

SECTION B

FOREIGN LAWS AND REGULATIONS

Our Company is incorporated in the Cayman Islands and governed by its Articles of Association, as amended from time to time, and subject to the Companies Act, Cap.22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time (the “**Cayman Companies Act**” or “**Companies Act**”). Our ADSs are also listed in the U.S. on the Nasdaq Global Select Market (the “**Nasdaq**”) under the symbol “**KC**”; we are considered a “foreign private issuer” and are subject to certain U.S. laws and regulations and the relevant Nasdaq rules.

We set out below a summary of key laws and regulations that concern shareholder rights and taxation that may differ from comparable provisions in Hong Kong. This summary does not contain all applicable laws and regulations, nor does it set out all the differences with laws and regulations in Hong Kong, or constitute legal or tax advice.

Foreign Laws and Regulations: Cayman Islands

RIGHTS OF SHAREHOLDERS

1. Dividends

Under our constitution

The holders of ordinary shares are entitled to such dividends as may be declared by the Board of Directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or the Company’s share premium account, and provided further that a dividend may not be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

Any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited by the Board of Directors and, if so forfeited, shall revert to the Company.

2. Voting Rights

Under our constitution

Subject to any rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak; (b) on a show of hands every member present in any such manner shall have one vote; and (c) on a poll every member present in such manner shall have one vote for every share of which he is the holder. A resolution put to the vote of a general meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or

- (b) by at least three shareholders present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a shareholder or shareholders present in person or (in the case of a shareholder being a corporation) by its duly authorised representative or by proxy and representing not less than one tenth of the total voting rights of all shareholders having the right to vote at the meeting; or
- (d) by a shareholder or shareholders present in person or (in the case of a shareholder being a corporation) by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

A demand by a person as proxy for a shareholder or in the case of a shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a shareholder.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than three-fourths of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to the Memorandum and Articles of Association. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of the Company, as permitted by the Companies Act and the Memorandum and Articles of Association.

3. Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

4. Liquidation

Under our constitution

On a winding up of the Company, if the assets available for distribution among the shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the excess will be distributed *pari passu* amongst such shareholders in proportion to the amount paid up on the shares held by them respectively. If the assets available for distribution are insufficient to repay all of the paid-up capital, such assets shall be distributed so that, a nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

Under the Cayman Companies Act

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

5. Shareholders' Suits

Under the Cayman Companies Act

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. Protection of Minorities

Under the Cayman Companies Act

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

DIRECTORS' POWERS AND INVESTOR PROTECTION

7. Directors Borrowing Powers

Under our constitution

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock and other such securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

8. Shareholders' Suits

Under the Cayman Companies Act

See item 4 above.

9. Protection of Minorities

Under the Cayman Companies Act

See item 5 above.

TAKEOVER OR SHARE REPURCHASES

10. Redemption, Purchase and Surrender of Shares

Under our constitution

The Company may issue shares on terms that such shares are subject to redemption, at the option of the Company or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by the Board of Directors. The Company may also repurchase any of the Company's shares provided that the manner and terms of such purchase have been approved by the Board of Directors, or are otherwise authorized by the Memorandum and Articles of Association. Under the Companies Act, the redemption or repurchase of any share may be paid out of the Company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the Company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the Company has commenced liquidation. In addition, the Company may accept the surrender of any fully paid share for no consideration.

11. Mergers and Consolidations

Under the Cayman Companies Act

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

12. Reconstructions

Under the Cayman Companies Act

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

13. Take-overs

Under the Cayman Companies Act

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

TAXATION

14. Stamp duty on transfers

Under the Cayman Companies Act

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

15. Taxation

Under the Cayman Companies Act

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
- (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

Foreign Laws and Regulations: United States and Nasdaq

RIGHTS OF SHAREHOLDERS

1. Shareholder Rights Under the Deposit Agreement

- *Receipt of distributions.* The depository has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, upon payment or deduction of its fees and expenses.
- *Voting of deposited securities.* ADS holders may instruct the depository how to vote the number of deposited shares their ADSs represent. If we request the depository to solicit your voting instructions (and we are not required to do so), the depository will notify you of a shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depository how to vote. For instructions to be valid, they must reach the depository by a date set by the depository. The depository will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. If we do not request the depository to solicit your voting instructions, you can still send voting instructions, and, in that case, the depository may try to vote as you instruct, but it is not required to do so.
- *Reports.* The depository will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depository will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.
- *Withdrawal.* Subject to limited exceptions, ADR holders have the right to cancel their ADSs and withdraw the underlying Shares at any time, provided that the applicable taxes, duties, and charges are paid.

2. Shareholder Proposals and Approvals

As a foreign private issuer, our Company is not subject to the rules of the U.S. Securities and Exchange Commission (the “SEC”) regarding proxy statements to shareholders. Instead, shareholder proposals must be made in accordance with our Company’s Memorandum and Articles of Association, as amended.

3. Corporate Governance

The Nasdaq Listing Rules contain a number of corporate governance requirements for Nasdaq-listed companies.

However, as a foreign private issuer, our Company can opt to be exempt from most of these requirements if we choose to follow “home country practice,” which would be disclosed in our annual report on Form 20-F. Notwithstanding, our Company cannot opt out of complying with Rule 10A-3 under the Securities Exchange Act of 1934, as amended, which includes, among other things, the independence requirement of audit committee members. The audit committee would be responsible for establishing procedures for handling complaints regarding our Company’s accounting practices.

4. Sarbanes-Oxley Requirements

The Company is also subject to the U.S. Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”). Sarbanes-Oxley addresses issues such as the composition of the audit committee of the board of directors and the adoption of the company codes of ethics, including:

- *No personal loans to directors or executive officers.* A company cannot extend personal loans to its directors and executive officers.
- *Whistle-blower protection.* The company is required to establish procedures for confidential and anonymous submission by employees of accounting-related concerns.

5. Takeover Regulations

Mergers. If we are required to seek Shareholder approval in connection with a merger pursuant to the requirements of Cayman Islands law or our Articles of Association, as amended, we will furnish the proxy statement for the applicable Shareholders' meeting to the SEC on a current report on Form 6-K. As noted above, however, foreign private issuers such as our Company may elect to follow their "home country practices" in lieu of complying with applicable shareholder approval requirements under the Nasdaq Listed Company Manual. In addition, if the merger involves the issuance of Shares, we may be required to register the offering of such Shares with the SEC.

Tender offers. Neither the U.S. federal securities laws nor the Nasdaq Listed Company Manual have the concept of a "general offer." Therefore, a party making a tender offer is free to decide how many shares will be subject to the offer. All holders of the same class of securities must be treated equally and the highest consideration paid to any one shareholder of that class of securities must be paid to all shareholders of that same class. A tender offer must remain open for a minimum of 20 business days after commencement, and may be extended in circumstances. Within 10 business days of commencement, the subject company must send a notice to its shareholders recommending whether to accept or reject a tender offer, or expressing a neutral position.

Disclosure of interests for major shareholders. Any person who, following the acquisition of the beneficial ownership of a class of equity securities (which includes the power to direct the voting or the disposition of the securities) registered under Section 12 of the U.S. Exchange Act (the "**Registered Equity Class**"), is a beneficial owner of more than 5% of the Registered Equity Class, must publicly file beneficial owner reports (on Schedule 13D or Schedule 13G, as applicable) with the SEC, and such person shall generally promptly report any material change in the information provided (including, in some cases, any acquisition or disposition of 1% or more of the Registered Equity Class), unless exceptions apply.