
HISTORY, DEVELOPMENT AND REORGANISATION

BUSINESS DEVELOPMENT

Introduction

Our business originated in 2000 when Aotecar Nanjing was established. With the leadership of Mr. Qian, who has extensive knowledge in the automobile air-conditioning compressor industry, our business developed rapidly in the previous decade.

Business milestones

The key milestones of our business development are as follows:

- | | |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2000 | <ul style="list-style-type: none">Established Aotecar Nanjing. |
| 2001 | <ul style="list-style-type: none">Obtained CCCAP Certification for automobile air-conditioning compressors.Old Production Base commenced production.R&D collaborations with Purdue University in the US.Obtained ISO9001 Certification. |
| 2002 | <ul style="list-style-type: none">Products classified as part of the National Torch Project (國家級火炬計劃項目). |
| 2003 | <ul style="list-style-type: none">Obtained ISO/TS 16949:2002 Certification. |
| 2004 | <ul style="list-style-type: none">Awarded Prizes of Science and Technology Progress (科技進步獎) by the People's Governments of Nanjing and Jiangsu Province respectively. |
| 2005 | <ul style="list-style-type: none">Scroll automobile air-conditioning compressor for passenger vehicle classified as a High and New Technology Product (高新技術產品) by Jiangsu Province Science and Technology Department.Began to receive titles such as “優秀供應商 (Excellent Supplier)” and “免檢產品 (Exempted Examination Products)” from customers signifying recognition of our brand name and product quality. |
| 2006 | <ul style="list-style-type: none">Commenced R&D for the electric vehicle air-conditioning compressor. |
| 2007 | <ul style="list-style-type: none">Classified as one of “National Top 100 Automotive Parts Suppliers” (全國百佳汽車零部件供應商) by China Automotive News (《中國汽車報》). |

HISTORY, DEVELOPMENT AND REORGANISATION

- Mr. Qian classified as “Top 10 Men of the Fourth National Automotive Parts Suppliers” (第四屆全國汽車零部件供貨商10佳風雲人物) by China Automotive News (《中國汽車報》).
 - Recognised as High and New Technology Enterprise (高新技術企業) by Jiangsu Province Science and Technology Department.
- 2008
- Established Aotecar Xiangyun.
 - Established Aotecar Casting.
 - Listed in Forbes Magazine as a “China Best Small & Medium-sized Enterprise 2008” (2008中國潛力企業).
 - Variable displacement scroll automobile air-conditioning compressors and electric scroll automobile air-conditioning compressors recognised as scientific and technological achievements by Nanjing Science & Technology Bureau.
 - Mr. Qian named “Top 30 Entrepreneurs in Automotive Parts Industry in China in the 30 Years of Economic Reform” by China Automotive News (《中國汽車報》).
 - Mr. Qian named “Top 30 Entrepreneurs in Automobile Industry in China in the 30 years of Economic Reform” by China Association of Automobile manufacturers (中國汽車工業協會), Society of Automotive Engineers in China (中國汽車工程學會), China Automotive Technology & Research Centre (中國汽車技術研究中心), Automotive Industry Sub-council of the China Council for the Promotion of International Trade (中國貿促會汽車行之分會) and China Automotive News (《中國汽車報》).
 - Classified as one of “National Top 100 Automotive Parts Suppliers” (全國百佳汽車零部件供應商) by China Automotive News (《中國汽車報》).
- 2009
- New Production Base commenced commercial operations.
 - Accredited as “Jiangsu Research Centre for Environmental and Energy-efficient Vehicle Air-conditioning Compressor Engineering Technology” (江蘇省節能環保汽車空調壓縮機工程技術研究中心).
 - Approved by National TC238 on Refrigerating & Air-conditioning Equipment of Standardisation of China (全國冷凍空調設備標準化技術委員會), an institute authorised by the PRC Standardisation Administration, as the key drafting organisation for the national standards for “Scroll Automobile Air-conditioning Compressors for use in Small-displacement Vehicles” (汽車空調用小排量渦旋壓縮機).

HISTORY, DEVELOPMENT AND REORGANISATION

- Electric hermetic scroll compressors for use in hybrid electric vehicles has been classified as “High and New Technology Products” (高新技術產品) and was approved by the Jiangsu Province Science and Technology Department as one of the development projects to receive funds for commercialisation of technology advancement.
 - Listed in Forbes Magazine as a “2009 Forbes China Up and Comers” (2009福布斯中國潛力企業).
 - Classified as one of “National Top 100 Automotive Parts Suppliers” (全國百佳汽車零部件供應商)⁽¹⁾ by China Automotive News (《中國汽車報》).
- 2010
- Listed in Forbes Magazine as a “2010 Forbes China Up & Comers” (2010福布斯中國潛力企業).
 - Acknowledged as a “Well-known Trademark” (馳名商標) by Jiangsu Nanjing Intermediate People’s Court (江蘇省南京市中級人民法院).

CORPORATE HISTORY

Our Company

Our Company was incorporated as an exempted company in the Cayman Islands on 25 May 2010. Please refer to “Further information about the Company – Changes in share capital of our Company” in Appendix VI to this prospectus for details of changes in the share capital of our Company. Upon completion of the Reorganisation, our Company became the holding company of our Group.

Aotecar International

Aotecar International was incorporated as a limited liability company in the BVI on 16 January 2007 for investment holding purposes and is a wholly-owned subsidiary of our Company. Aotecar International has not carried out any business activity since its incorporation other than as an investment holding company.

As at 16 January 2007, Aotecar International was 100% held by Fang Brothers. On 29 January 2008, the entire issued share capital of Aotecar International was transferred from Fang Brothers to CUAS. At that time, CUAS was 100% owned by Fang Brothers.

Our relationship with CUAS

CUAS was incorporated in the BVI as a limited liability company on 8 January 2008 for investment holding purposes. Prior to the Reorganisation, CUAS was the holding company holding 97% of the issued share capital of Aotecar International. As part of the Reorganisation, CUAS

Note:

(1) In 2009, the name of the award “National Top 100 Automotive Parts Suppliers” (全國百佳汽車零部件供應商) has been changed to “National Top 100 Excellent Automotive Parts Suppliers” (全國百佳優秀汽車零部件供應商).

HISTORY, DEVELOPMENT AND REORGANISATION

transferred its entire shareholding in Aotecar International to our Company in consideration of the allotment and issue of Shares by our Company to the shareholders of CUAS. CUAS is now neither a member nor a shareholder of our Group. CUAS also holds 60% of the issued share capital of Xiezhong International, which in turn holds the entire issued share capital of Xiezhong Hong Kong, the direct holding company of Xiezhong Nanjing. For details of Xiezhong International, Xiezhong Hong Kong and Xiezhong Nanjing, please refer to “Relationship with Controlling Shareholders – Xiezhong Nanjing” in this prospectus. Save for its shareholding in Xiezhong International, CUAS has no other investments and is not engaged in any business activities.

CUAS as a holding company of Aotecar International prior to the Reorganisation and its shareholding changes

In connection with using CUAS as the company for holding the issued share capital of Aotecar International, the following transactions were entered into and CUAS underwent the following changes in shareholding:

- (a) Pursuant to a loan agreement entered into among Fang Brothers, CITIC Capital China Fund I and CDH China Management Company Limited on 19 January 2007 (the “**Loan Agreement**”), CITIC Capital China Fund I and CDH China Management Company Limited (acting on behalf of CDH Cool) agreed to advance an interest free loan in the amount of RMB132,886,996 (being RMB66,443,498 from each of CITIC Capital China Fund I and CDH China Management Company Limited) to Fang Brothers to effect the acquisition of equity interests in Aotecar Nanjing.
- (b) The Loan Agreement was supplemented and amended by a supplemental loan agreement entered into among Fang Brothers, CITIC Capital China Fund I, CDH China Management Company Limited and CDH Cool on 10 December 2007 (the “**First Supplemental Loan Agreement**”) whereby (i) CDH China Management Company Limited assigned and transferred all its rights, title, benefit, interest, liabilities and obligations under the Loan Agreement to CDH Cool and CDH Cool replaced CDH China Management Company Limited as a party to the Loan Agreement and (ii) the amount of the loan advanced was increased to RMB153,180,396 (being RMB87,531,655 and RMB65,648,741 from CITIC Capital China Fund I and CDH Cool, respectively).
- (c) On 29 January 2008, CUAS allotted its first share to, and became 100% owned by, Fang Brothers.
- (d) On 20 March 2008, a tripartite confirmation was entered into among Fang Brothers, Aotecar Hong Kong and CUAS (the “**Tripartite Confirmation**”) whereby CUAS assumed Aotecar Hong Kong’s obligation to pay the consideration of US\$30,673,735.7 to Fang Brothers for the transfer by the latter to Aotecar Hong Kong of the entire equity interests in Aotecar Nanjing. For details of the equity transfer, please see “Aotecar Nanjing – Transfer of equity interest from Fang Brothers to Aotecar Hong Kong” below.
- (e) The Loan Agreement (as supplemented by the First Supplemental Loan Agreement) referred to at items (a) and (b) above was further supplemented and amended by a second supplemental loan agreement entered into among Fang Brothers, CITIC Capital

HISTORY, DEVELOPMENT AND REORGANISATION

China Fund I, CDH Cool and CUAS on 12 June 2008 (the “**Second Supplemental Loan Agreement**”) whereby, among other things:

- (i) the RMB153,180,396 advanced by CITIC Capital China Fund I and CDH Cool to Fang Brothers (in the respective amounts of RMB87,531,655 and RMB65,648,741) was restated in US\$ as US\$20,840,871 (in the respective amounts of US\$11,909,069 and US\$8,931,802);
 - (ii) the parties acknowledged and confirmed that of the US\$20,840,871 owed by Fang Brothers to CITIC Capital China Fund I and CDH Cool, US\$341.4 and US\$262.2 had been utilised by CITIC Capital China Fund I and CDH Cool, respectively, as expenses and would not need to be repaid by Fang Brothers;
 - (iii) the parties further agreed that Fang Brothers will repay the balance of the loan of US\$20,840,267.4 (being US\$20,840,871 less US\$341.4 and US\$262.2) to CITIC Capital China Fund I and CDH Cool by assigning to the latter its creditor’s rights to US\$11,884,010.2 and US\$8,914,047.5 of the US\$30,673,735.7 owed to it by CUAS as referred to at item (d) above and by making cash payments of US\$24,717.5 and US\$17,492.3 to CITIC Capital China Fund I and CDH Cool, respectively; and
 - (iv) the US\$30,673,735.7 owed by CUAS as to US\$11,884,010.2, US\$8,914,047.5, and US\$9,875,678.0 to CITIC Capital China, CDH Cool and Fang Brothers, respectively, will be repaid by CUAS by way of the allotment and issue to Fang Brothers, CITIC Capital China and CDH Cool (or their respective nominees) of shares representing 49.86%, 28.57% and 21.43% of the issued share capital of CUAS, respectively.
- (f) On 12 June 2008, pursuant to the Second Supplemental Loan Agreement described at item (e) above, Fang Brothers assigned its creditor’s rights to US\$11,884,010.2 and US\$8,914,047.5 of the US\$30,673,735.7 owed to it by CUAS to CITIC Capital China Fund I and CDH Cool, respectively.
- (g) On 12 June 2008, CUAS allotted and issued shares representing 49.86%, 28.57%, 11.43%, and 10.00% of the issued share capital of CUAS to Fang Brothers, CITIC Capital China, CDH Cool and CDH Auto at subscription prices of US\$9,875,678.0, US\$11,884,010.2, US\$4,754,158.7 and US\$4,159,888.8, respectively. The subscription prices were settled by the capitalisation of amounts owed by CUAS to Fang Brothers, CITIC Capital China Fund I (for CITIC Capital China) and CDH Cool (for itself and CDH Auto) described at item (f) above. After the said allotments and issues of shares in CUAS, all amounts under the Loan Agreement (as supplemented and amended by the First Supplemental Loan Agreement and the Second Supplemental Loan Agreement) were fully settled. On the same day, a shareholders agreement in respect of CUAS was entered into among Fang Brothers, CITIC Capital China, CDH Cool, CDH Auto and CUAS (the “**CUAS Shareholders Agreement**”) to provide for the ownership, management and activities of CUAS and the rights and duties between and among the parties.

HISTORY, DEVELOPMENT AND REORGANISATION

- (h) On 18 September 2008, pursuant to an agreement for sale and purchase of 20% of the shares in CUAS entered into among Fang Brothers, CITIC Capital China and CDH Auto on 17 September 2008 (the “**First CUAS Sale and Purchase Agreement**”), Fang Brothers transferred 11.43% and 8.57% of the issued share capital of CUAS to CITIC Capital China and CDH Auto for cash considerations of RMB57,799,032 and RMB43,349,274 respectively, which considerations were determined after arms’ length negotiations by the parties with reference to a combination of the value of Aotecar Nanjing as at 31 December 2005 as determined by an independent professional valuer in the PRC, subsequent earnings of Aotecar Nanjing and the value of Xiezhong Nanjing based on its net profit for 2007 at a certain price-earnings multiple and had been settled.
- (i) A supplemental agreement to the CUAS Shareholders Agreement was also entered into among Fang Brothers, CITIC Capital China, CDH Cool, CDH Auto and CUAS on 17 September 2008 to supplement and amend the CUAS Shareholders Agreement in light of the First CUAS Sale and Purchase Agreement. On 18 September 2008, a loan assignment agreement was also entered into among Fang Brothers, CITIC Capital China, CDH Auto and CUAS in connection with the First CUAS Sale and Purchase Agreement whereby Fang Brothers assigned its creditor’s rights against CUAS in respect of US\$3,311,909 and US\$2,483,932 to CITIC Capital China and CDH Auto, respectively. Such creditor’s rights against CUAS arise from further shareholders’ loans advanced by Fang Brothers, CITIC Capital China, CDH Cool and CDH Auto to CUAS in the amounts of US\$14,489,603, US\$8,279,774, US\$3,311,909 and US\$2,897,921, respectively, between 26 June 2008 and 3 July 2008 in connection with the funding for the acquisition of equity interests in Xiezhong International by CUAS.
- (j) On 10 December 2008, pursuant to an agreement for sale and purchase of 20% of the shares in CUAS entered into among Fang Brothers, CITIC Capital China and CDH Auto on 5 December 2008 (the “**Second CUAS Sale and Purchase Agreement**”), Fang Brothers transferred a further 11.43% and 8.57% of the issued share capital of CUAS to CITIC Capital China and CDH Auto for cash considerations of RMB57,799,032 and RMB43,349,274 respectively, which considerations were determined after arms’ length negotiations by the parties with reference to the same factors as described at item (h) above and had been settled.
- (k) A second supplemental agreement to the CUAS Shareholders Agreement dated 5 December 2008 and a third supplemental agreement to the CUAS Shareholders Agreement dated 16 January 2009 were also entered into among CITIC Capital China, CDH Auto, CDH Cool, Fang Brothers and CUAS to further supplement and amend the CUAS Shareholders Agreement in light of the Second CUAS Sale and Purchase Agreement. On 5 December 2008, a loan assignment agreement was also entered into among Fang Brothers, CITIC Capital China, CDH Auto and CUAS in connection with the Second CUAS Sale and Purchase Agreement whereby Fang Brothers assigned its creditor’s rights against CUAS in respect of US\$3,311,909 and US\$2,483,932 to CITIC Capital China and CDH Auto, respectively. Such creditor’s rights against CUAS arise from the further shareholders’ loans described at item (i) above.

HISTORY, DEVELOPMENT AND REORGANISATION

- (l) On 31 May 2010, pursuant to an agreement for sale and purchase of seven shares in CUAS entered into between CDH Auto and CDH Cool on 20 May 2010 (the “**Third CUAS Sale and Purchase Agreement**”), CDH Auto transferred to CDH Cool 1% of the issued share capital of CUAS for a cash consideration of RMB5,057,415 which was determined after arms’ length negotiations by the parties with reference to the same factors as described at item (h) above and had been settled. After such transfer, CUAS became owned as to 10.00%, 51.43%, 12.43%, and 26.14% by Fang Brothers, CITIC Capital China, CDH Cool and CDH Auto, respectively.
- (m) A fourth supplemental agreement to the CUAS Shareholders Agreement was also entered into among CITIC Capital China, CDH Auto, CDH Cool, Fang Brothers and CUAS on 20 May 2010 to further supplement and amend the CUAS Shareholders Agreement in light of the Third CUAS Sale and Purchase Agreement by amending the schedule to the CUAS Shareholders Agreement that sets out the respective shareholdings of the shareholders.

Background and profile of the shareholders

Fang Brothers is an investment holding company wholly-owned by Fang Brothers Holdings, which in turn is owned as to 50% by Mr. Kenneth Fang, our Director, and 50% by his family members. Mr. Kenneth Fang is a director of Fang Brothers and Fang Brothers Holdings. Mr. Gao Chunhe, our Director, is also a director of Fang Brothers. Fang Brothers is one of the founding shareholders of Aotecar Nanjing.

CITIC Capital China is an investment holding company wholly-owned by CITIC Capital China Fund I, an exempted limited partnership organised and existing under the laws of the Cayman Islands and a private equity investment fund focused on private equity investments in China. The general partner of CITIC Capital China Fund I is CCP GP Ltd., an exempted company incorporated in the Cayman Islands with limited liability. The limited partners of CITIC Capital China Fund I include institutional investors such as pension funds, endowment funds, funds of funds and financial institutions. CITIC Capital China Fund I is managed by CCP Advisory Ltd., an exempted company incorporated in the Cayman Islands with limited liability.

CDH Cool is an investment holding company wholly-owned by CDH China Growth Capital Fund II, L.P., an exempted limited partnership organised and existing under the laws of the Cayman Islands and a private equity investment fund focused on private equity investments in China. The general partner of CDH China Growth Capital Fund II, L.P. is CDH China Growth Capital Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability. The limited partners of CDH China Growth Capital Fund II, L.P. include institutional investors such as pension funds, endowments, foundations, funds of funds and financial institutions. CDH China Growth Capital Fund II, L.P. is managed by CDH Investment Advisory Private Limited, a limited liability company incorporated in Singapore.

CDH Auto is an investment holding company wholly-owned by CDH China Fund III, L.P., an exempted limited partnership organised and existing under the laws of the Cayman Islands and a private equity investment fund focused on private equity investments in China. The general partner

HISTORY, DEVELOPMENT AND REORGANISATION

of CDH China Fund III, L.P. is CDH III Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability. The limited partners of CDH China Fund III, L.P. include institutional investors such as pension funds, endowments, foundations, funds of funds and financial institutions. CDH China Fund III, L.P. is managed by CDH Investment Advisory Private Limited, a limited liability company incorporated in Singapore.

CITIC Capital China Fund I, CDH China Growth Capital Fund II, L.P. and CDH China Fund III, L.P. have invested into our Company as part of their private equity investment activities in the PRC.

Transfer of shares in Aotecar International from CUAS to Mr. Qian

In recognition of the past contribution of Mr. Qian to the growth and development of the Group and as incentive of his continued efforts, CUAS and Aotecar International entered into a share transfer agreement with Mr. Qian on 11 September 2008, and as supplemented by two supplemental agreements dated 7 June 2010 and 15 July 2010 respectively (further details of which are set out in “Further information about the business – Summary of material contracts” in Appendix VI to this prospectus), pursuant to which:

- (a) On 11 September 2008, CUAS (i) transferred to Mr. Qian the beneficial interest in 3% of the shareholding in Aotecar International and the creditor’s right to 3% of a US\$30,673,735.7 amount owed by Aotecar Hong Kong to CUAS for an aggregate deferred consideration of US\$1,145,485.0 which was determined after arms’ length negotiations by the parties with reference to a combination of the value of Aotecar Nanjing as at 31 December 2005 as determined by an independent professional valuer in the PRC and subsequent earnings of Aotecar Nanjing and (ii) granted to Mr. Qian an option to acquire a further 2% shareholding in Aotecar International and the creditor’s right to 2% of the US\$30,673,735.7 amount owed by Aotecar Hong Kong to CUAS at an aggregate exercise price of US\$2 upon the fulfilment of certain conditions including the condition that the net profits (excluding the effect of the share transfer agreement dated 11 September 2008 (as supplemented by the two agreements dated 7 June 2010 and 15 July 2010 respectively) in relation to the 5% shareholding in Aotecar International) of Aotecar Nanjing for the year ended 31 December 2008 was at least RMB45.0 million.
- (b) CUAS and Mr. Qian subsequently reached an agreement that the sum of US\$1,145,485.0 would only be paid by Mr. Qian to CUAS at the time when the legal interest in the 5% shareholding in Aotecar International is transferred to Mr. Qian.
- (c) On 22 June 2010, after the net profits for the year ended 31 December 2008 (excluding the effect of the share transfer agreement dated 11 September 2008 as supplemented by the two agreements dated 7 June 2010 and 15 July 2010 respectively) of Aotecar Nanjing achieved RMB45.0 million and upon the exercise by Mr. Qian of the option described at item (a)(ii) above: (i) CUAS transferred to Mr. Qian the beneficial interest in 2% shareholding in Aotecar International and the creditor’s right to 2% of the US\$30,673,735.7 amount owed by Aotecar Hong Kong to CUAS; (ii) CUAS transferred to Mr. Qian the legal interest in 5% of the shareholding in Aotecar International; and (iii) Mr. Qian paid the aggregate cash consideration of US\$1,145,487.0 for the 5% of

HISTORY, DEVELOPMENT AND REORGANISATION

the shareholding in Aotecar International and the creditor's right to 5% of the US\$30,673,735.7 amount owed by Aotecar Hong Kong to CUAS. The said consideration of US\$1,145,487.0 was settled by Mr. Qian on 22 June 2010. The 3% shares in Aotecar International beneficially owned by Mr. Qian since 2008 were not legally transferred to Mr. Qian until 22 June 2010 as it was mutually agreed by the parties that the formalities for the transfer of the shares in Aotecar International from CUAS to Mr. Qian would be deferred until the time when Mr. Qian exercised his option described above.

The aggregate consideration of US\$1,145,487.0 (equivalent to HK\$8,911,888.9) paid by Mr. Qian in respect of the 5% of the shareholding in Aotecar International and the creditor's right to 5% owed by Aotecar Hong Kong to CUAS, equivalent to HK\$0.24 per Share for the 37,500,000 Shares held by him immediately following the completion of the Reorganisation and the Capitalisation Issue, represents a discount of 89.9% to the minimum Offer Price of HK\$2.35 and a discount of 92.2% to the maximum Offer Price of HK\$3.05.

The above transactions entered into between CUAS and Mr. Qian were accounted for as equity-settled share-based payment transactions and other benefit granted to Mr. Qian, and were recognised as staff costs of RMB3.2 million and RMB4.2 million, respectively, for the year ended 31 December 2008. In respect of the equity-settled share based payment transaction accounted for, the amount represents the estimate of the fair value of equity interest in Aotecar International which was primarily determined by the income approach and cross checked by the market approach. In respect of the other benefit recognised, the amount was recognised by reference to the fair value of the creditor's right acquired from CUAS. For further details of the equity-settled share-based payment transactions accounted for and the other benefit recognised, please refer to notes 5(b)(ii) and 22 of Appendix IA to this prospectus.

Aotecar Hong Kong

Aotecar Hong Kong was incorporated as a limited liability company in Hong Kong on 30 October 2007 for investment holding purposes and is a wholly-owned subsidiary of Aotecar International. Aotecar Hong Kong has not carried out any business activity since its incorporation other than as an investment holding company.

Aotecar Nanjing

Background

Aotecar Nanjing was established as a Sino-foreign equity joint venture company in the PRC on 16 May 2000 and became a WFOE on 25 December 2007. Aotecar Nanjing is a wholly-owned subsidiary of Aotecar Hong Kong and is principally engaged in the manufacture and sale of automobile air-conditioning compressors.

Establishment and initial shareholding structure

On 28 April 2000, Jiangsu Aviation Industry Group Co., Ltd. (江蘇航空產業集團有限公司) (“**Jiangsu Aviation**”), Fang Brothers, Nanjing Lukou International Airport Co., Ltd. (南京祿口國際機場有限公司) (“**Lukou Airport**”), Longshan Group Co., Ltd. (龍山集團有限責任公司)

HISTORY, DEVELOPMENT AND REORGANISATION

(“**Longshan Group**”), Dantu County Sanqiang Technology Development Centre (丹徒縣三強科技開發中心) (“**Dantu Sanqiang**”), Nanjing Zhende Medical Technology Sales Centre (南京振德醫療科技銷售中心) (“**Nanjing Zhende**”) and Zhuhai Sanjin Hi-tech Industrial Co., Ltd (珠海三金高科技產業有限公司) (“**Zhuhai Sanjin**”) entered into an agreement, pursuant to which Jiangsu Aviation, Fang Brothers, Lukou Airport, Longshan Group and Zhuhai Sanjin agreed to hold 40.68%, 33.6%, 20.2%, 2.76% and 2.76% of the equity interest in Aotecar Nanjing respectively. Under the same agreement, since Dantu Sanqiang and Nanjing Zhende are considered as a sole proprietor (“個人獨資企業”) and an individual-owned business (“個體工商戶”) respectively, which do not have separate status of legal person under the PRC laws, Jiangsu Aviation agreed to hold 2.76% of equity interest in Aotecar Nanjing for each of Dantu Sanqiang and Nanjing Zhende respectively. On 16 May 2000, Aotecar Nanjing was formally established in the PRC as a Sino-foreign equity joint venture company with a registered capital of US\$14,460,000.

Jiangsu Aviation is a company established in the PRC and principally engaged in aviation-related businesses including airport construction, airport operation and management, passenger and cargo services, tourism, catering and aviation fuels. Fang Brothers is an investment holding company incorporated in Hong Kong. Lukou Airport is a company established in the PRC and principally engaged in the operation and management of Nanjing Lukou International Airport. Longshan Group is a company established in the PRC and principally engaged in general trading and development, processing and marketing of products. Dantu Sanqiang is a sole proprietorship enterprise (個人獨資企業) established in the PRC owned by Mr. Qian and principally engaged in R&D of environmentally friendly products. Nanjing Zhende is an individual business (個體工商戶) established in the PRC owned by Mr. Li Baowei and principally engaged in the sale of medical equipment. Zhuhai Sanjin is a company established in the PRC and principally engaged in the development, manufacture and sale of computers and accessories, computer services and technical services.

Withdrawal of Jiangsu Aviation

On 29 May 2000, Aotecar Nanjing passed a board resolution approving the transfer of 14.96% of the unpaid equity interest in Aotecar Nanjing from Jiangsu Aviation to Lukou Airport for nil consideration.

On 8 January 2001, Jiangsu Aviation and Lukou Airport entered into an agreement, pursuant to which Jiangsu Aviation transferred 9.72% of its fully paid equity interest in Aotecar Nanjing to Lukou Airport in consideration of the transfer of a creditor’s right in the sum of RMB10.7 million in Suzhou Taihu Star Company Limited (蘇州太湖之星有限公司) from Lukou Airport to Jiangsu Aviation.

On 15 February 2001, the shareholders of Aotecar Nanjing passed resolutions approving the transfer of 4.41% and 3.31% of the unpaid equity interests in Aotecar Nanjing from Jiangsu Aviation to Lukou Airport and Fang Brothers respectively for nil consideration.

On 13 June 2002, Aotecar Nanjing passed a board resolution approving the transfer of 2.76% of the unpaid equity interest in its registered capital from Jiangsu Aviation to Nanjing Sanqiang for nil consideration.

On 18 March 2002, Nanjing Zhende, for which its 2.76% unpaid equity interest in Aotecar Nanjing were held by Jiangsu Aviation on its behalf, transferred the said 2.76% to Nanjing Shenqian

HISTORY, DEVELOPMENT AND REORGANISATION

Industry Co., Ltd. (南京深乾實業有限公司) (“**Nanjing Shenqian**”), a company established in the PRC and principally engaged in general trading, for nil consideration. At that time, Nanjing Shenqian was owned as to 42.5% by Mr. Li Baowei, who also owned Nanjing Zhende.

On 12 June 2002, Dantu Sanqiang, for which its 2.76% unpaid equity interest in Aotecar Nanjing were held by Jiangsu Aviation on its behalf, transferred the said 2.76% to Nanjing Sanqiang Technology and Environmental Protection Co., Ltd. (南京三強環保科技有限公司) (“**Nanjing Sanqiang**”), a company established in the PRC and principally engaged in R&D of environmentally friendly products, for nil consideration. Dantu Sanqiang and Nanjing Sanqiang were both beneficially owned by Mr. Qian. At that time, Nanjing Sanqiang was held as to 99% by Mr. Qian.

Following the above transactions, Jiangsu Aviation ceased to be a shareholder of Aotecar Nanjing, and Aotecar Nanjing was held as to 49.29% by Lukou Airport, 36.91% by Fang Brothers, 5.52% by Nanjing Sanqiang, 2.76% by Longshan Group, 2.76% by Zhuhai Sanjin and 2.76% by Nanjing Shenqian. On 26 June 2002, the parties entered into a joint venture agreement regulating their contributions in cash or in kind. On 8 July 2002, Bureau of Foreign Trade and Economic Cooperation, Qinhuai District, Nanjing (南京市秦淮區對外貿易經濟合作局) approved the withdrawal by Jiangsu Aviation of all its equity interests in Aotecar Nanjing and the change in the shareholding structure of Aotecar Nanjing.

Transfer of equity interest by Longshan Group

In 2005, Longshan Group, Fang Brothers, Shanghai Pudong Development Bank (Nanjing Branch) (上海浦東發展銀行 (南京分行)) (“**Shanghai Pudong Bank**”) and Aotecar Nanjing entered into a equity transfer agreement pursuant to which Longshan Group agreed to transfer its 2.76% equity interest in Aotecar Nanjing to Fang Brothers for a cash consideration of RMB2,000,000.0. The 2.76% equity interest was originally under a freezing order by the People’s Court of Nanjing Baixia Province (南京市白下區人民法院) due to the unsettled debt due to Shanghai Pudong Bank by Longshan Group. A judgment was passed by the People’s Court of Nanjing Baixia Province on 2 March 2006 to confirm the above transaction. The above transfer was completed on 30 March 2006.

Transfer of equity interest from Nanjing Sanqiang, Nanjing Shenqian and Zhuhai Sanjin to Fang Brothers

On 29 January 2007, each of Nanjing Sanqiang, Nanjing Shenqian and Zhuhai Sanjin entered into equity transfer agreements with Fang Brothers and as supplemented by respective supplemental agreements to the equity transfer agreements dated 17 December 2007 for the transfer of 5.52%, 2.76% and 2.76% of equity interest, respectively, in Aotecar Nanjing to Fang Brothers for a cash consideration of US\$2,290,970.0, US\$1,145,485.0 and US\$1,145,485.0, respectively (equivalent to RMB16,878,724.0, RMB8,439,362.0 and RMB8,439,362.0, respectively) which was determined after arms’ length negotiations by the parties with reference to a combination of the value of Aotecar Nanjing as at 31 December 2005 as determined by an independent professional valuer in the PRC and subsequent earnings of Aotecar Nanjing and were paid on 23 January 2008. The above transfers were completed on 25 December 2007.

Equity Transfer by Lukou Airport

On 6 December 2007, Lukou Airport and Fang Brothers entered into an equity transfer agreement, pursuant to which Lukou Airport agreed to transfer 49.29% equity interest in Aotecar

HISTORY, DEVELOPMENT AND REORGANISATION

Nanjing to Fang Brothers for a cash consideration of US\$20,454,699.7 (equivalent to RMB150,700,000.0) which was determined after arms' length negotiations by the parties with reference to a combination of the value of Aotecar Nanjing as at 31 December 2005 as determined by an independent professional valuer in the PRC and subsequent earnings of Aotecar Nanjing and was paid on 12 December 2007. The above transfer was completed on 29 December 2007.

Transfer of equity interest from Fang Brothers to Aotecar Hong Kong

On 20 March 2008, Fang Brothers and Aotecar Hong Kong entered into an agreement, pursuant to which Fang Brothers agreed to transfer 100% equity interest in Aotecar Nanjing to Aotecar Hong Kong for a cash consideration of US\$30,673,735.7 which was determined after arms' length negotiations by the parties with reference to a combination of the value of Aotecar Nanjing as at 31 December 2005 as determined by an independent professional valuer in the PRC, subsequent earnings of Aotecar Nanjing, and Fang Brother's contribution to the registered capital of Aotecar Nanjing and the cost of acquisition of Longhsan Group's interest in Aotecar Nanjing by Fang Brothers. On the same day, pursuant to the Tripartite Confirmation referred to in "Aotecar International – CUAS as a holding company of Aotecar International prior to the Reorganisation and shareholding changes in CUAS", CUAS assumed Aotecar Hong Kong's obligation to pay the said cash consideration to Fang Brothers and as a result, CUAS became indebted to Fang Brothers in the amount of US\$30,673,735.7 and Aotecar Hong Kong became indebted to CUAS in the same amount. The above transfer was completed on 6 May 2008. Aotecar Hong Kong fully settled the US\$30,673,735.7 it owed on 30 June 2010.

The considerations for the share transfers in Aotecar Nanjing amongst the different parties in 2007 and 2008 as described above were all based on the value of Aotecar Nanjing as at 31 December 2005 rather than the latest financial position of Aotecar Nanjing at the time when the respective transfer agreements were signed because the negotiations between the parties all commenced in 2006 when the latest available audited financial statements and the latest available independent valuation report of Aotecar Nanjing were all made up to 31 December 2005. Although by the time negotiations were concluded amongst some of the parties the audited financial statements for the year ended 31 December 2006 were also available and the parties could have obtained an updated valuation report, the parties decided to use the 2005 year end value as the starting reference point for determining the consideration but would take into account the subsequent earnings of Aotecar Nanjing in determining the respective considerations.

Aotecar Nanjing is our major PRC operating subsidiary wholly-owned by Aotecar Hong Kong and is responsible for the operation of our Old Production Base for the manufacturing and sales of automobile air-conditioning compressors.

Aotecar Xiangyun

On 27 June 2008, Aotecar Hong Kong established Aotecar Xiangyun as a WFOE with an initial registered capital of US\$12,000,000.0 in the PRC. Aotecar Xiangyun is one of our major PRC operating subsidiaries and is responsible for the operation of our New Production Base for the manufacturing of automobile air-conditioning compressors.

HISTORY, DEVELOPMENT AND REORGANISATION

Aotecar Casting

On 4 December 2008, Aotecar Nanjing and Changheng Casting established Aotecar Casting as a limited company with an initial registered capital of RMB5,000,000.0, which is held as to 51.0% by Aotecar Nanjing and 49.0% by Changheng Casting. Aotecar Casting is principally engaged in the manufacture of assembly parts for our production of automobile air-conditioning compressors. On 26 May 2010, the registered capital of Aotecar Casting was increased to RMB7,000,000.0. As Changheng Casting is a connected person only by virtue of its equity interests in Aotecar Casting, Aotecar Casting is not a connected person of our Company pursuant to Rule 14A.11(5) of the Listing Rules.

Our relationship with Changheng Casting

Changheng Casting is principally engaged in the manufacture and sale of alloy casting and R&D of relevant machinery products. Changheng Casting is beneficially owned as to 70% by Nanjing Jida Information Technology Services Centre (南京吉大信息技術服務中心), a sole proprietorship enterprise (個人獨資企業) established in the PRC which is owned by Mr. Wu Peirong, and 30% by Ms. Lu Manling. Both Mr. Wu Peirong and Ms. Lu Manling are also directors of Aotecar Casting and Changheng Casting.

Prior to the establishment of Aotecar Casting, Changheng Casting had been the supplier of assembly parts including front end covers, brake discs and static plates, to Aotecar Nanjing for compressor production since 2002. Changheng Casting was one of our top five suppliers for the two years ended 31 December 2007 and 2008 and accounted for 13.9% and 13.1% of the total purchases for the respective years. Such supply relationship ceased in late 2008 when Aotecar Casting was established and began supplying the same components to Aotecar Nanjing.

We have also entered into the following transactions with Changheng Casting:

- (i) In 2008, Changheng Casting subleased to Aotecar Casting certain lands and buildings which Changheng Casting leased from the People's Government of Hengxi Town of Jiangning District of Nanjing (南京市江寧區橫溪鎮人民政府) and the Nanjing Municipality Jiangning County Danyang Town Collective Assets Operating Co., Ltd. (南京市江寧縣丹陽鎮集體資產經營有限公司). For details, please refer to "Connected Transactions – Continuing connected transactions – Exempt continuing connected transactions" in this prospectus.
- (ii) In 2009, Aotecar Casting purchased certain inventory and fixed assets from Changheng Casting at a total consideration of RMB1.6 million. The consideration was determined with reference to the fair value of such inventory and fixed assets as at 31 December 2008 as appraised by an independent valuer and had been settled.
- (iii) In 2008, Changheng Casting advanced a loan of RMB7 million to Aotecar Nanjing at an interest rate of 7.47% per annum for a term from 30 May 2008 to 25 July 2008. The loan had been repaid.
- (iv) On 20 March 2009, Aotecar Casting entered into a sale and purchase agreement with Changheng Casting in relation to the acquisition of Hengxi Owned Factory with a floor area of 2,385.5 sq.m. at a consideration of RMB0.2 million, which was equivalent to

HISTORY, DEVELOPMENT AND REORGANISATION

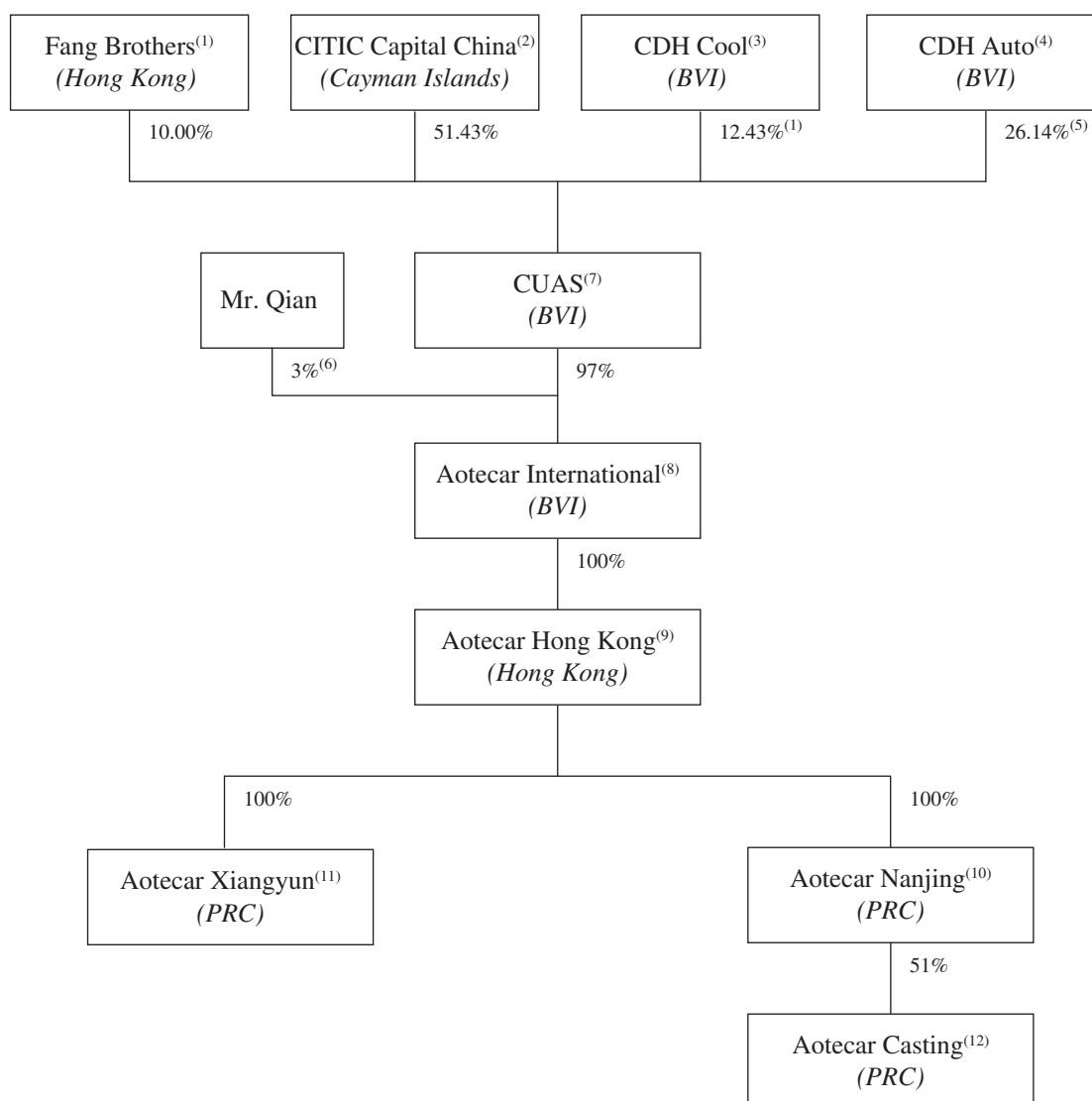
the cost of purchase of the same building by Changheng Casting from the local government pursuant to a sale and purchase agreement dated 18 July 2006 entered into by Changheng Casting and the local government. The consideration had been settled.

- (v) In 2009, Changheng Casting paid operating expenses on behalf of Aotecar Casting in the amount of RMB0.6 million. Such amount was interest-free and has been fully repaid.

Save as disclosed above, Changheng Casting has no other relationship, present or past, with our Group, our shareholders, senior management or their respective associates.

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The following chart sets out the corporate and shareholding structure of Aotecar International and its subsidiaries prior to the Reorganisation.



HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

- (1) Fang Brothers is an investment holding company wholly-owned by Fang Brothers Holdings, an investment holding company which in turn is owned as to 50% by Mr. Kenneth Fang, our Director, and 50% by his family members.*
- (2) CITIC Capital China is an investment holding company wholly-owned by CITIC Capital China Fund I, a private equity investment fund which in turn is owned by various limited partners.*
- (3) CDH Cool is an investment holding company wholly-owned by CDH China Growth Capital Fund II, L.P., a private equity investment fund which in turn is owned by various limited partners.*
- (4) CDH Auto is an investment holding company wholly-owned by CDH China Fund III, L.P., a private equity investment fund which in turn is owned by various limited partners.*
- (5) At the commencement of the Reorganisation on 25 May 2010, CDH Cool and CDH Auto held 11.43% and 27.14% of the issued share capital of CUAS respectively. On 31 May 2010, CDH Auto transferred 7 shares in the issued share capital of CUAS to CDH Cool. As a result of such transfer, CDH Cool and CDH Auto held 12.43% and 26.14% of the issued share capital of CUAS respectively.*
- (6) Mr. Qian has had a 3% beneficial interest in the issued share capital of Aotecar International since 11 September 2008. He did not become the registered holder of such shares in Aotecar International until 22 June 2010.*
- (7) CUAS is an investment holding company.*
- (8) Aotecar International is an investment holding company.*
- (9) Aotecar Hong Kong is an investment holding company.*
- (10) Aotecar Nanjing is principally engaged in the manufacture and sale of automobile air-conditioning compressors.*
- (11) Aotecar Xiangyun is principally engaged in the manufacture and sale of automobile air-conditioning compressors.*
- (12) Aotecar Casting is principally engaged in the manufacture of assembly parts for our production of automobile air-conditioning compressors. The remaining 49% of the equity interest of Aotecar Casting is held by Changheng Casting. Changheng Casting is principally engaged in the manufacture and sale of alloy casting and R&D of relevant machinery products and is beneficially owned as to 70% by Nanjing Jida Information Technology Services Centre (南京吉大信息技術服務中心), a sole proprietorship enterprise (個人獨資企業) established in the PRC which is owned by Mr. Wu Peirong, and 30% by Ms. Lu Manling. As Changheng Casting is a connected person only by virtue of its equity interests in Aotecar Casting, Aotecar Casting is not a connected person of our Company pursuant to Rule 14A.11(5) of the Listing Rules.*

REORGANISATION

We underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange which involved the following major steps:

(a) Incorporation of the Company

On 25 May 2010, our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$100,000 divided into 10,000,000 Shares.

On 25 May 2010, one Share was allotted and issued as nil paid to Mapcal Limited as the initial subscriber.

On 8 June 2010, Mapcal Limited transferred its one Share to Fang Brothers as nil paid Share.

On 8 June 2010, our Company allotted and issued 699 Shares to Fang Brothers, 3,600 Shares to CITIC Capital China, 870 Shares to CDH Cool and 1,830 Shares to CDH Auto, respectively, as nil paid Shares.

(b) Allotment of 99 Shares in Aotecar International to CUAS

On 22 June 2010, Aotecar International allotted and issued for cash at par its 99 shares of US\$1.00 each to CUAS.

HISTORY, DEVELOPMENT AND REORGANISATION

(c) Transfer of five Shares in Aotecar International from CUAS to Mr. Qian

On 22 June 2010:

- (a) CUAS transferred to Mr. Qian legal interest in three shares in Aotecar International (the beneficial interest in which CUAS had previously transferred to Mr. Qian on 11 September 2008);
- (b) CUAS transferred to Mr. Qian the legal and beneficial interests in two shares in Aotecar International; and
- (c) Mr. Qian settled in full (i) the cash consideration of US\$1,145,485 payable to CUAS for the transfer by CUAS to Mr. Qian of the legal and beneficial interests in the three shares described in (a) above and the creditor's right to 3% of a US\$30,673,735.70 amount owed by Aotecar Hong Kong to CUAS and (ii) the cash consideration of US\$2 payable to CUAS for the transfer by CUAS to Mr. Qian of the legal and beneficial interests in the two shares described in (b) above and the creditor's right to 2% of a US\$30,673,735.70 amount owed by Aotecar Hong Kong to CUAS.

(For details regarding the transfers by CUAS to Mr. Qian of the legal and beneficial interests in a total of five shares in Aotecar International and the creditor's right to 5% of a US\$30,673,735.7 amount owed by Aotecar Hong Kong to CUAS, please refer to "History, Development and Reorganisation – Corporate history" in this prospectus.)

(d) Increase in authorised share capital of the Company

On 9 November 2010, the authorised share capital of our Company increased from HK\$100,000 to HK\$20,000,000 by the creation of an additional 1,990,000,000 Shares.

(e) Share swap for our Company's Shares

On 10 November 2010, CUAS transferred its 95 shares in the issued share capital of Aotecar International to our Company in consideration of:–

- (i) the crediting as fully paid up at par by our Company of the 700 Shares, 3,600 Shares, 870 Shares and 1,830 Shares held by Fang Brothers, CITIC Capital China, CDH Cool and CDH Auto, respectively; and
- (ii) the allotment and issue by our Company of a further 700 Shares, 3,600 Shares, 870 Shares and 1,830 Shares credited as fully paid up to Fang Brothers, CITIC Capital China, CDH Cool and CDH Auto, respectively.

On 10 November 2010, Mr. Qian transferred his five shares in Aotecar International to our Company in consideration of the allotment and issue by our Company to him of 737 Shares credited as fully paid up.

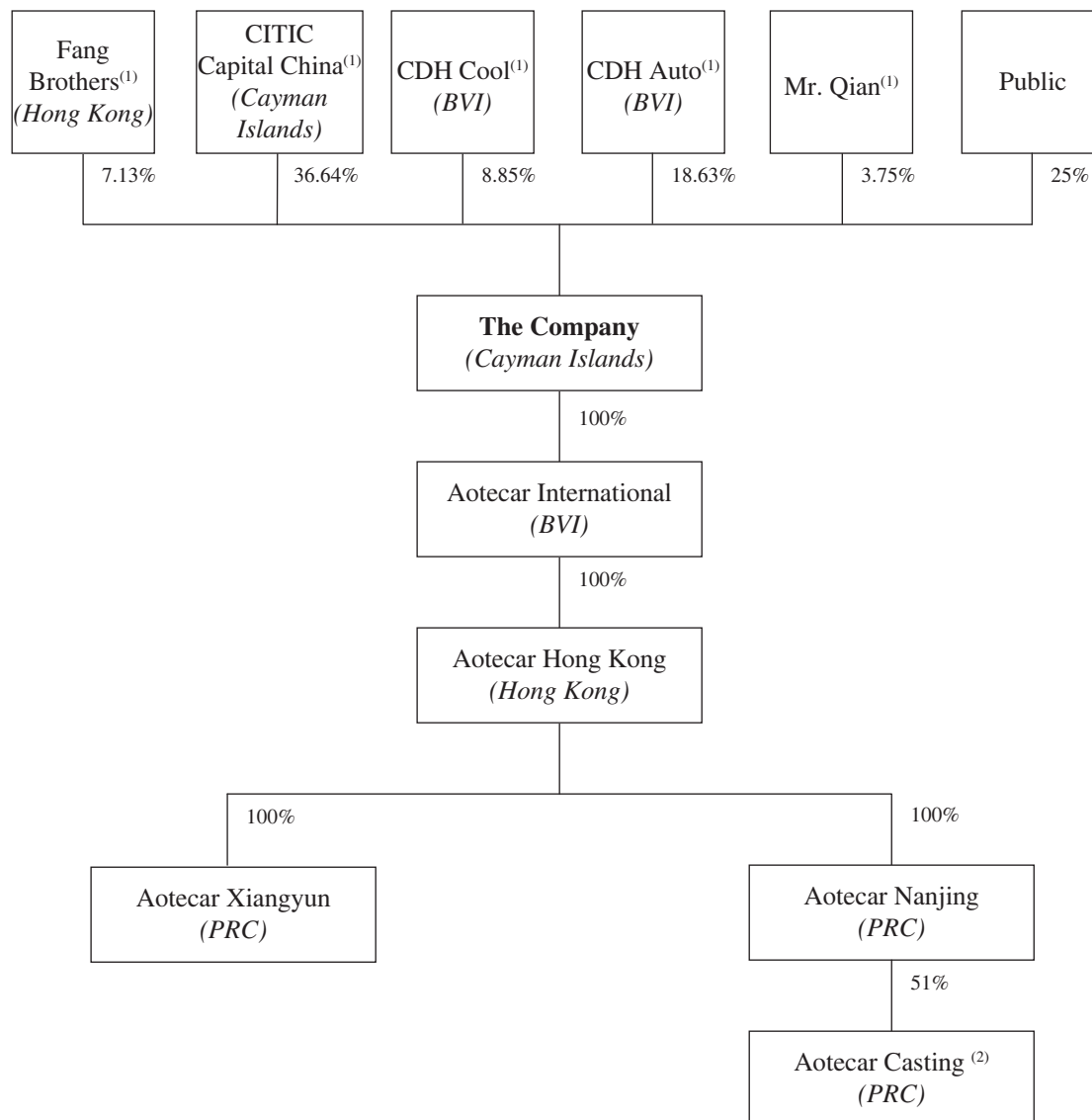
HISTORY, DEVELOPMENT AND REORGANISATION

(f) Capitalisation Issue

Pursuant to the written resolutions of the Shareholders passed on 9 November 2010 and conditional on the conditions set out in “Structure and Conditions of the Global Offering – Conditions of the Public Offering” in this prospectus and conditional on the share premium account of our Company being created as a result of the Global Offering, the Directors were authorised to allot and issue an aggregate of 749,985,263 Shares by way of capitalisation of the amount of HK\$7,499,852.63 from the amount standing to the credit of the share premium account of our Company, details of which are set out in “Further information about the Company – Written resolutions of the Shareholders passed on 9 November 2010” in Appendix VI to this prospectus.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets out our corporate and shareholding structure immediately after the Capitalisation Issue and Global Offering, assuming none of the Over-allotment Option, the Pre-IPO Share Options and options that may be granted under the Share Option Scheme has been exercised.



Notes:

- ⁽¹⁾ None of Fang Brothers, CITIC Capital China, CDH Cool, CDH Auto and Mr. Qian will be treated as a member of the public for the purpose of satisfying the minimum public float requirement under the Listing Rules.
- ⁽²⁾ The remaining 49% of the equity interest of Aotecar Casting is held by Changheng Casting.