directors serving as the chairman of the compensation committee. The following may not be a member of the compensation committee: (i) the chairman of the board of directors; (ii) any director employed by or otherwise providing services to the company or to the controlling shareholder or entity under such controlling shareholder's control; (iii) any director who derives his salary primarily from a controlling shareholder; or (iv) a controlling shareholder or any relative of a controlling shareholder. The audit committee may serve as the company's compensation committee, provided that it meets the composition requirements of the compensation committee.

The responsibilities of the compensation committee include the following:

- to recommend to the board of directors as to the compensation policy ("**Compensation Policy**"), for officers, as well as to recommend, once every three years to extend the compensation policy subject to receipt of the required corporate approvals;
- to recommend to the board of directors as to any updates to the Compensation Policy which may be required;
- to review the implementation of the Compensation Policy by the company;
- to approve transactions relating to terms of office and employment of certain company office holders, which require the approval of the compensation committee pursuant to the Israeli Companies Law; and
- to exempt, under certain circumstances, a transaction relating to terms of office and employment from the requirement of approval of the shareholders meeting.

The Compensation Policy shall be determined based, inter alia, on the following parameters: (a) advancements of the goals of the company, its working plan and its long term policy; (b) creating proper incentives to its officers, while taking into consideration, among other things, the company's risk management policy; (c) the company's size and the nature of its operations; (d) with respect to variable components of officers' remuneration, such as bonuses and issuance of securities, the contribution of the respective officer to obtaining the company's goals and maximizing profits, all in accordance with a long term perspective and the position of the officer.

In addition, the Compensation Policy is to take into consideration, inter alia, the following issues: the education, skills, expertise and achievements of the officer, previous agreements with the officer, the role and the areas of responsibility of the officer, the long term performance of the officer, the correlation between the proposed compensatio ns to the average salary of other employees of the company and of employees employed through third parties (manpower companies and cleaning and security services) and the effect of such gaps on the employment relationship in the company. In addition, with respect to the variable component of compensation, if any, the Compensation Policy should provide for the board of directors to reduce the value of the variable component from time to time or to set a cap on the exercise value of convertible securities components that are not paid out in cash. If the terms of office and employment include retirement grants then the Compensation Policy is to also take in consideration: the term of office of the officer, the terms of employment during such period, the results of the company during said period and the officer's contribution to reaching the company's goals and profit and the circumstances leading to the retirement.

Furthermore, the Compensation Policy must set forth standards and rules on the following issues: (a) with respect to variable components of compensation basing the compensation on long term performance and measurable criteria (although (i) with respect to the chief executive officer, an non-substantial portion of the variable components, in an amount of up to three monthly salaries in the case of a cash bonus, can be discretion based, taking into account the contribution of the officer to the company; and (ii) with respect to executive officers directly supervised by the chief executive officer, the variable compensation can be discretion based only); (b) establishing the appropriate ratio between variable components and fixed components and placing a cap on such variable components; (c) setting forth a rule requiring an officer to return amounts paid, in the event that it is later revealed that such amounts were paid on the basis of data which prove to be erroneous and resulted in an amendment and restatement of the company's financial statements; (d) determining minimum holding or vesting periods for equity based variable components of compensation, while taking into consideration appropriate long term incentives; and (e) setting a cap on grants or benefits paid upon termination.

The board of directors of a company is obliged to adopt a Compensation Policy after considering the recommendations of the compensation committee. The final adoption of the Compensation Committee is subject to the approval of the shareholders of the company, which such approval is subject to certain special majority requirements, pursuant to which one of the following must be met:

- the majority of the votes includes at least a majority of all the votes of shareholders who are not controlling shareholders of the company or who do not have a personal interest in the Compensation Policy and participating in the vote; abstentions shall not be included in the total of the votes of the aforesaid shareholders; or

- the total of opposing votes from among the shareholders described in subsection (i) above does not exceed 2% of all the voting rights in the company.

Nonetheless, even if the shareholders of the company do not approve the Compensation Policy, the board of directors of a company may approve the Compensation Policy, provided that the compensation committee and, thereafter, the board of directors determined, based on detailed, documented, reasons and after a second review of the Compensation Policy, that the approval of the Compensation Policy is for the benefit of the company.

A Compensation Policy that is for a period of more than three years must be approved in accordance with the above procedure every three years.

Internal Auditor

Under the Israeli Companies Law, the board of directors of an Israeli public company must appoint an internal auditor in accordance with the recommendation of the audit committee. An internal auditor may not be:

- a person (or a relative of a person) who holds more than 5% of the company's outstanding shares or voting rights;
- a person (or a relative of a person) who has the power to appoint a director or the general manager of the company;
- an office holder (including a director) of the company (or a relative thereof); or
- a member of the company's independent accounting firm, or anyone on his or her behalf.

The role of the internal auditor is to examine, among other things, our compliance with applicable law and orderly business procedures. The audit committee is required to oversee the activities and to assess the performance of the internal auditor as well as to review the internal auditor's work plan.

The engagement of an internal auditor may not be terminated without the internal auditor's consent, unless the board of directors resolves to terminate the engagement having received the views of the audit committee and only after having given the internal auditor the opportunity to explain their position to the board of directors and audit committee.

The Chairman of the board of directors will be the direct supervisor of the internal auditor, unless the board of directors shall determine otherwise, according to our articles of association and the Israeli Companies Law. The internal auditor is required to submit his or her findings to the audit committee, unless specified otherwise by the board of directors.

3. SHAREHOLDER PROTECTION MATTERS UNDER THE JOINT POLICY STATEMENT

The Joint Policy Statement states that for the purpose of determining whether an overseas company demonstrates acceptable shareholder protection standards, the Stock Exchange ordinarily expects the overseas company to demonstrate it is subject to certain key shareholder protection standards as set out in the Joint Policy Statement.

The Israeli shareholder protection standards are not materially different to the shareholder protection standards in Hong Kong, other than those matters set out below. A summary of the measures taken by the Company to address the differences in these shareholder protection standards is set out below.

Matters Requiring a Super-Majority Vote

Under the Joint Policy Statement, the following resolutions of an overseas company are required to be approved by a super-majority vote of members or by a simple majority vote of members plus a significantly higher quorum: (a) changes to the rights attached to any class of shares (votes by members of that class), (b) material changes to an overseas company's constitutional documents, however framed and (c) voluntary winding up of an overseas company.

Under the Israeli Companies Law, the resolutions referred to above and under certain circumstances also the resolutions referred to in paragraph (c) above, only require simple majority votes from shareholders, but allow the company's constitutional documents to modify the requirements.

The Articles of Association provide that the above resolutions require the approval of a 75% majority of votes from shareholders.

Individual Shareholders to Approve Increase in Shareholders' Liability

Under the Joint Policy Statement, there should not be any alteration in an overseas company's constitutional document to increase an shareholder's liability to the company unless such increase is agreed by such shareholder in writing.

Under the Israeli Companies Law, any amendment to a company's constitutional documents which requires a shareholder to purchase additional shares of the company or to otherwise increase the liability of the shareholder, shall not be binding without that shareholder's consent. However, there is no requirement that the consent is in writing.

The Articles of Association provide that the such shareholder's consent to increase the liability of such shareholder will only be valid if provided in writing.

Appointment and Remuneration of Auditors

Under the Joint Policy Statement, the appointment, removal and remuneration of auditors must be approved by a majority of an overseas company's shareholders or other body that is independent of the board of directors.

Under the Israeli Companies Law, (a) the appointment of auditors requires the approval of shareholders, but the auditor may, if so allowed under the company's constitutional documents, serve as an auditor until the end of the third annual general meeting after the annual general meeting in which he was appointed as an auditor and (b) the remuneration of the auditors for the provision of audit services must be approved by an ordinary majority of members or by the board of directors if: (i) the members authorise the board of directors to make such decision and in accordance with the terms of such authorization; or (ii) it is prescribed under the constitutional documents and in accordance with the terms prescribed therein. When the auditors' remuneration for audit services is approved by the board of directors, it has to report to the annual general meeting on such remuneration.

The Articles of Association provides that (a) an auditor's appointment must be no longer than one year ending with the next annual general meeting and (b) the auditors' remuneration is required to be approved by shareholders.

Material Interest in a Transaction

The Listing Rules require shareholders of a company who are interested in a transaction to abstain from voting at a general meeting to approve the transaction and controlling shareholders must abstain from voting in favor of certain matters in a general meeting. A company's constitutional documents must state that where any shareholder is restricted by the Listing Rules from voting on any particular resolution, any votes cast must not be counted. The Joint Policy Statement requires that shareholders' right to speak and vote at a general meeting must take into account shareholders with a material interest in a transaction or arrangement must abstain from voting in such transaction or arrangement, or the company must put in place measures that achieve the same outcome.

Under the Israeli Companies Law, except for certain instances specially provided for under the Israeli Companies Law, every shareholder is entitled to participate and vote in general meetings, subject to the provisions of the constitutional documents, regarding the voting rights attached to each share.

There are some instances in which the Israeli Companies Law requires: (a) the resolution to be approved by a disinterested majority (excluding the controlling shareholder) and/or (b) shareholders are required to declare the presence or absence of a personal interest. Under these instances, participation in discussions by interested shareholders is allowed, but votes which are not accompanied by a prescribed declaration of absence or presence of personal interest would be ignored and not counted.

Set out below is a summary of the voting requirements for certain transactions under the Israeli Companies Law:

(a) the appointment of external directors in a public company requires approval by (i) a majority of votes of shareholders in a general meeting excluding those from a controlling shareholder or other shareholders who have an interest related to the controlling shareholder, or (ii) total votes opposing the appointment do not exceed 2% of total voting rights in the company;

(b) the matters that require approval by (i) a majority of votes of shareholders in a general meeting excluding those from a controlling shareholder or any member with an interest in the approval, or (ii) total votes opposing the resolution do not exceed 2% of total voting rights in the company are:

  (1) the executive compensation policy;

  (2) the approval for the chief executive officer to act as chairman of the board of directors, or vice versa, in a public company;

  (3) the terms of engagement with a public company officer other than a director which are not in accordance with the executive compensation policy, and approval of the chief executive officer's compensation (even in accordance with the executive compensation policy);

  (4) the terms of engagement with a director or in another capacity, not in accordance with the executive compensation policy;

  (5) any transaction outside the ordinary course of business, with a controlling shareholder or any entity related thereto, or the renewal or such transaction after three years;

  (6) any amendments to the articles of association of a public company, in which the controlling shareholders is also an officer, to include provisions for indemnification and insurance for company officers.

(c) the matters that require any shareholder participating in such vote to disclose to the general meeting whether that shareholder has an interest in a transaction, failing which, that shareholder's votes shall not be counted are:

(1) voting on all matters referred to in paragraph (a) and (b) above;

(2) the terms of engagement with a director, whether in his/her capacity as director or in another capacity, in accordance with the executive compensation policy;

(3) a private offer by a public company which issues 20% of the voting rights (on a pre-issue basis) for which the consideration is not in cash or in publicly traded securities or which is not on market terms, and which will result in a member increasing his holdings over 5%; and

(4) a merger (as described in paragraph (d) below; and

(d) a merger of one company (company A) with another company (company B) is generally subject to approval by an ordinary majority of each company. However, if in company A, any of the shares in company A are held by company B or by an entity which holds at least 25% of the shares in company B (i.e. the interested shareholders), then the merger is subject to approval by a majority of votes of company A, excluding abstentions and the votes of the interested shareholders. In addition, all voting shareholders must declare whether they are or are not an interested shareholder and if they fail to do so, their votes will not be counted.

There are some matters in which the Listing Rules are more stringent than the Israeli Companies Law with respect to transactions requiring approval by shareholders in a general meeting with no material interest in such transactions and/or controlling shareholders abstaining from voting in favor of certain transactions.

To achieve an outcome that is substantially equivalent to that under the Listing Rules as regards voting by disinterested shareholders in a general meeting, the Articles of Association provide that in respect of any resolution approving a transaction for which the Listing Rules requires a shareholder with a material interest in that transaction to abstain from voting, such resolution will be approved subject to the following conditions:

(1) the Company will appoint its compliance adviser or another independent financial or legal adviser to review the votes counted by the share registrar and they confirm that the resolution would have been successfully passed if the votes cast had excluded the votes of Shareholders that would be required to abstain from voting under the Listing Rules;

(2) the transaction agreement will contain a condition precedent that the Company obtains the confirmation described in paragraph (1) above; and

(3) the Company will conduct the transaction only if the condition precedent is satisfied.

Notice of General Meetings

Under the Joint Policy Statement, an overseas company must give its members reasonable written notice of its general meetings.

The Israeli Companies Law generally requires a minimum of 21 days' notice to shareholders prior to an annual general meeting but such notice may vary from 35 to 14 days for a foreign listed Israeli public company under certain circumstances.

The Articles of Association provide that a notice of an annual general meeting must be published at least 21 days prior to the meeting, subject to a longer notice of at least 35 days for certain matters which require a longer notice period under the Israeli Companies Law.

4. COMPLIANCE WITH THE TAKEOVERS CODE

There are differences between the requirements for takeover procedures under Hong Kong and Israeli laws in relation to a mandatory general offer.

Under Israeli Companies Law, a person who wishes to acquire shares of a public Israeli company and who would as a result of such acquisition holds over 90% of the company's voting rights or the company's issued share capital, is required to make a tender offer to all the company's shareholders for the acquisition of all the issued shares of a company (see "Full Tender Offer" above for further details).

Rule 26 of the Takeovers Code provides that a mandatory general offer must only be conditional upon the offeror having received acceptances in respect of voting rights which, together with the voting rights acquired or agreed to be acquired before or during the offer, will result in the offeror and any person acting in concert with it holding more than 50% of the voting rights (the "**50% Acceptance Condition**").

A conflict arises where a mandatory general offer is triggered under the Takeovers Code and which may result in the offeror holding more than 90% of the voting rights or issued share capital of the company, thereby also triggering the full tender offer requirements. In such a case, Rule 26 of the Takeovers Code requires that the only condition to the mandatory general offer to be the 50% Acceptance Condition, while the full tender offer requirements impose the Israeli Acceptance Conditions (see "Full Tender Offer" above for further details) in order to allow the offeror to increase its shareholding to more than 90% of the issued share capital of the company.

In addition, if the Israeli Acceptance Conditions are not satisfied, the offeror may only acquire such shares for the accepting shareholders which will not result in the offeror owning more than 90% of the issued share capital of the company. However, under the Takeovers Code, once the 50% Acceptance Condition is satisfied, the offeror is required to acquire all the shares in respect of which acceptances are received and payment for such shares is required to be made within seven business days following the date on which the offer becomes or is declared unconditional and the date of receipt of a duly completed acceptance.

Notice to All Shareholders and Potential Investors

Shareholders and potential investors in the Company should be aware that any person contemplating an offer for the shares of the Company will need to comply with both the requirements relating to offers under the Takeovers Code and the requirements relating to full tender offers under the Israeli Companies Law.

In case of a mandatory general offer in relation to the Company, there is a conflict between the requirements under Rule 26 of the Takeovers Code which permits a mandatory general offer to be subject only to the 50% acceptance condition and the full tender offer requirements under the Israeli Companies Law which impose restrictions on the ability of an offeror to acquire more than 90% of the voting rights in the Company unless the Israeli Acceptance Conditions are satisfied.

In this regard, any potential offeror must not acquire any shares or voting rights in the Company which would give rise to a requirement to make a mandatory general offer under the Takeovers Code unless it is satisfied that the making or implementation of such an offer would comply with the provisions of the Takeovers Code and the Israeli Companies Law.

Failure to do so would result in (a) a breach of the Takeovers Code unless dispensation(s) under the Takeovers Code is granted by the Executive Director of the Corporate Finance Division of the SFC or his delegate ("**Executive**"), which will be granted only in exceptional circumstances; and (b) a breach of the Israeli Companies Law. There is no assurance that the Executive will grant such dispensation(s). In case of any doubt, the Executive should be consulted at the earliest opportunity and in any event before a mandatory general offer is triggered.

5. VOTING ARRANGEMENTS AND DECLARATION OF PERSONAL INTEREST

As explained in "Material Interest in a Transaction" above, for certain transactions under the Israeli Companies Law, a shareholder voting on the proposed resolution at the general meeting is required to declare whether or not he has a personal interest in the proposed resolution. Otherwise, the votes of such shareholder will not be counted.

Accordingly, in relation to those transactions requiring a shareholder to declare whether or not he has a personal interest in the proposed transaction, the following arrangements will apply:

(a) For Shareholders whose Shares are registered in their own name

If a Shareholder attends and votes at the general meeting in person, he will be required to indicate on the voting paper whether or not he has a personal interest in the proposed transaction.

If a Shareholder does not attend the general meeting in person and appoints a proxy to attend and vote on his behalf at the general meeting, such Shareholder is required to include with his proxy form (a) a declaration of whether or not the Shareholder has a personal interest in the proposed transaction; and (b) voting instructions which (i) are not subject to change (although not necessarily irrevocable); (ii) are clear and unambiguous and leave no discretion to the proxy; and (iii) refer to the resolutions in the notice of the general meeting.

If such Shareholder or his proxy in the absence of voting instructions containing the terms described in the preceding paragraph does not indicate on the voting paper whether or not the Shareholder or proxy, as applicable, has a personal interest in the proposed transaction, the votes of such Shareholder will not be counted.

A Shareholder may appoint any person to be his proxy, including the chairman of the general meeting, provided that where the proxy includes a vote on a matter in which a personal interest must be declared, the voting instructions on the proxy form do not give any discretion to the proxy holder.

(b) For Shareholders whose Shares have been Deposited into CCASS

Any Shareholder for whose benefit Shares are registered with a CCASS participant (or who is himself a CCASS investor participant) and whose underlying Shares have been deposited into CCASS and registered in the name of HKSCC Nominees Limited ("**HKSCCN**") is required to include with his voting instructions to the CCASS participant or HKSCCN (as the case may be) a declaration of whether or not he has a personal interest in the proposed transaction. If such declaration of a personal interest is not provided with the voting instructions, the votes of such Shareholder will not be counted. Such voting instructions shall: (a) be provided in writing (in physical or electronic format), (b) not be subject to change (although not necessarily irrevocable), (c) be clear and non-ambiguous and leave no discretion to those receiving the instructions, and (d) refer to the resolutions included in the notice of the General Meeting.

CCASS participants who receive voting instructions from the beneficial owners of Shares should provide the voting instructions together with the declarations of personal interest received to HKSCCN.

Voting Deeds and Position Notices (Applicable only to Shareholders whose Shares are registered in their own name)

Voting Deeds

For Shareholders whose Shares are registered in their own name, in addition to voting in person or by proxy at general meetings, they may also vote using a voting deed on resolutions relating to the following matters:

(a) appointment and dismissal of Directors;

(b) approval of extraordinary transactions for which the Company requires approval of the general meeting, such as acts of company officers which raise concerns of fiduciary duty and the matters set out in paragraphs (b) (3), (b) (5), (c) (2) and (c) (3) in "Material Interest in a Transaction" above;

(c) approval of a merger;

(d) authorizing the chairman of the board or his/her relative to act as CEO or to exercise the powers of the CEO, and authorizing the CEO or his/her relative to act as chairman of the board or to exercise the chairman's powers;

(e) any other matter for which the Articles of Association determine the Shareholders may vote by voting deed; and

(f) any other matter which the Justice Minister may enact in regulations, which currently include (i) approval of the Company's executive compensation policy and (ii) any settlement or other arrangement between the Company and its Shareholders or creditors.

A voting deed is a document which allows a Shareholder to submit his vote on certain resolutions directly in writing to the Company, rather than attending the general meeting in person or by proxy. For any general meeting where a proposed resolution relates to any of the above matters, the Company will send a voting deed in addition to a proxy form to the Shareholder, who should decide how he wishes to vote on the relevant resolution.

Shareholders should note that if the relevant resolution requires a declaration of a personal interest and such Shareholders elect to vote using a voting deed, they must indicate on the voting deed whether or not they have a personal interest in the proposed transaction. If such declaration of a personal interest is not indicated on the voting deed, the votes of such Shareholders will not be counted.

Position Notices

A position notice is a written statement of an opinion or position on a certain matter on the agenda for a general meeting. While Shareholders or their proxies who attend the general meeting in person will have the opportunity to participate in discussions and to hear the opinions of other Shareholders prior to voting, a voting deed must be submitted to the Company prior to the general meeting. A position notice therefore enables Shareholders who vote using a voting deed to state their position on the relevant matter to the other Shareholders prior to voting. Shareholders who vote using a voting deed may submit a position notice together with their voting deed to the Company.

6. LAWS AND REGULATIONS IN RELATION TO TAXATION

The following description is not intended to constitute a complete analysis of all tax consequences relating to the purchase, ownership or disposition of the Shares. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign, including Israel, or other taxing jurisdiction.

Certain Israeli tax considerations

The following is a brief summary of certain Israeli income tax laws applicable to us. This section also contains a discussion of certain Israeli tax consequences concerning the purchase, ownership and disposition of our New Shares. This summary does not discuss all the Israeli tax aspects that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. To the extent that the summary below discusses new legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure that the relevant tax authorities or the courts will accept the views expressed in this discussion. This summary is based on laws and regulations in effect as of the date hereof and does not take into account possible future amendments which may be under consideration.

General corporate tax structure in Israel

Israeli resident companies (as defined below), such as the Company, are generally subject to corporate tax currently at the rate of 24% (scheduled to be reduced to 23% in 2018) with respect to their taxable income, as at January 1, 2017.

Capital gains derived by an Israeli resident company are generally subject to tax at the same rate as the corporate tax rate. Under Israeli tax legislation, a corporation will be considered an "Israeli resident" if it meets one of the following: (i) it was incorporated in Israel; or (ii) the control and management of its business are exercised in Israel.

Law for the Encouragement of Industry (Taxes), 5729-1969

The Law for the Encouragement of Industry (Taxes), 1969, ("**Industry Encouragement Law**"), provides several tax benefits for "Industrial Companies", which are defined as Israeli resident-companies which 90% or more of their income in any tax year is derived from an "Industrial Enterprise" which must be located in Israel, that it owns, or an enterprise whose principal activity in a given tax year is industrial production. Eligibility for benefits under the Industry Encouragement Law is not contingent upon approval of any governmental authority.

The following corporate tax benefits, among other things, are available to "Industrial Companies":

- amortization over an eight year period of the cost of purchasing a patent, rights to use a patent and rights to know-how, which are used for the development or advancement of the company, commencing in the year in which such rights were first exercised;
- under limited conditions, an election to file consolidated tax returns with related Industrial Companies; and
- deductions of expenses related to a public offering in equal amounts over a three year period.

Currently, Alma Lasers is qualified as an "Industrial Company" within the meaning of the Industry Encouragement Law, while the Company is not qualified as such. There can be no assurance that the Company will qualify as an "Industrial Company" in the future or that Alma Lasers will continue to qualify as an "Industrial Company" and continue to benefit from the Industrial Encouragement Law.

Law for the Encouragement of Capital Investments, 5719-1959

The Law for the Encouragement of Capital Investments, 1959 ("**Capital Encouragement Law**"), provides certain incentives for capital investments in production facilities (or other eligible assets). The Capital Encouragement Law was significantly amended effective April 1, 2005 and further amended as of January 1, 2011 ("**2011 Amendment**"). The 2011 Amendment introduced new benefits to replace those granted in accordance with the provisions of the Capital Encouragement Law in effect prior to the 2011 Amendment.

Tax benefits under the 2011 Amendment

The 2011 Amendment cancelled the availability of the benefits granted to Industrial Companies under the Capital Encouragement Law prior to 2011 and, instead, introduced new benefits for income generated to a "Preferred Company" through its "Preferred Enterprise" (as such terms are defined in the Capital Encouragement Law) as of January 1, 2011.

The definition of a Preferred Company includes a company incorporated in Israel that is not fully owned by a governmental entity, and that has, among other things, a Preferred Enterprise and is controlled and managed from Israel. Under a recent amendment announced in December 2016, beginning in 2017 and in each year thereafter, a Preferred Company may be entitled to reduced corporate tax rates of 16%, or 7.5% in case the Preferred Enterprise is located in a specified development zone. Income derived by a Preferred Company from a "Special Preferred Enterprise" (as such term is defined under the Capital Encouragement Law) would be entitled, during a benefit period of ten years, to further reduced tax rates of 8%, or 5% if the Special Preferred Enterprise is located in a certain development zone. Also, income derived by a Preferred Company from a "Preferred Technology Enterprise" (as such term is defined under the Capital Encouragement Law) would be subject to a reduced corporate tax rate of 12% or 7.5% where the "Preferred Technology Enterprise" is located in a specified development zone. Where the Preferred Company derives income from a "Special Preferred Technology Enterprise" (as such term is defined under the Capital Encouragement Law) the tax rate can be further reduced to 6%.

As of January 1, 2014, dividends paid out of income attributed to a Preferred Enterprise are subject to withholding tax at source at the rate of 20% unless a different tax rate is provided under an applicable tax treaty. However, if such dividends are paid to an Israeli company, no tax is required to be withheld.

Currently, Alma Lasers is entitled to receive certain tax benefits available for Preferred Companies, however, there can be no assurance that Alma Lasers will continue to be entitled to receive such benefits at any time in the future. Furthermore, there can be no assurance that even if in the future Alma Lasers meets the relevant requirements for such tax benefits, that such tax benefits will be available to Alma Lasers at all.

Taxation of our Israeli individual shareholders on receipt of dividends

Israeli residents who are individuals are generally subject to Israeli income tax for dividends paid on our ordinary shares (other than bonus shares or share dividends) at a rate of 25%, or 30% if the recipient of such dividend is a Substantial Shareholder (as defined below) at the time of distribution or at any time during the preceding 12 month period. An additional tax at a rate of 3% may be imposed upon individual shareholders whose annual taxable income from all sources exceeds a certain amount, as described below.

A "Substantial Shareholder" is generally a person who alone, or together with his or her relative or another person who collaborates with him or her on a regular basis, holds, directly or indirectly, at least 10% of any of the "means of control" of a corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an officer, receive assets upon liquidation or instruct someone who holds any of the aforesaid rights regarding the manner in which he or she is to exercise such right(s), all regardless of the source of such right.

With respect to individuals, the term "Israeli resident" is generally defined under Israeli tax legislation as a person whose center of life is in Israel. The Israeli Tax Ordinance states that in order to determine the center of life of an individual, consideration will be given to the individual's family, economic and social connections, including: (i) place of permanent residence; (ii) place of residential dwelling of the individual and the individual's immediate family; (iii) place of the individual's regular or permanent occupation or the place of his or her permanent employment; (iv) place of the individual's active and substantial economic interests; (v) place of the individual's activities in organizations, associations and other institutions. The center of life of an individual will be presumed to be in Israel if: (i) the individual was present in Israel for 183 days or more in the tax year; or (ii) the individual was present in Israel for 30 days or more in the tax year, and the total period of the individual's presence in Israel in that tax year and the two previous tax years is 425 days or more. Such presumption may be rebutted either by the individual or by the assessing officer.

Payers of dividends on our ordinary shares, including the Israeli stockbroker effectuating the transaction, or the financial institution through which the securities are held, are generally required, subject to any of the foregoing exemptions, reduced tax rates and the demonstration of a shareholder regarding his, her or its foreign residency, to withhold tax upon the distribution of dividend at the rate of 25%, so long as the shares are registered with a nominee company.

Taxation of Israeli resident corporations on payment of dividends

Israeli resident corporations are generally exempt from Israeli corporate income tax with respect to dividends paid on ordinary shares held by such Israeli resident corporations as long as the profits out of which the dividends were paid were derived in Israel and received from another corporation that is liable to Israeli corporate tax.

Capital gains taxes applicable to Israeli resident shareholders

The income tax rate applicable to real capital gains derived by an Israeli individual resident from the sale of shares that were purchased after January 1, 2012, whether listed on a stock exchange or not, is 25%. However, if such shareholder is considered a Substantial Shareholder at the time of sale or at any time during the preceding 12 month period, such gain will be taxed at the rate of 30%. In addition, as noted above, beginning in 2017, an additional tax at a rate of 3% may be imposed upon individual shareholders whose annual taxable income from all sources exceeds a certain amount, as described below.

Moreover, capital gains derived by a shareholder who is a dealer or trader in securities, or to whom such income is otherwise taxable as ordinary business income, are taxed in Israel at ordinary income rates (currently 24% for corporations and up to 50% for individuals).

At the sale of securities traded on a stock exchange a detailed return, including a computation of the tax due, must be filed and an advanced payment must be paid on January 31 and July 31 of every tax year in respect of sales of securities made within the previous six months. However, if all tax due was withheld at source according to applicable provisions of the Ordinance and regulations promulgated thereunder the aforementioned return need not be filed and no advance payment must be paid. Capital gain is also reportable on the annual income tax return.

Taxation of non-Israeli shareholders on receipt of dividends

Non-Israeli resident shareholders are generally subject to Israeli income tax on the receipt of dividends paid on our Shares at the rate of 25% (or 30%, if such holder is a Substantial Shareholder at the time when he or she receives the dividends or on any date in the 12 months preceding such date). Such tax on the dividend will be withheld at source by the Company, unless, a shareholder applies to the Israel Tax Authority and obtains an approval that it is entitled to a reduced tax rate under an applicable tax treaty between Israel and the shareholder’s country of residence.

A shareholder who is entitled to a reduced tax rate under an applicable tax treaty between Israel and the shareholder's country of residence, but had not obtained an approval from the Israel Tax Authority prior to a payment of a dividend, may apply for a tax refund by submitting Form 1301 to the Israel Tax Authority together with the relevant identity document(s) and such other documents as may be required by the Israel Tax Authority and the confirmation of the taxes withheld (referred to below). The Form 1301 and details of how to apply for a tax refund can be obtained from the website of the Israel Tax Authority at www.taxes.gov.il. The application for a tax refund may be submitted to the Israel Tax Authority for a period of seven years from the end of the year in which such dividend was distributed.

In the year following the payment of the dividends until the end of that year, the Company may apply to the Israel Tax Authority and obtain a formal confirmation for all taxes withheld in the previous year for its statutory tax reporting requirements.

There is no reporting obligation in Israel for non-Israeli residents applying for tax benefits available under a tax treaty with Israel.

With respect to Hong Kong resident shareholders, there is currently no tax treaty between Israel and Hong Kong that gives rise to any tax benefits on the receipt of dividends from the Company. There is, however, a tax treaty between Israel and the PRC pursuant to which shareholders who are residents of the PRC may be entitled, under certain circumstances, to tax benefits available under that treaty. These benefits provide, where applicable, that dividends paid to a shareholder who is a resident of the PRC may be taxed in Israel at a rate of 10%.

Capital gains income taxes applicable to Non-Israeli shareholders

According to Israeli tax law, non-Israeli resident shareholders are exempt from Israeli capital gains tax on any capital gains derived from the sale, exchange or disposition of our Shares, provided the following conditions are met:

(1) such gains were not derived from a permanent establishment or business activity of such shareholders in Israel; and

(2) the Shares were purchased by the non-Israeli resident pursuant to the Global Offering or following the listing of the Shares on the Stock Exchange.

Notwithstanding the above, non-Israeli resident shareholders who are legal entities will not be entitled to the foregoing exemption if Israeli residents (i) have a controlling interest of more than 25% in such non-Israeli entity or (ii) are the legal beneficiaries of or are entitled to 25% or more of the revenues or profits of such non-Israeli entity, whether directly or indirectly.

In addition, a sale of securities by a non-Israeli resident shareholder may also be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty.

Foreign brokers (including CCASS Participants) are not required to withhold Israeli tax at source with respect to a sale of our Shares.

Excess tax

Individuals who are subject to tax in Israel are also subject to an additional tax at a rate of 3% on annual income exceeding a certain threshold (NIS640,000 for 2017, which amount is linked to the annual change in the Israeli consumer price index), including, but not limited to, dividends, interest and capital gains.

Estate and gift tax

Israeli law presently does not impose estate or gift taxes.

Stamp Duty

Israeli law presently does not impose a stamp duty on the transfer of shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.