

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on March 10, 2011. Our Company has established a place of business in Hong Kong at Suites 1602-05, Chater House, 8 Connaught Road Central, Hong Kong and was registered in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on April 18, 2012. Mr. Wu Xiao An and Mr. Wang Yunxian were appointed as the authorized representatives of our Company for the acceptance of service of process and notice on behalf of our Company in Hong Kong at the above address.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and Articles. A summary of certain provisions of its constitution and certain aspects of the Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in the share capital of our company**

Our Company was incorporated with an authorized share capital of HK\$80,000,000 divided into 8,000,000,000 Shares of HK\$0.01 each. The following alterations in the share capital of our Company have taken place since its date of incorporation:

- (i) on March 10, 2011, our Company issued and allotted one fully paid Share to the initial subscriber, and such Share was subsequently transferred to Brilliance Investment on the same date;
- (ii) on March 10, 2011, our Company issued and allotted 999 fully paid Shares to Brilliance Investment;
- (iii) on August 29, 2011, our Company allotted and issued 1,000 Shares, credited as fully paid at par, to Xinhua Investment, representing the then 50% equity interest in our Company, in full settlement of the loan from Xinhua Investment to us in the amount of HK\$433 million under the Loan Agreement;
- (iv) on October 25, 2011, our Company issued and allotted 399,999,000 Shares, credited as fully paid at par, to each of Brilliance Investment and Xinhua Investment by way of capitalization of the sum of HK\$7,999,980 (being the amount necessary to pay up such Shares at par) out of the special reserve account of the Company;
- (v) on October 31, 2011, our Company issued and allotted 46,200,000 fully paid Shares, representing approximately 4.914% of the issued share capital of our Company after the Pre-IPO Investment and the subscription of Shares by Lead In, to Dongfeng Motors Engineering, at a consideration of HK\$49,975,714.94; and
- (vi) on October 31, 2011, our Company issued and allotted 93,999,794 Shares, representing approximately 9.998% of the issued share capital of our Company after the Pre-IPO Investment and the subscription of Shares by Lead In, to Lead In, at a consideration of HK\$101,681,967.73.

### 3. Written resolutions of our Shareholders

Pursuant to the written resolutions passed by our Shareholders on April 25, 2012 and February 8, 2013, the following resolutions, among other resolutions, were duly passed:

- (i) our Company conditionally approved and adopted the Articles, the relevant provisions of which are summarized in Appendix IV to this prospectus;
- (ii) conditional upon (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, our Shares in issue and to be issued (pursuant to the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional or waived and none of the Underwriting Agreements are terminated in accordance with their terms or otherwise:
  - (a) the Global Offering was approved and our Company was authorized, among other powers, to allot and issue the Offer Shares pursuant to the Global Offering;
  - (b) the Over-allotment Option was approved and our Company was authorized to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised; and
  - (c) the rules of the Share Option Scheme were approved and adopted and any one Director was authorized to (aa) administer the Share Option Scheme; (bb) modify and/or amend the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Share Option Scheme relating to modification and/or amendment and the requirements of the Listing Rules; (cc) grant options to subscribe for Shares under the Share Option Scheme and to allot and issue Shares pursuant thereto up to the limits referred in the Share Option Scheme; and (dd) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme;
- (iii) a general and unconditional mandate (the “General Mandate”) was given to the Board to allot, issue and deal with Shares (including the power to grant any offers, agreements or option which would or might require Shares to be issued, allotted or disposed of, whether during continuance of such mandate or thereafter), other than pursuant to the Global Offering, issued as a result of rights issue, scrip dividend or similar arrangement pursuant to the Articles from time to time, upon the exercise of any rights of subscription or conversion attached to any warrants of our Company or upon the exercise of rights of subscription attached to any options which may be granted pursuant to the Share Option Scheme or similar arrangement or a specific authority granted by our Shareholders, but which Shares with an aggregate nominal value shall not exceed the aggregate of (a) 20% of aggregate nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering (excluding any Shares which may be issued upon the exercise of the Over-allotment Option and which may be granted under the Share Option Scheme); and (b) the aggregate nominal value of share capital of our Company repurchased by our Company under the authority granted to our Directors as referred to in paragraph (iv) below;
- (iv) a general and unconditional mandate (the “Repurchase Mandate”) was given to our Board to exercise all powers of our Company to repurchase Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and which is recognized by the

SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange, but which aggregate nominal value of Shares our Board is authorized to repurchase pursuant to the Repurchase Mandate shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and which may be granted under the Share Option Scheme);

The General Mandate and Repurchase Mandate referred to in paragraphs (iii) and (iv) above will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting;
- (b) the expiration of the period within which our next annual general meeting is required by the Articles or any applicable law of the Cayman Islands to be held; or
- (c) the revocation or variation of the above mandates by an ordinary resolution of our Shareholders in a general meeting.

#### **4. Corporate Reorganization**

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganization, please refer to the section headed “History and Reorganization — Reorganization”.

Following the completion of the Reorganization, our Company became the ultimate holding company of our principal operating subsidiary.

#### **5. Changes in the share capital of our subsidiaries**

Our subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

The following alterations in the share capital of the subsidiaries of our Company have taken place within the two years preceding the date of this prospectus:

##### ***Southern State***

On July 1, 2011, Brilliance China and our Company entered into a share transfer form, pursuant to which our Company acquired 100% equity interest in Southern State at a consideration of US\$1.

##### ***Mianyang Xinchun***

On July 1, 2011, Southern State and Xinhua Combustion Engine entered into an equity transfer agreement, pursuant to which Southern State agreed to acquire 50% equity interest in Mianyang Xinchun at a consideration of RMB354,654,500.

On August 24, 2011, Xinhua Investment, as lender, and our Company, as borrower, entered into the Loan Agreement in the amount of HK\$433,000,000, for the sole purpose of facilitating our Company and Southern State to acquire 50% equity interest in Mianyang Xinchun held by Xinhua Combustion Engine. Our Company shall issue 50% of our then enlarged issued share capital to Xinhua Investment at the request of Xinhua Investment under the Loan Agreement.

On August 29, 2011, the transfer of 50% equity interest in Mianyang Xincheng to Southern State was completed, as a result of which Mianyang Xincheng became a direct wholly-owned subsidiary of Southern State.

Save as described above, there has been no other alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this prospectus.

## 6. Corporate information of our subsidiaries

A summary of the corporate information of our subsidiaries are set out below:

Name: .....	Southern State Investment Limited
Place of incorporation: .....	British Virgin Islands
Date of incorporation: .....	September 30, 1997
Authorized share capital: .....	US\$50,000
Issued share capital: .....	US\$50,000
Interest held by us: .....	100%
Scope of business: .....	Investment holding
Name: .....	Mianyang Xincheng Engine Co., Ltd.* (綿陽新晨動力機械有限公司)
Place of establishment: .....	PRC
Date of establishment: .....	March 23, 1998
Total investment: .....	US\$29,900,000
Registered capital: .....	US\$24,120,000
Interest held by us: .....	100%
Scope of business: .....	Design, manufacture, sales and after-sales services of automotive engines

## 7. Repurchases of our own securities

This section includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

### (i) *Relevant legal and regulatory requirements in Hong Kong*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, and the key restrictions are summarized below:

#### (a) *Shareholders' approval*

All the proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

#### (b) *Source of funds*

Repurchases by our Company must be funded out of funds legally available for such purpose in accordance with the Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than

cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

*(c) Trading restrictions*

The total number of Shares which our Company may repurchase on the Stock Exchange is shares representing up to a maximum of 10% of the existing issued share capital. The Shares proposed to be repurchased must be fully paid-up. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, other than an issue of securities pursuant to an exercise of share options or similar instruments requiring our Company to issue securities which were outstanding prior to such repurchase, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. Also, our Company shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

The Controlling Shareholders as disclosed in this prospectus shall not or shall procure not to dispose of its Shares in the six-months period commencing from the Listing Date. No further Shares or securities convertible into equity securities of our Company may be issued or form the subject of any agreement to such an issue within six months from the Listing Date unless such an issue falls within one of the exceptions under the Listing Rules.

*(d) Status of repurchased Shares*

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those Shares must be cancelled and destroyed.

*(e) Suspension of repurchase*

Pursuant to the Listing Rules, our Company may not make any repurchase of Shares at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase our Shares on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if our Company has breached the Listing Rules.

*(f) Reporting requirements*

In the event that our Directors exercise the power to repurchase Shares under the Repurchase Mandate, under the Listing Rules, repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange in the prescribed form no later than 8.30 a.m. (Hong Kong time) on the following business day. In addition, our Company is required to disclose in our annual report

details regarding repurchases of securities made during the year, including but not limited to, in respect of each month, the number of securities repurchased and the aggregate prices paid.

*(g) Connected parties*

Our Company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a “connected person”, that is, a director, chief executive or substantial shareholders of our Company or any of its subsidiaries or their associates and a connected person shall not knowingly sell his securities to our Company on the Stock Exchange.

*(ii) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders to have a general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net assets and/or our earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and the Shareholders.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(iii) General*

The exercise in full of the Repurchase Mandate, on the basis of 1,253,599,794 Shares in issue immediately following completion of the Global Offering, would result in up to 125,359,979 Shares being repurchased by our Company during the period prior to the next annual general meeting of our Company following the passing of the resolutions referred to above.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention, in the event that the Repurchase Mandate is exercised, to sell any Shares to our Company or its subsidiaries.

Our Directors has undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders’ interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**B. FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) are or may be material and have been entered into by us within the two years preceding the date of this prospectus:

- (i) share transfer form dated July 1, 2011 executed by Brilliance China and our Company, pursuant to which Brilliance China transferred one ordinary share of Southern State, being the entire issued share capital of Southern State, to our Company;
- (ii) an equity transfer agreement dated July 1, 2011 entered into between Xinhua Combustion Engine as the transferor and Southern State as the transferee, pursuant to which Southern State agreed to acquire 50% equity interest in Mianyang Xinchun from Xinhua Combustion Engine through a public auction listed on the Southwest United Equity Exchange Co., Ltd. at a consideration of RMB354,654,500;
- (iii) the Loan Agreement dated August 24, 2011 entered into between Xinhua Investment as the lender and our Company as the borrower, pursuant to which Xinhua Investment has agreed to lend to our Company an amount of HK\$433,000,000 for the sole purpose of assisting our Company and Southern State to pay for the consideration for the acquisition by Southern State of the 50% equity interest of Mianyang Xinchun held by Xinhua Combustion Engine. Our Company shall issue 50% of our then enlarged issued share capital to Xinhua Investment at the request of Xinhua Investment under the Loan Agreement;
- (iv) a loan agreement dated October 18, 2011 entered into between Brilliance Investment as the lender and our Company as the borrower, pursuant to which Brilliance Investment has agreed to lend to our Company an amount of HK\$20,000,000 for the sole purpose of onward lending to Lead In for Lead In's purchase of the Lead In Subscribed Shares referred to in (vi) below;
- (v) a loan agreement dated October 18, 2011 entered into between Xinhua Investment as the lender and our Company as the borrower, pursuant to which Xinhua Investment has agreed to lend to our Company an amount of HK\$20,000,000 for the sole purpose of onward lending to Lead In for Lead In's purchase of the Lead In Subscribed Shares referred to in (vi) below;
- (vi) a loan agreement dated October 18, 2011 entered into between our Company as the lender and Lead In as the borrower, pursuant to which our Company has agreed to lend to Lead In an amount of HK\$40,000,000 for the sole purpose of enabling Lead In to purchase the Lead In Subscribed Shares;
- (vii) the Subscription Agreement dated October 31, 2011 entered into between Dongfeng Motors Engineering and our Company, pursuant to which Dongfeng Motors Engineering has agreed to acquire 46,200,000 Shares, representing approximately 4.914% of the then enlarged issued share capital of our Company (after giving effect to the subscription of Shares by Lead In and without giving effect to the completion of the Global Offering), at a consideration of HK\$49,975,714.94;
- (viii) a supplemental loan agreement dated October 16, 2012 entered into between Brilliance Investment as the lender and our Company as the borrower, pursuant to which the expiry




- date of the term of the loan agreement set out in (iv) above was extended from October 17, 2012 to October 17, 2013;
- (ix) a supplemental loan agreement dated October 16, 2012 entered into between Xinhua Investment as the lender and our Company as the borrower, pursuant to which the expiry date of the term of the loan agreement set out in (v) above was extended from October 17, 2012 to October 17, 2013;
  - (x) a supplemental loan agreement dated October 16, 2012 entered into between our Company as the lender and Lead In as the borrower, pursuant to which the expiry date of the term of the loan agreement set out in (vi) above was extended from October 17, 2012 to October 17, 2013;
  - (xi) the Trademark License Agreement dated December 10, 2012 entered into between Xinhua Combustion Engine and Mianyang Xinchun, pursuant to which Xinhua Combustion Engine granted Mianyang Xinchun a non-exclusive license, on a royalty-free basis, to use the trademark “剑门” registered in the PRC under the name of Xinhua Combustion Engine on our engines;
  - (xii) a supplemental agreement to the Subscription Agreement dated December 16, 2012 entered into between Dongfeng Motors Engineering and our Company, pursuant to which the commencement date upon which Dongfeng Motors Engineering could exercise its rights to demand our Company to repurchase all the Shares held by Dongfeng Motors Engineering be extended to take place after December 31, 2013;
  - (xiii) the deed of indemnity dated February 25, 2013 given by our Controlling Shareholders in favor of our Company (for itself and as trustee for each of our subsidiaries) in respect of, amongst others, taxation and property matters referred to in the sub-section headed “Tax and other indemnities” in this Appendix;
  - (xiv) the Deed of Non-competition dated February 25, 2013 given by our Controlling Shareholders and Huachen in favor of our Company referred to in the sub-section headed “Relationship with our Controlling Shareholders and Huachen — Deed of Non-competition” in this prospectus;
  - (xv) the First Huachen and Brilliance China Undertaking dated February 25, 2013 given by Huachen and Brilliance China in favor of our Company referred to in the sub-section headed “Relationship with our Controlling Shareholders and Huachen — Shenyang Xinguang Brilliance — Undertaking from Huachen and Brilliance China” in this prospectus;
  - (xvi) the Second Huachen and Brilliance China Undertaking dated February 25, 2013 given by Huachen and Brilliance China in favor of our Company referred to in the sub-section headed “Relationship with our Controlling Shareholders and Huachen — Aerospace Mitsubishi — Undertaking from Huachen and Brilliance China” in this prospectus; and
  - (xvii) the Hong Kong Underwriting Agreement.





## 2. Intellectual property

### Trademarks



As of the Latest Practicable Date, our Group had registered the following trademarks in the PRC:

<u>Trademark</u>	<u>Class</u>	<u>Registration no.</u>	<u>Registration period</u>	<u>Registered owner</u>
	7	1913710	June 14, 2003 to June 13, 2013	Mianyang Xincheng
	7	1913707	March 7, 2003 to March 6, 2013	Mianyang Xincheng
	12	5494007	October 7, 2009 to October 6, 2019	Mianyang Xincheng


As of the Latest Practicable Date, our Group had filed applications for registration of the following trademark in the PRC:

<u>Trademark</u>	<u>Class(es)</u>	<u>Applicant</u>	<u>Application no.</u>	<u>Application date</u>
	7	Mianyang Xincheng	11861521	December 7, 2012
	12	Mianyang Xincheng	11861546	December 7, 2012

As of the Latest Practicable Date, our Group had registered the following trademark in Hong Kong:

<u>Trademark</u>	<u>Class(es)</u>	<u>Trademark no.</u>	<u>Registered owner</u>	<u>Registration date</u>	<u>Next renewal date</u>
 	7 and 12	302113325	The Company	December 14, 2011	December 13, 2021

As of the Latest Practicable Date, our Group had filed an application for registration of the following trademark in Hong Kong:

<u>Trademark</u>	<u>Class(es)</u>	<u>Applicant</u>	<u>Application no.</u>	<u>Application date</u>
	7 and 12	The Company	302425824	November 5, 2012

## 3. Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names in the PRC:

<u>Domain name</u>	<u>Registrant</u>	<u>Expiration date</u>
(i) www.xinchengpower.com	Our Company	March 28, 2017
(ii) www.xce.com.cn	Mianyang Xincheng	December 3, 2019

#### 4. Patents

As of the Latest Practicable Date, our Group has registered the following patents in the PRC that are material to our business:

	<u>Patent</u>	<u>Type</u>	<u>Application no.</u>	<u>Application date</u>	<u>Patent holder</u>
(i)	Gasoline engine valve guide tube	Invention	ZL03135301.0	June 27, 2003	Mianyang Xinchun
(ii)	Compression height inspector of cylinder	Invention	ZL200510020819.5	April 29, 2005	Mianyang Xinchun
(iii)	Positioning device for accurate heavy workpiece processing	Invention	ZL200810147683.8	November 26, 2008	Mianyang Xinchun
(iv)	Noise-reducing gas exhausting thermal insulating hood for vehicle engine	Utility Patent	ZL200520034056.5	April 29, 2005	Mianyang Xinchun
(v)	Low oil consumption gasoline engine	Utility Patent	ZL200620034103.0	May 1, 2006	Mianyang Xinchun
(vi)	Gasoline engine	Utility Patent	ZL200620034104.5	May 1, 2006	Mianyang Xinchun
(vii)	Environmental friendly gasoline engine	Utility Patent	ZL200620034105.X	May 1, 2006	Mianyang Xinchun
(viii)	Exhaust gas recirculation valve for internal combustion engine	Utility Patent	ZL200720081395.8	October 1, 2007	Mianyang Xinchun
(ix)	Cylinder head for engine	Utility Patent	ZL200720081396.2	October 1, 2007	Mianyang Xinchun
(x)	High speed diesel engine for automobile	Utility Patent	ZL200820222942.4	November 26, 2008	Mianyang Xinchun
(xi)	Gasoline engine with variable valve timing mechanism	Utility Patent	ZL200820222943.9	November 26, 2008	Mianyang Xinchun
(xii)	Variable camshaft phase regulator of engine	Utility Patent	ZL200820222944.3	November 26, 2008	Mianyang Xinchun

	<u>Patent</u>	<u>Type</u>	<u>Application no.</u>	<u>Application date</u>	<u>Patent holder</u>
(xiii)	Camshaft of engine	Utility Patent	ZL200820222945.8	November 26, 2008	Mianyang Xincheng
(xiv)	Engine cylinder body	Utility Patent	ZL200820222946.2	November 26, 2008	Mianyang Xincheng
(xv)	Lubricating oil pump for engine	Utility Patent	ZL200830266119.9	November 26, 2008	Mianyang Xincheng
(xvi)	Piston for high speed diesel engine for automobile	Utility Patent	ZL200920353048.5	December 30, 2009	Mianyang Xincheng
(xvii)	Positioning column for engine	Utility Patent	ZL200920353049.X	December 30, 2009	Mianyang Xincheng
(xviii)	Cooling jet for engine piston	Utility Patent	ZL200920353051.7	December 30, 2009	Mianyang Xincheng
(xix)	Air outlet manifold branch of engine	Utility Patent	ZL201020120846.6	February 26, 2010	Mianyang Xincheng
(xx)	Air inlet manifold branch of engine	Utility Patent	ZL201020701379.6	December 31, 2010	Mianyang Xincheng
(xxi)	Air outlet manifold branch for engine	Utility Patent	ZL201020701380.9	December 31, 2010	Mianyang Xincheng
(xxii)	Piston with double-wedge shape combustion chamber for engine	Utility Patent	ZL201020701389.x	December 31, 2010	Mianyang Xincheng
(xxiii)	Cooling jet with double balance axle for engine piston	Utility Patent	ZL201020701381.3	December 31, 2010	Mianyang Xincheng
(xxiv)	Cooling device for engine piston	Utility Patent	ZL201020701382.8	December 31, 2010	Mianyang Xincheng
(xxv)	Engine cylinder body	Utility Patent	ZL201020701387.0	December 31, 2010	Mianyang Xincheng
(xxvi)	Lubricating oil pump for engine	Utility Patent	ZL201020701386.6	December 31, 2010	Mianyang Xincheng
(xxvii)	Internal cooling device for engine oil	Utility Patent	ZL201020701385.1	December 31, 2010	Mianyang Xincheng

**APPENDIX V****STATUTORY AND GENERAL INFORMATION**

<u>Patent</u>	<u>Type</u>	<u>Application no.</u>	<u>Application date</u>	<u>Patent holder</u>
(xxviii) Gasoline engine with single camshaft	Utility Patent	201120576999.6	December 31, 2011	Mianyang Xincheng
(xxix) Piston for engine	Utility Patent	201120579190.9	December 31, 2011	Mianyang Xincheng
(xxx) Gasoline engine	Utility Patent	201220000877.7	January 2, 2012	Mianyang Xincheng
(xxxi) Gasoline engine	Utility Patent	201220000878.1	January 2, 2012	Mianyang Xincheng

As of the Latest Practicable Date, our Group has filed applications for registration of the following patents in the PRC that are material to our business:

<u>Patent</u>	<u>Type</u>	<u>Application no.</u>	<u>Application date</u>	<u>Applicant</u>
(i) Device for cooling cast metal mould	Invention	200910265043.1	December 30, 2009	Mianyang Xincheng
(ii) Snap spring assembling tool	Invention	200910265044.6	December 30, 2009	Mianyang Xincheng
(iii) Air inlet/outlet mechanism of rotary air valve of internal combustion engine	Invention	200910265079.X	December 31, 2009	Mianyang Xincheng
(iv) Engine circulation rack	Invention	201110462795.4	December 31, 2011	Mianyang Xincheng
(v) Dual clutch transmission	Invention	201110462844.4	December 31, 2011	Mianyang Xincheng
(vi) Dual clutch transmission	Invention	201110462845.9	December 31, 2011	Mianyang Xincheng
(vii) Cam profile for engine	Invention	201110462846.3	December 31, 2011	Mianyang Xincheng
(viii) Valve oil seal removal tool	Invention	201110462847.8	December 31, 2011	Mianyang Xincheng
(ix) Dual clutch transmission	Invention	201110462878.3	December 31, 2011	Mianyang Xincheng

Saved as disclosed above, there are no other copyrights, patents or other intellectual property rights that are material to our business.

## 5. Properties

## Owned Properties

As at September 30, 2012, the Group had the following owned properties with the details set out below.

No.	Address and description of location	Owner	Use	Restrictions on use	Approximate area	Book value as at September 30, 2012	Material encumbrances, liens, pledges and mortgages	Material environmental issues	Material litigation, breaches, defects	Future plans for construction, renovation, improvement or development and estimated associated costs	Other remarks
1.	#228 Jianmen Road West Mianyang City, Sichuan Province, PRC	Mianyang Xincheng	Factory, offices, warehouses and employees' dormitories	None	The property occupies six parcels of land with an aggregate site area of approximately 59,043.94 sq. m. with an aggregate floor area of approximately 32,184.86 sq. m. erected on these lands	RMB18,999,000	Charged to Shanghai Pudong Development Bank for loans of approximately RMB50 million	None	None	None	None
2.	Mianyang High-Tech Development Zone	Mianyang Xincheng	Factory and offices	None	The property occupies two parcels of land with an aggregate site area of approximately 202,588.14 sq. m. and construction area of approximately 119,000 sq. m.	RMB185,242,000	Charged to Shanghai Pudong Development Bank for a loan of approximately RMB50 million	None	None	Estimated total capital expenditures in relation to land acquisition for, and construction of, new production facilities are approximately RMB245 million.	Construction of new production facilities is expected to be completed and the production facilities commence full commercial operation by September 30, 2013
3.	#78 Linyuan Road Middle, Fucheng Zone, Mianyang City	Mianyang Xincheng	Residential	None	Site area 171.19 sq. m., floor area 239.66 sq. m.	RMB317,000	None	None	None	None	None
4.	Rooms 103 and 203, No. 36, Yongcui Road, Baiyun Zone Guangzhou City	Mianyang Xincheng	Residential	None	Floor area 343.2 sq. m.	RMB1,096,000	None	None	None	None	None
5.	No. 5-101 Yanchuanshan Ecology Park, Yuhua Zone Changsha City	Mianyang Xincheng	Residential	None	Site area 73.08 sq. m., floor area 203.35 sq. m.	RMB1,159,000	None	None	None	None	None
6.	#89-2 Beihai Road, Dadong Zone Shenyang City	Mianyang Xincheng	Residential	None	Floor area 281.19 sq. m.	RMB1,010,000	None	None	None	None	None

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SENIOR MANAGEMENT AND STAFF

### 1. Directors' interests and short positions in the share capital and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering (but without taking account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme), the interest or short positions of our Directors in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed are as follows:

#### *Interest in the Shares of our Company*

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number and class of Shares</u>	<u>Approximate percentage of shareholding immediately after completion of the Global Offering<sup>(4)</sup></u>
Mr. Wu Xiao An (also known as Mr. Ng Siu On) <sup>(1)(3)</sup>	Trustee and interest in a controlled corporation	93,999,794 ordinary	7.498%
	Beneficial owner	8,320,041 ordinary	0.664%
Mr. Wang Yunxian <sup>(2)(3)</sup>	Trustee and interest in a controlled corporation	93,999,794 ordinary	7.498%
	Beneficial owner	6,471,143 ordinary	0.516%
Mr. Li Peiqi <sup>(3)</sup>	Beneficial owner	6,471,143 ordinary	0.516%

- (1) Mr. Wu Xiao An is a trustee of the Fixed Trust and the Discretionary Trust under the Incentive Scheme and holds 50% interests in Lead In. Mr. Wu Xiao An is also the beneficial owner of 8,320,041 Shares, representing approximately 0.664% of the issued share capital of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised), held under the Fixed Trust. Mr. Wu Xiao An will be deemed or taken to be interested in approximately 7.498% of the issued share capital of our Company.
- (2) Mr. Wang Yunxian is a trustee of the Fixed Trust and the Discretionary Trust under the Incentive Scheme and holds 50% interests in Lead In. Mr. Wang Yunxian is also the beneficial owner of 6,471,143 Shares, representing approximately 0.516% of the issued share capital of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised), held under the Fixed Trust. Mr. Wang Yunxian will be deemed or taken to be interested in approximately 7.498% of the issued share capital of our Company.
- (3) The beneficiaries of the Fixed Trust comprise certain Directors including Mr. Wu Xiao An, Mr. Wang Yunxian and Mr. Li Peiqi, 48 senior management and employees of our Group. The above Directors are taken or deemed to be interested in their entitlement in the Shares held by Lead In.
- (4) These percentages are calculated on the basis of 1,253,599,794 Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

### 2. Particulars of Directors' service agreements and letters of appointment

Each of our executive Directors has entered into a service agreement with our Company on February 26, 2013 for a term of three years commencing from the Listing Date, and such service agreement may be terminated in accordance with the terms of the service agreements.

Each of our non-executive and independent non-executive Directors was appointed to our Board pursuant to the respective letters of appointment dated February 26, 2013, for an initial term of three

year commencing from the Listing Date, and such appointment may be terminated in accordance with the terms of the letters of appointment.

Save as disclosed above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than agreements expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

### **3. Remuneration of Directors**

The aggregate amount of salaries, allowances, discretionary bonus and retirement benefits scheme contributions paid and benefits in kind granted to our Directors for each of the three years ended December 31, 2011 and the nine months ended September 30, 2012 were approximately RMB0.8 million, RMB0.8 million, RMB0.8 million and RMB0.6 million, respectively.

Under the arrangements currently in force, the estimated aggregate remuneration payable to, and benefits in kind receivable by (excluding any discretionary bonus), our Directors in respect of the year ending December 31, 2013 will be approximately RMB0.3 million. Our Company is considering a proposal, subject to approval by the remuneration committee and the Board, which would increase such aggregate remuneration to an estimated RMB11.0 million for the year ending December 31, 2013.

### **4. Agency fees or commissions received**

Save as disclosed in this prospectus, no commission, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

### **5. Disclaimers**

Save as disclosed in this prospectus:

- (i) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (ii) none of our Directors or experts referred to under the heading "Consents of experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (iv) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

- (v) excluding Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (vi) none of the experts referred to under the heading “Consents of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (vii) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

#### **D. INCENTIVE SCHEME ESTABLISHED BY LEAD IN**

The Incentive Scheme was established in 2011 before the Global Offering to serve as a retention tool, and to align the interests of the Beneficiaries with that of our Company. Lead In was incorporated for the purpose of holding our Shares on trust for the Beneficiaries pursuant to the Incentive Scheme.

Lead In was incorporated in the BVI on May 18, 2011 and is currently owned as to 50% by Mr. Wu Xiao An and 50% by Mr. Wang Yunxian, both of whom are our executive Directors. On October 31, 2011, Lead In subscribed for 93,999,794 Shares, representing approximately 9.998% of the then enlarged issued share capital of our Company (after giving effect to the subscription of Shares by Dongfeng Motors Engineering and without giving effect to the completion of the Global Offering) at a consideration of HK\$101,681,967.73, which was determined based on the Mianyang Xinchun Valuation Report. Lead In holds such Shares on trust for the Beneficiaries under two separate trust arrangements, namely the Fixed Trust and the Discretionary Trust. For details of the Fixed Trust and the Discretionary Trust, please see “History and Reorganization — Incentive Scheme Established by Lead In” in this prospectus.

The terms of the Incentive Scheme and the trust arrangements are not subject to the provisions of Chapter 17 of the Listing Rules as these arrangements will not involve the grant of options by us to subscribe for Shares after the Listing.



A summary of the Beneficiaries who have been awarded with Shares under the Fixed Trust is set out below:

<b>Name of Beneficiary</b>	<b>Address</b>	<b>Total consideration paid</b>	<b>Number of Shares awarded</b>	<b>Approximate percentage of issued Shares immediately after completion of the Global Offering<sup>(1)</sup></b>
<b><i>Directors of our Company:</i></b>				
Mr. Wu Xiao An	Flat C, 48/F Island Lodge 180 Java Road North Point Hong Kong	HK\$9,000,000	8,320,041	0.66%
Mr. Wang Yunxian	Room 5, Unit 1, Block 5 No. 228 Jianmen Road West Fucheng District Mianyang Sichuan Province PRC	HK\$7,000,000	6,471,143	0.52%
Mr. Li Peiqi	Annex 20 No. 6 Zhuanshu Street Cuiping District Yibin City Sichuan Province PRC	HK\$7,000,000	6,471,143	0.52%
<b><i>Director of Mianyang Xincheng (save as disclosed above):</i></b>				
Mr. Zhang Zitao	No. 11, Unit 1 No. 57 Yongquan Street Cuiping District Yibin City Sichuan Province PRC	HK\$1,432,000	1,323,810	0.11%

Name of Beneficiary	Address	Total consideration paid	Number of Shares awarded	Approximate percentage of issued Shares immediately after completion of the Global Offering <sup>(1)</sup>
<i>Senior management:</i>				
Mr. He Xuzong	No. 203, Unit 2, Block 24 No. 228 Jianmen Road West Fucheng District Mianyang PRC	HK\$3,300,000	3,050,681	0.24%
Mr. Song Ning	Flat 2D, Boyage Xiaodao Huayuan Youxian District Mianyang PRC	HK\$2,100,000	1,941,342	0.15%
Mr. Lai Yong	No. 204, Unit 1, Block 10 No. 228 Jianmen Road West Fucheng District Mianyang PRC	HK\$2,850,000	2,634,679	0.21%
Mr. Ma Li	No. 202, Unit 6, Block 2 Yunshuge Xiaodao Huayuan Youxian District Mianyang PRC	HK\$2,300,000	2,126,232	0.17%
Mr. Xu Bingchu	No. 401, Unit 2, Block 8 Fulin Xiaoqu No. 17 Anchang Road Mianyang PRC	HK\$3,350,000	3,096,904	0.25%
<i>42 other employees</i>	—	HK\$23,350,000	21,585,859	1.72%
		Total: HK\$61,682,000	57,021,834	4.55%

(1) These percentages are calculated on the basis of 1,253,599,794 Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Except for Mr. Wu Xiao An, Mr. Wang Yunxian, Mr. Li Peiqi and Mr. Zhang Zitao, none of the Beneficiaries under the Fixed Trust is a connected person of our Group as defined in the Listing Rules.

## E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a resolution of our Shareholders passed on April 25, 2012 and adopted by a resolution of our Board on April 25, 2012, and amended and restated pursuant to a resolution of our Shareholders passed on February 8, 2013. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

## 1. Purpose

The purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contribution to our Group and/or to enable us to recruit and retain high-caliber employees and attract human resources that are valuable to our Group and any entity in which our Group holds any equity interest (the “Invested Entity”).

## 2. Eligible Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options (the “Options”) to subscribe for Shares:

- any full time or part time employee of or any person to whom any offer of employment has been made (including any executive directors but not any non-executive director) by our Company, its subsidiaries, any Invested Entity or the holding company of our Company (the “Eligible Employee”);
- any non-executive director (including executive, non-executive and independent non-executive directors) of our Company, any of its subsidiaries or any Invested Entity;
- any supplier of goods or services to any member of our Group or any Invested Entity;
- any customer of our Group or any Invested Entity;
- any person or entity that provides research, development or other technological support to our Group or any Invested Entity;
- any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity; and
- any other group or classes of participants from time to time determined by the Directors as having contributed or may contribute to the development and growth of our Group and any Invested Entity,

and, for the purposes of the Share Option Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants or any discretionary object of a participant which is a discretionary trust. For the avoidance of doubt, the grant of any Options by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the above classes of participants shall not, by itself, unless the Directors have otherwise determined, be construed as a grant of an Option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any Options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of our Group and any Invested Entity.

## 3. Maximum number of Shares

- (i) The maximum number of Shares to be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Company must not in aggregate exceed 30% of the issued share capital of our Company from time to time.
- (ii) The total number of Shares which may be issued upon exercise of all Options (excluding, for this purpose, Options which have lapsed in accordance with the terms of the Share

Option Scheme and any other share option scheme of our Company) to be granted under the Share Option Scheme and any other share option scheme of our Company must not in aggregate exceed 125,359,979 Shares, being 10% of the Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised) (the “General Scheme Limit”).

- (iii) Subject to (i) above and without prejudice to (iv) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company (or any subsidiary) must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit as “refreshed”, Options previously granted under the Option Scheme or any other share option schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Company) will not be counted.
- (iv) Subject to (i) above and without prejudice to (iii) above, our Company may issue a circular to the Shareholders and seek separate Shareholders’ approval in general meeting to grant Options beyond the General Scheme Limit or, if applicable, the limit referred to in (iii) above to participants specifically identified by our Company before such approval is sought.

#### **4. Maximum entitlement of each participant**

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the Share Option Scheme and any other share option scheme of our Company (including both exercised or outstanding Options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the “Individual Limit”). Any further grant of Options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in general meeting of our Company with such participant and his associates abstaining from voting.

#### **5. Grant of Options to connected persons**

Any grant of Options under the Share Option Scheme to a Director, chief executive (other than a proposed Director or a proposed chief executive of our Company) or substantial shareholder of our Company, or any of their respective associates, must be approved by independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options (i.e. in the event that our Board offers to grant Options to an independent non-executive Director, the vote of such independent non-executive Director shall not be counted for the purposes of approving such grant)).

In the event of any change in the terms of Options granted to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates; or where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such further grant of Options must be approved by the Shareholders. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

#### **6. Time of acceptance and exercise of an Option**

An offer of grant of an Option may be accepted by a participant within 21 days from the date of the offer of grant of the Option. A consideration of HK\$1 is payable on acceptance of the offer of grant of an Option.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date of grant of the Options but shall end in any event not later than 10 years from the date of grant of the Options subject to the provisions for early termination thereof.

#### **7. Minimum periods and performance targets**

Unless the Directors otherwise determine and state in the offer of the grant of Options to a participant, there is no general requirement on the minimum period for which an Option must be held and/or any performance targets which must be achieved before an Option granted under the Share Option Scheme can be exercised.

#### **8. Subscription price for Shares**

The subscription price per Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share, provided that for the purpose of calculating the subscription price where the Shares have been listed on the Stock Exchange for less than five trading days preceding the date of grant, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each trading day falling within the period before the listing of the Shares on the Stock Exchange. Without prejudice to the generality of the foregoing, the Directors may grant Options in respect of which the subscription price is fixed at different prices for each different period during the option period provided that the subscription price per Share for each of the different periods shall not be less than the subscription price determined in the aforesaid manner.

#### **9. Ranking of Shares**

Shares allotted upon the exercise of an Option will be subject to all the provisions of the Memorandum and Articles of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue as from the day when the name of the grantee is registered on the register of members of our Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of our Company is closed then the exercise of the Option shall become

effective on the first business day in Hong Kong on which the register of members of our Company is re-opened. A Share allotted upon the exercise of an Option shall not carry any voting right until the completion of the registration of the grantee as the holder thereof.

Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a sub-division, consolidation, re-classification or reduction of the share capital of our Company from time to time.

#### **10. Restrictions on the times of grant of Options**

No offer for grant of Options may be made after inside information has come to its knowledge until our Company has announced the information. In particular, during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (ii) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. Further, no Option may be granted during any period of delay in publishing a results announcement.

The Board may not grant any Option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company, in particular, where the grant of Options is to a Director, (i) no Options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

#### **11. Period of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme becomes unconditional.

#### **12. Rights on ceasing employment**

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death or for serious misconduct or other grounds referred to in paragraph 14 below before exercising his or her Option in full, the grantee may exercise the Option up to his or her entitlement at the date of cessation within the period of 1 month following the date of cessation in whole or in part (to the extent not already exercised) which date of cessation will be taken to be the last actual working day of the Eligible Employee with our Group or the Invested Entity or the holding company of our Company whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as the Board may determine.

#### **13. Rights on death**

If the grantee of an Option ceases to be a participant by reason of his or her death before exercising the Option in full, his or her legal personal representative(s) may exercise the Option (to the extent not already exercised) in full within a period of 12 months, following the date of death or such longer period as the Board may determine.

**14. Rights on dismissal**

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of misconduct or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Eligible Employee's service contract with our Company or the relevant subsidiary or the relevant Invested Entity or the holding company of our Company, his or her Option will lapse automatically on the date the Eligible Employee ceases to be an Eligible Employee.

**15. Rights on breach of contract**

If the Directors at their absolute discretion determine that the grantee of any Option (other than an Eligible Employee) or his or her associate has committed any breach of any contract entered into between the grantee or his or her associate on the one part and our Group or any Invested Entity on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally, the Directors shall determine that the outstanding Options granted to the grantee shall lapse. In such event, his or her Options will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

If the Board in its absolute discretion determines that the grantee has committed a breach or failed to comply with any obligation or provisions (other than paragraph 22) or perform and observe any of the terms, conditions, restrictions and/or limitations attached to the grant of the Option or set out in the rules of the Share Option Scheme, the Options will lapse automatically and will not in any event be exercisable on or after the date on which the Board so determined.

**16. Rights on a general offer**

In the event of a general offer, whether by way of take-over offer, share re-purchase offer or scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use our best endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full (to the extent not yet exercised) of the Options granted to them, Shareholders of our Company. If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantee (or his or her legal personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

**17. Rights on winding-up**

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after we despatch such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, his or her personal representative(s)) shall be entitled to exercise all or any of his or her Options at any time not later than five Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for

the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

#### **18. Rights on compromise or arrangement between our Company and our members or creditors**

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or our amalgamation with any other company or companies, our Company shall give notice thereof to all grantees on the same date as we dispatches to each member or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee (or where permitted under paragraph 13, his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her Options in whole or in part at any time prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and terminate. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of our officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension. Subject to the above, an Option will lapse automatically on the date the proposed compromise or arrangement becomes effective.

#### **18.1 Rights on ceasing to be a non-executive Director or an independent non-executive Director**

In the event the Grantee ceasing to be a non-executive Director or an independent non-executive Director of any member of the Group or any Invested Entity for any reason other than his or her death, such Grantee may exercise his or her Option up to his or her entitlement at the date he or she ceases to be a non-executive Director or an independent non-executive Director of any member of the Group or any Invested Entity within the period of one (1) month following the date of cessation in whole or in part (to the extent not already exercised).

#### **19. Adjustments to the subscription price**

In the event of any alteration in the capital structure (including a capitalization of profits or reserves, rights issue or similar offer of securities to holders of Shares, consolidation, sub-division or reduction or similar reorganization of the share capital of our Company) of our Company whilst an Option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number of Shares subject to the Option so far as unexercised and/or the subscription price for Shares and/or the method of exercise of the Option concerned and/or the maximum number of Shares referred to in paragraphs 3 and 4 herein, provided that (i) any alteration shall give a grantee the same proportion of the issued share capital to which he/she was entitled prior to such alteration and that the aggregate subscription price payable by a grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) no such adjustment will be required in circumstances whether there is an issue of Shares or



other securities of our Company as consideration in a transaction. In addition, in respect of any such alteration, other than any made on a capitalization issue, such auditors or independent financial adviser must confirm to the Directors in writing that the alteration satisfy the requirements of the relevant provision of the Listing Rules.

## **20. Cancellation of Options**

Any cancellation of Options granted but not exercised must be approved by the Board and the Shareholders in general meeting, with Option holders and their associates abstaining from voting.

## **21. Termination of the Share Option Scheme**

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further Options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme and the terms as set out in the offer letter.

## **22. Rights are personal to the grantee**

An Option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any Option. Any breach of the foregoing shall result in any outstanding Option or part thereof granted to such grantee be lapsed.

## **23. Lapse of Options**

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period referred to in paragraphs 13, 14 and 15;
- (ii) the expiry of the periods or dates referred to in paragraphs 11, 14, 15, 16, 17 and 18; and
- (iii) the date on which a breach of the provision restriction on transfer and assignment of an Option referred to in paragraph 22 is committed.

## **24. Others**

The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered except with the approval of the Shareholders in general meeting.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme or are required as a result of the change in the requirements of Chapter 17 of the Listing Rules from time to time.

The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares under the Share Option Scheme representing 10% of the issued share capital of our Company upon Listing; and
- (ii) the commencement of dealings in the Shares on the Stock Exchange.

If both of the above conditions are not satisfied on or before the date following six months after the date of adoption of the Share Option Scheme (or such later date as the Board may decide), the Share Option Scheme shall forthwith be cancelled and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme. As at the date of this prospectus, no Option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, 125,359,979 Shares under the Share Option Scheme, representing 10% of the issued share capital of our Company upon Listing.

## **F. OTHER INFORMATION**

### **1. Tax**

Dealings in the Shares will be subject to Hong Kong stamp duty.

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of us, our Directors or any other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares.

### **2. Tax and other indemnities**

Each of the Controlling Shareholders has entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of our subsidiaries) (being the contract referred to in the sub-section headed “Summary of material contracts” in this Appendix) to provide indemnities in respect of, among other matters, (i) taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which our Company or any member of our Group may be subject on or before the date on which the Global Offering becomes unconditional (the “Effective Date”) which might be payable by any member of our Group; (ii) Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of our Group on or before the Effective Date; and (iii) all claims, liabilities and expenses incurred by our Group in connection with the failure to obtain state-owned land use right certificates from the relevant competent governmental authorities in the PRC in relation to any of the properties owned by us in the PRC.

### **3. Litigation**

Our Directors confirm that, as of the Latest Practicable Date, save as disclosed in “Business — Legal Proceedings and Compliance”, no litigation, arbitration, proceedings or claims of material

importance are pending, in process or threatened against any member of our Group that would have a material adverse effect on the results of operations or financial condition of our Group.

#### 4. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in our Shares to be issued pursuant to the Global Offering (including any Shares to be issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme). All necessary arrangements have been made enabling the securities to be admitted to CCASS.

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has declared pursuant to Rule 3A.08 of the Listing Rules that it is independent pursuant to Rule 3A.07 of the Listing Rules.

#### 5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$181,000 and are payable by our Company.

#### 6. Promoters

Our Company has no promoter for the purposes of the Listing Rules.

#### 7. Qualifications of experts

The qualifications of the experts who have given an opinion or advice in this prospectus as follows:

<u>Name</u>	<u>Qualification</u>
Merrill Lynch Far East Limited . . . . .	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO, acting as the Sole Sponsor
Deloitte Touche Tohmatsu . . . . .	Certified Public Accountants
Appleby . . . . .	Cayman Islands attorneys at law
Jingtian & Gongcheng . . . . .	PRC legal adviser

#### 8. Consents of experts

Each of the experts referred to in paragraph 7 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report(s) and/or letter(s) and/or opinion(s) and/or the reference(s) to its name included herein in the form and context in which they are respectively included.

#### 9. Interests of experts in our Company

None of the persons named in paragraph 7 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally

enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

#### **10. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance insofar as applicable.

#### **11. Exemption from the requirement of a property valuation report**

No property valuation report in respect of the Group's property interests is required in reliance upon the exemption provided by Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

#### **12. Exemption from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance**

The SFC granted a certificate of exemption under section 342A of the Companies Ordinance from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full financial year ended December 31, 2012 in this prospectus on February 25, 2013.

#### **13. No material adverse change**

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group from September 30, 2012 (being the date to which the latest audited consolidated financial statements of our Group were prepared) to December 31, 2012.

The Sole Sponsor is of the view that there has been no material adverse change in the Group's financial or trading position or prospects from September 30, 2012 (being the date to which the latest audited consolidated financial statements of our Group were prepared) to December 31, 2012.

#### **14. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

### **G. MISCELLANEOUS**

- (i) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
  - (a) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for consideration other than cash;
  - (b) no Share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (c) no founders or management or deferred Shares of or any debentures in our Company or any of its subsidiaries have been issued or agreed to be issued;
  - (d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries;
  - (e) no commission has been paid or payable, except for the commission payable to the Underwriters, for subscription of, agreeing to subscribe or procuring subscription of any shares in our Company or any of its subsidiaries; and
  - (f) we have no outstanding convertible debt securities.
- (ii) Our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
  - (iii) The register of members of our Company will be maintained in the Cayman Islands by Appleby Trust (Cayman) Ltd. and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.
  - (iv) No company within our Group is presently listed on any stock exchange or traded on any trading system.
  - (v) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
  - (vi) The English text of this prospectus shall prevail over the Chinese text.