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## HISTORY AND DEVELOPMENT

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### BUSINESS MILESTONES

The following are the key milestones of our business history:

- 2002 — Establishment of Xiezhong Nanjing
- 2007 — Accredited as “Excellent Supplier” by Foton
- 2008 — Accredited as “Excellent Supplier” by Foton and Zhongxing Auto
  - Accredited as “Excellent Components Supplier” by Changfeng Motor
  - Accredited as “Best Supplier for Development” by Foday
  - Accredited with “Technology Innovation Award” by Foton
- 2009 — Establishment of Xiezhong Liaoning
  - Accreditation with the title “高新技術企業 (High and New Technology Enterprise\*)”
  - Accredited as “Excellent Supplier” by Foton, Zhongxing Auto, Changfeng Motor and SANY
  - Accredited as “Top Ten Excellent Supplier” by Hawtai Motor and GAC Gonow
  - Accredited with Technology Innovation Award by Foton
  - Our laboratory at our production base in Jiangning District in Nanjing was first accredited ISO/IEC 17025: 2005, which specifies the general requirements for the competence of testing and calibration laboratories by 中國合格評定國家認可委員會 (China National Accreditation Service for Conformity Assessment\*)
- 2010 — Acquisition of Xiezhong Beijing
  - Establishment of Xiezhong Hubei
  - Expansion of the Jiangning Plant, including commencement of construction of our research and development building
  - Accredited as “Excellent Supplier” by Hawtai Motor, SANY and Hengte Heavy Industry

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- The capability of our laboratory at the Jiangning Plant was certified by Foton
- Our trademark “” was recognised as a “Nanjing Municipal Well-known Trademark (南京市著名商標)”
- 2011
  - Xiezhong Nanjing was accredited GB/T 28001-2001 certification for its established occupational health and safety management systems; Xiezhong Nanjing was accredited GB/T24001-2004 idt ISO14001: 2004 certification in relation to its environmental management systems
  - Xiezhong Nanjing obtained ISO/TS16949: 2009 certification for its quality management system applicable to the design and manufacture of air conditioners
  - Our products were recognised as “Nanjing Famous Brand (南京名牌產品)”
  - Accredited as “Top Ten Excellent Supplier” by GAC Gonow
  - Accredited as “Excellent Components Supplier” by Changfeng Motor
  - Accredited as “Excellent Supplier” by Zhongxing Auto, FAW-GM and Shantui
  - Accredited with “Excellent Quality Performance Award (優秀質量表現獎)” by Mianyang Huarui Auto
  - Our trademark “” was recognised as a “Jiangsu Province Well-known Trademark (江蘇省著名商標)”
- 2012
  - Our laboratory at our production base in Jiangning District in Nanjing was again accredited ISO/IEC 17025: 2005 by 中國合格評定國家認可委員會 (China National Accreditation Service for Conformity Assessment\*)

### CORPORATE HISTORY OF OUR SUBSIDIARIES

#### Xiezhong Nanjing

Xiezhong Nanjing was established in the PRC on 15 April 2002 with an initial registered capital of RMB26 million, which was contributed as to approximately 94.23% by Ms. Ni Xianglian, the wife of Mr. Chen Cunyou, and as to approximately 5.77% by 南京協眾汽車有限公司 (Nanjing Xiezhong Automobile Co., Ltd.\*) (“NX Automobile”), in which Mr. Chen Cunyou controlled a 81.25% interest at that time. Shortly thereafter, in contemplation of setting up 南京協眾集團 (Nanjing Xiezhong Group\*) with Xiezhong Nanjing as the parent company holding three subsidiaries namely NX Automobile, 南京協眾集團電器有限公司 (Nanjing Xiezhong Group Electrical Appliances Co., Ltd.\*) (“NX Electrical Appliances”) and 南京協眾集團汽車內飾件有限公司 (Nanjing Xiezhong Group Automobile Interior Parts Co., Ltd.\*) (“NX Interior Parts”), Mr. Chen Cunyou and Xiezhong Nanjing entered into an equity transfer agreement on 17 April 2002 whereby Mr. Chen Cunyou transferred his 57.5% interest in NX Automobile to Xiezhong Nanjing at a consideration of RMB4.6 million (which was the same as 57.5% of the then registered capital of NX Automobile). Then, on 24 April 2002, Mr. Chen Cunyou entered into an equity transfer agreement with NX Automobile to acquire its 5.77% interest in Xiezhong Nanjing at a consideration of RMB1.5 million (which was the same as 5.77% of the then registered capital of Xiezhong Nanjing).

On 14 April 2004, the registered capital of Xiezhong Nanjing was increased by RMB24 million, which was fully contributed by Mr. Chen Cunyou. Thereafter, the registered capital of Xiezhong Nanjing was RMB50 million owned as to 51% by Mr. Chen Cunyou and as to 49% by Ms. Ni Xianglian.

南京協眾集團 (Nanjing Xiezhong Group\*) was set up on 16 April 2004 with Xiezhong Nanjing as the parent company of (a) NX Automobile, which was principally engaged in the sale and distribution of automobiles and which was owned as to 51% by Xiezhong Nanjing, (b) NX Electrical Appliances, which was principally engaged in the manufacturing, sale and distribution of automotive air-conditioning pipes and which was owned as to approximately 66.7% by Xiezhong Nanjing and (c) NX Interior Parts which was principally engaged in the manufacturing, sale and distribution of air-conditioning plastic parts and which was owned as to 52.6% by Xiezhong Nanjing.

On 22 June 2007, the interest of Xiezhong Nanjing in NX Electrical Appliances was diluted to approximately 33.9% as a result of an increase of RMB2.9 million in the registered capital of NX Electrical Appliances. On 27 May 2008, Xiezhong Nanjing disposed all of its 66% interest in NX Automobile to Mr. Chen Hao at a consideration of RMB6.6 million (which was the same as 66% of the then registered capital of NX Automobile). On 20 May 2008, Xiezhong Nanjing disposed all of its approximately 33.9% interest in NX Electrical Appliances and 52.6% interest in NX Interior Parts to 南京協眾友旭汽車有限公司 (Nanjing Xiezhong Youxu Automobile Co., Ltd.\*) (“Youxu”) which was then owned as to 40% by Mr. Chen Cunyou and as to 60% by Xiezhong Nanjing, at a consideration of RMB2 million and RMB2.63 million respectively (which were the same as approximately 33.9% of the then registered capital of NX Electrical Appliances and 52.6%

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of the then registered capital of NX Interior Parts respectively). On 23 July 2008, Xiezhong Nanjing disposed all of its 60% interest in Youxu to NX Automobile at a consideration of RMB9 million (which was the same as 60% of the then registered capital of Youxu). The aforesaid disposals were effected in contemplation of CUAS's acquisition of 70% interest in Xiezhong Nanjing in June 2008 mentioned below as CUAS intended to invest in the automotive HVAC systems business engaged by Xiezhong Nanjing only. As a result of the aforesaid disposals, Xiezhong Nanjing ceased to hold any interest in NX Automobile, NX Interior Parts, NX Electrical Appliances and Youxu before the Track Record Period. NX Interior Parts and NX Electrical Appliances were dissolved in January 2010 and February 2010, respectively.

Both NX Automobile, which is now owned as to 66% by Mr. Chen Hao and 34% by Ms. Ni Xianglian and Youxu, which is owned as to 60% by NX Automobile and 40% by Mr. Chen Cunyou, are principally engaged in the sale and distribution of automobiles and the provision of related repair and maintenance services. When repairing or carrying out repair and maintenance services for their customers' automobiles, if it is necessary to replace certain parts or components in their automobiles, NX Automobile and Youxu would help the customers to purchase and then sell such replacement parts or components to their customers and install them into their automobiles. The Directors believe that the nature of business of NX Automobile and Youxu are different from that of our Group and therefore they do not, and are unlikely to, compete with the Group.

Yo Sun Investment Limited, an investment holding company which was then owned as to 40% by Mr. Ni Yuncheng, the brother of Ms. Ni Xianglian and as to 60% by Mr. Ge Hongbing, an executive Director, decided to invest in Xiezhong Nanjing in contemplation of its growing potential and therefore entered into an equity transfer agreement on 8 November 2005 with Ms. Ni Xianglian and Mr. Chen Cunyou to acquire from Ms. Ni Xianglian a 25% interest in Xiezhong Nanjing at a consideration of RMB12.5 million (which was the same as 25% of the then registered capital of Xiezhong Nanjing). The consideration of such equity transfer was determined with reference to the net assets of Xiezhong Nanjing of around RMB50 million and the net profits of Xiezhong Nanjing of around RMB0.3 million at that time. After such equity transfer, Xiezhong Nanjing became a sino-foreign joint venture enterprise owned as to 51% by Mr. Chen Cunyou, as to 25% by Yo Sun Investment Limited and as to 24% by Ms. Ni Xianglian.

Pursuant to an equity transfer agreement dated 30 May 2008 (as amended by a supplemental agreement dated 15 September 2008) between Yo Sun Investment Limited and Xiezhong HK (which was then, and remains to be, wholly-owned by Xiezhong BVI which in turn was then wholly-owned by CUAS), Xiezhong HK acquired a 25% interest in Xiezhong Nanjing from Yo Sun Investment Limited at a consideration of approximately RMB71.5 million. Pursuant to another equity transfer agreement dated 30 May 2008 (as amended by a supplemental agreement dated 15 September 2008) among Ms. Ni Xianglian, Mr. Chen Cunyou and Xiezhong HK (the "Xiezhong Nanjing Equity Transfer Agreement"), Xiezhong HK acquired from Ms. Ni Xianglian and Mr. Chen Cunyou their respective 24% and 21% interests in Xiezhong Nanjing at a consideration of approximately RMB68.6 million and RMB60 million respectively. The amounts of the consideration paid by Xiezhong HK to Yo Sun Investment Limited, Ms. Ni Xianglian and Mr. Chen Cunyou set

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out above were determined on an arm's length basis with reference to Xiezhong Nanjing's net profits and net assets in 2007 as well as the conditions of the automobile industry and the capital market at that time. The net profits and net assets of Xiezhong Nanjing in 2007 based on its audited financial statements (preliminary figures of which were available at that time for determining the consideration) were approximately RMB49.2 million and RMB110.3 million respectively. The consideration therefore represented a price-earnings ratio of approximately 5.8. Immediately after such transactions, Xiezhong Nanjing was owned as to 70% by Xiezhong HK and as to 30% by Mr. Chen Cunyou.

Pursuant to an equity transfer agreement dated 28 January 2010 between Mr. Chen Cunyou and Xiezhong HK, Mr. Chen Cunyou transferred his 30% interest in Xiezhong Nanjing to Xiezhong HK at a consideration of US\$11 million. The consideration paid by Xiezhong HK to Mr. Chen Cunyou was determined on an arm's length basis with reference to Xiezhong Nanjing's net profits and net assets in 2009. The net profits and net assets of Xiezhong Nanjing in 2009 based on its unaudited management accounts were approximately RMB67.4 million and RMB252 million respectively. The consideration therefore represented a price-earnings ratio of approximately 3.7 taking into account the conditions of the automobile industry and the capital market at that time which were adversely affected by the financial crisis starting in the last quarter of 2008. On 10 February 2010, Xiezhong Nanjing became a direct wholly-owned subsidiary of Xiezhong HK.

### **Xiezhong BVI**

Xiezhong BVI was incorporated in BVI on 14 May 2008 with one share of US\$1.0 issued to CUAS on the same date.

Pursuant to the Xiezhong Nanjing Equity Transfer Agreement, if the audited profit after tax of Xiezhong Nanjing for the year ended 31 December 2008 amounted to RMB73 million or above, Mr. Chen Cunyou shall have an option to acquire, or designate another person to acquire, a 10% interest in Xiezhong Nanjing (or an equivalent interest in Xiezhong HK or its holding company) at a nominal price. As the said audited profit of Xiezhong Nanjing exceeded RMB73 million, Mr. Chen Cunyou exercised the said option and in contemplation of his son Mr. Chen Hao going to succeed his interest in the Group's business, designated Sunrise International which is wholly-owned by Mr. Chen Hao to subscribe for 100 shares of US\$1.0 each in Xiezhong BVI at par and at the same time, CUAS subscribed for 599 shares in Xiezhong BVI at par, such that on 1 February 2010, Xiezhong BVI became owned as to approximately 14.29% by Sunrise International and approximately 85.71% by CUAS. As Xiezhong BVI held a 70% attributable interest in Xiezhong Nanjing at that time, Sunrise International's then approximately 14.29% interest in Xiezhong BVI represented a then attributable interest of approximately 10% in Xiezhong Nanjing.

On 9 December 2009, CUAS, Sunrise International and Xiezhong BVI entered into the Xiezhong BVI Shareholders' Agreement in respect of the management and other affairs of Xiezhong BVI, including, among others, the composition of the board of directors of Xiezhong BVI, matters that required unanimous votes of CUAS and Sunrise International,

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and the pre-emptive rights of CUAS and Sunrise International in respect of transfer of shares of Xiezhong BVI to any third party. Under the Xiezhong BVI Shareholders' Agreement, all directors of Xiezhong BVI shall be appointed by CUAS.

On 30 May 2010, pursuant to a subscription agreement dated 2 February 2010, 300 shares of US\$1.0 each were issued to Sunrise International at a total issue price of US\$11 million, which was the same as the consideration paid by Xiezhong HK to Mr. Chen Cunyou for acquiring 30% interest in Xiezhong Nanjing pursuant to the equity transfer agreement dated 28 January 2010 referred to in the sub-paragraph headed "Xiezhong Nanjing" above. The subscription of such 300 shares in Xiezhong BVI by Sunrise International was financed by a US\$5 million bank loan (which was repaid in full in March 2011 with a loan from Mr. Chen Cunyou to Mr. Chen Hao) and by a US\$6 million loan from Mr. Chen Cunyou to Mr. Chen Hao who on-lent to Sunrise International. There was no written agreement in respect of the aforesaid loans from Mr. Chen Cunyou. Mr. Chen Cunyou does not have any equity or any other interest in Sunrise International. Mr. Chen Cunyou and Mr. Chen Hao have confirmed that there was no arrangement between Mr. Chen Cunyou, Mr. Chen Hao and Sunrise International for the transfer of the 30% interest in Xiezhong Nanjing to Xiezhong HK referred to in the sub-paragraph headed "Xiezhong Nanjing" above. As advised by our PRC legal advisers, the acquisition of 300 shares in Xiezhong BVI by Sunrise International was not subject to any approval of the relevant PRC regulatory authorities, and Mr. Chen Hao, as a PRC resident, had duly completed all the requisite foreign exchange registration formalities applicable to foreign investments by PRC residents in respect of his holding of shares in Xiezhong BVI through Sunrise International. After such subscription and immediately before the Reorganisation, Xiezhong BVI was held as to 40% by Sunrise International and as to 60% by CUAS.

Having considered the circumstances under which Sunrise International acquired shares in Xiezhong BVI mentioned above, Mr. Chen Cunyou is considered as one of our Controlling Shareholders.

### **Xiezhong HK**

Xiezhong HK was incorporated in Hong Kong on 21 May 2008 with one share of HK\$1.0 each issued to the initial subscriber, which transferred that share to Xiezhong BVI at par on the same date.

### **Xiezhong Liaoning**

With a view to enhancing the production scale and meeting local demands more efficiently, Xiezhong Nanjing decided to form a strategic joint venture with a local partner in Liaoning, so as to leverage on its customer network. Xiezhong Liaoning was established in the PRC on 29 September 2009 with a registered capital of RMB10 million, which was contributed as to 60% by Xiezhong Nanjing and as to 40% by 瀋陽特種焊料有限公司 (Shenyang Special Solder Co., Ltd.\*).

瀋陽特種焊料有限公司 (Shenyang Special Solder Co., Ltd.\*) is principally engaged in processing and selling of welding materials. It has a long standing business relationship with one of the top five customers of our Company. Xiezhong Liaoning was formed as a strategic

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joint venture with a view to enhancing the Group's business with such customer and the Group's production scale and also fostering its strategic development in the northern region of the PRC by leveraging on the customer network of this local partner in Liaoning and meeting local demands more efficiently.

### **Xiezhong Beijing**

Xiezhong Beijing was established on 25 October 2006 with an initial registered capital of RMB3 million, which was contributed as to 55% by Shanghai Delphi, an Independent Third Party, and as to 45% by Beijing Guanghua, an Independent Third Party. Xiezhong Beijing has been principally engaged in the sales of automotive HVAC systems since its establishment.

On 15 May 2008, Beijing Hainachuan entered into an equity transfer agreement with each of Shanghai Delphi and Beijing Guanghua, pursuant to which Beijing Hainachuan acquired from Shanghai Delphi and Beijing Guanghua their respective 4% and 36% interests in Xiezhong Beijing at a consideration of approximately RMB0.1 million and RMB1.1 million respectively (which were the same as 4% and 36% of the then registered capital of Xiezhong Beijing). Thereafter, Xiezhong Beijing was owned as to 51% by Shanghai Delphi, as to 9% by Beijing Guanghua and as to 40% by Beijing Hainachuan.

Beijing Hainachuan, being a member of the BAIC Group, is principally engaged in the sales of automobile parts and capital investment. In January 2010, with a view to strengthening the Group's relationship with the BAIC Group, Xiezhong Nanjing decided to invest in Xiezhong Beijing by acquiring a 50% interest in Xiezhong Beijing so as to form a strategic joint venture with Beijing Hainachuan, which would hold the remaining 50% interest in Xiezhong Beijing. As a result, on 2 March 2010, Xiezhong Nanjing entered into an equity transfer agreement with each of Shanghai Delphi and Beijing Guanghua for the acquisition of their respective 51% and 9% interests in Xiezhong Beijing at a consideration of RMB1.53 million and RMB0.27 million respectively (which were the same as 51% and 9% of the then registered capital of Xiezhong Beijing). On the same date, Xiezhong Nanjing also entered into an equity transfer agreement with Beijing Hainachuan for the disposal of 10% interest in Xiezhong Beijing at a consideration of RMB0.3 million (which was the same as 10% of the then registered capital of Xiezhong Beijing). The amounts of consideration of the aforesaid equity transfers were based on the registered capital of Xiezhong Beijing without any premium given Xiezhong Beijing was trading at a loss at that time. After the aforesaid equity transfers, Xiezhong Beijing has been owned as to 50% by Xiezhong Nanjing and as to 50% by Beijing Hainachuan.

On 17 September 2010, the registered capital of Xiezhong Beijing was increased from RMB3 million to RMB43 million by RMB40 million, which was contributed as to 50% by Xiezhong Nanjing and as to 50% by Beijing Hainachuan.

On 26 January 2011, Xiezhong Nanjing and Beijing Hainachuan, being equity holders of Xiezhong Beijing, resolved at a shareholders' meeting that the number of directors of Xiezhong Beijing be increased from six to seven with the additional director to be nominated by Xiezhong Nanjing and that matters to be decided by the board of directors of Xiezhong Beijing shall be decided by a simple majority of votes. On the same date, they also

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agreed to authorise the board of directors of Xiezhong Beijing their power to govern the financial and operating policies of Xiezhong Beijing. Pursuant to the articles of association of Xiezhong Beijing, removal of directors of Xiezhong Beijing requires unanimous votes of its shareholders. Xiezhong Nanjing therefore obtained an effective control over the majority of the board of directors of Xiezhong Beijing and the financial and operating policies of Xiezhong Beijing. As a result, Xiezhong Beijing became a subsidiary of the Group on 26 January 2011 under the accounting principles adopted by the Group.

### **Xiezhong Hubei**

Xiezhong Hubei was established on 13 April 2010 with a registered capital of RMB10 million, which was contributed as to 51% by Xiezhong Nanjing and as to 49% by Hubei Leidite.

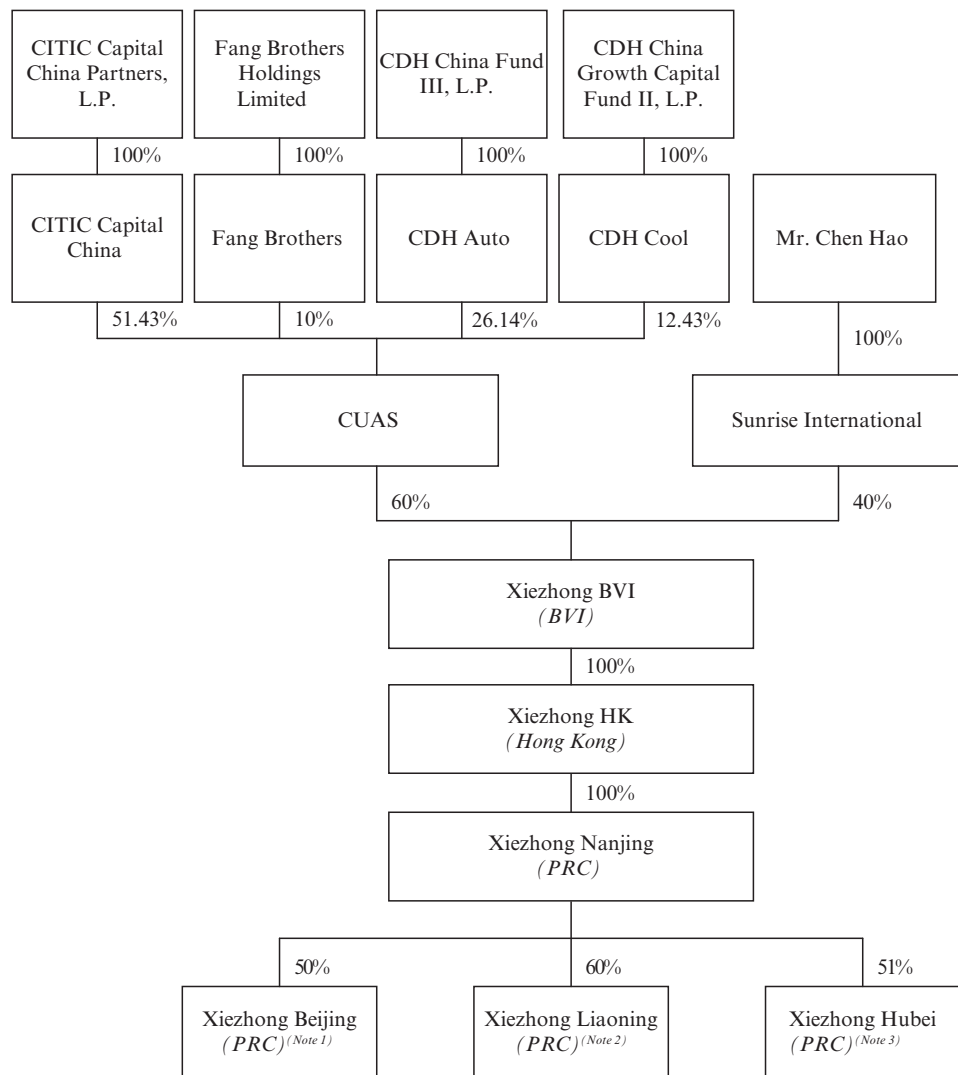
Hubei Leidite is principally engaged in designing, manufacturing and selling of automobile intercoolers and radiators, and providing related after sales services. It has a long standing business relationship with a large automobile company which is a customer of the Group. Xiezhong Hubei was formed as a strategic joint venture with a view to enhancing the Group's business with such customer and the Group's production scale and also fostering its strategic development through the joint venture in the central region of the PRC. Xiezhong Hubei is a subsidiary of the Company within the meaning of the Listing Rules. Pursuant to the articles of association of Xiezhong Hubei, all decisions (including participation in the financial and operating policy decisions) need to be unanimously passed by either all the equity holders or the equity holders representing two-thirds of equity interests in Xiezhong Hubei. Therefore, although the Group holds 51% equity interests in Xiezhong Hubei, it is unable to control Xiezhong Hubei. As a result, Xiezhong Hubei is accounted for as a jointly controlled entity under the accounting principles adopted by the Group.



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### CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

Our corporate and shareholding structure immediately prior to the Reorganisation is set out in the chart below:



Notes:

1. The remaining 50% interest in Xiezhong Beijing is held by Beijing Hainachuan. Save for the holding of a 50% interest in Xiezhong Beijing, Beijing Hainachuan is an Independent Third Party.
2. The remaining 40% interest in Xiezhong Liaoning is held by 瀋陽特種焊料有限公司 (Shenyang Special Solder Co., Ltd.\*). Save for the holding of a 40% interest in Xiezhong Liaoning, 瀋陽特種焊料有限公司 (Shenyang Special Solder Co., Ltd.\*) is an Independent Third Party.
3. The remaining 49% interest in Xiezhong Hubei is held by Hubei Leidite. Save for the holding of a 49% interest in Xiezhong Hubei, Hubei Leidite is an Independent Third Party.

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### REORGANISATION

Our Group underwent the following reorganisation steps to rationalise our group structure for the Listing:

**(a) Incorporation of the Company**

On 30 September 2011, our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares with one nil paid Share issued to the initial subscriber, which transferred such nil paid Share to CUAS on 23 November 2011. On 23 November 2011, our Company issued four nil paid Shares to Sunrise International and five nil paid Shares to CUAS.

**(b) Capitalisation of the debts due from Xiezhong BVI to CUAS and issuance of shares from Xiezhong BVI to Sunrise International**

On 7 November 2011, the debts due from Xiezhong BVI to CUAS totalled approximately US\$29.0 million, which was arisen from the funding from CUAS to Xiezhong BVI in financing Xiezhong BVI to acquire equity interest in Xiezhong Nanjing through Xiezhong HK in 2008, were capitalised by way of Xiezhong BVI issuing three shares of US\$1.00 each to CUAS, credited as fully paid at par, as full and final settlement of the said debt. On the same date, two shares of US\$1.00 each were issued to Sunrise International at par. Immediately thereafter, Xiezhong BVI remained to be owned as to 60% by CUAS and as to 40% by Sunrise International.

**(c) Capitalisation of the debts due from Xiezhong HK to Xiezhong BVI**

On 29 November 2011, the debts due from Xiezhong HK to Xiezhong BVI totalled approximately US\$39.7 million were capitalised by way of Xiezhong HK issuing one share of HK\$1.00 each to Xiezhong BVI, credited as fully paid at par, as full and final settlement of the said debt.

**(d) Share swap**

Pursuant to a share swap agreement dated 16 January 2012 among CUAS, Sunrise International and our Company, CUAS and Sunrise International transferred all their respective interests in Xiezhong BVI to our Company in consideration of our Company (a) allotting and issuing 59,994 and 39,996 Shares to CUAS and Sunrise International respectively credited as fully paid; (b) crediting the previously issued six nil paid Shares held by CUAS as fully paid; and (c) crediting the previously issued four nil paid Shares held by Sunrise International as fully paid on 20 January 2012.

After such share swap, our Company has become the holding company of our Group.

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**(e) Distribution of Shares in specie to shareholders of CUAS**

On 20 January 2012, with a view to streamlining the structure of the holding of the Shares by the Group of Institutional Shareholders, CUAS made a distribution in specie by transferring 60,000 Shares held by it to its shareholders namely, the Group of Institutional Shareholders in proportion to their respective interest in CUAS as follows:

Name	Number of Shares Distributed
CITIC Capital China	30,858
Fang Brothers	6,000
CDH Auto	15,684
CDH Cool	7,458

**(f) Increase of authorised share capital of the Company**

On 10 February 2012, the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares.

**(g) Termination of the Xiezhong BVI Shareholders' Agreement and the Group of Institutional Investors entering into the Shareholders' Agreement**

On 4 June 2012, CUAS, Sunrise International and Xiezhong BVI entered into an agreement to terminate the Xiezhong BVI Shareholders' Agreement.

On the same date, the Group of Institutional Shareholders entered into the Shareholders' Agreement among themselves for a term of one year. Under the Shareholders' Agreement, the Group of Institutional Shareholders agreed to exercise their voting rights at the general meetings of the Company or pass Shareholders' resolutions in writing (as the case may be), and/or shall procure Directors nominated by them to vote at the Board meetings or pass Directors' resolutions in writing (a) to procure that CITIC Capital China shall have the right to nominate two non-executive Directors, Fang Brothers shall have the right to nominate one non-executive Director, CDH Cool and CDH Auto together shall have the right to nominate one non-executive Director; and (b) in the same manner in respect of the following matters concerning the Company: (i) issue of Shares; (ii) purchase or redemption of Shares; (iii) variation of rights attaching to any Shares; and (iv) variation of accounting policy or standards.

The Group of Institutional Shareholders further agreed under the Shareholders' Agreement that save for pursuant to the Share Offer, neither of them will, without the prior written consent of the Stock Exchange or unless in compliance with the Listing Rules, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in the Prospectus and ending on the date which is six months from the Listing Date (the "First Six-month Period"), any of the Shares in respect of which it is shown in this prospectus to be the

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beneficial owner (the “Relevant Shares”) pursuant to Rule 10.07(1)(a) of the Listing Rules; and (b) in the period of six months commencing on the date on which the First Six-month Period expires (the “Second Six-month Period”), any of the Relevant Shares to the extent that the total number of Shares then held by it immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances is less than such number as determined by using the following formula:

$$A \times 30\% \times B/C$$

“A” means the number of Shares in issue immediately before such disposal or the exercise or enforcement of such options, rights, interest or encumbrances;

“B” means the number of Shares held by the relevant member of the Group of Institutional Shareholders immediately before such disposal or the exercise or enforcement of such options, rights, interest or encumbrances; and

“C” means the total number of Shares held by the Group of Institutional Shareholders collectively immediately before such disposal or the exercise or enforcement of such options, rights, interest or encumbrances.

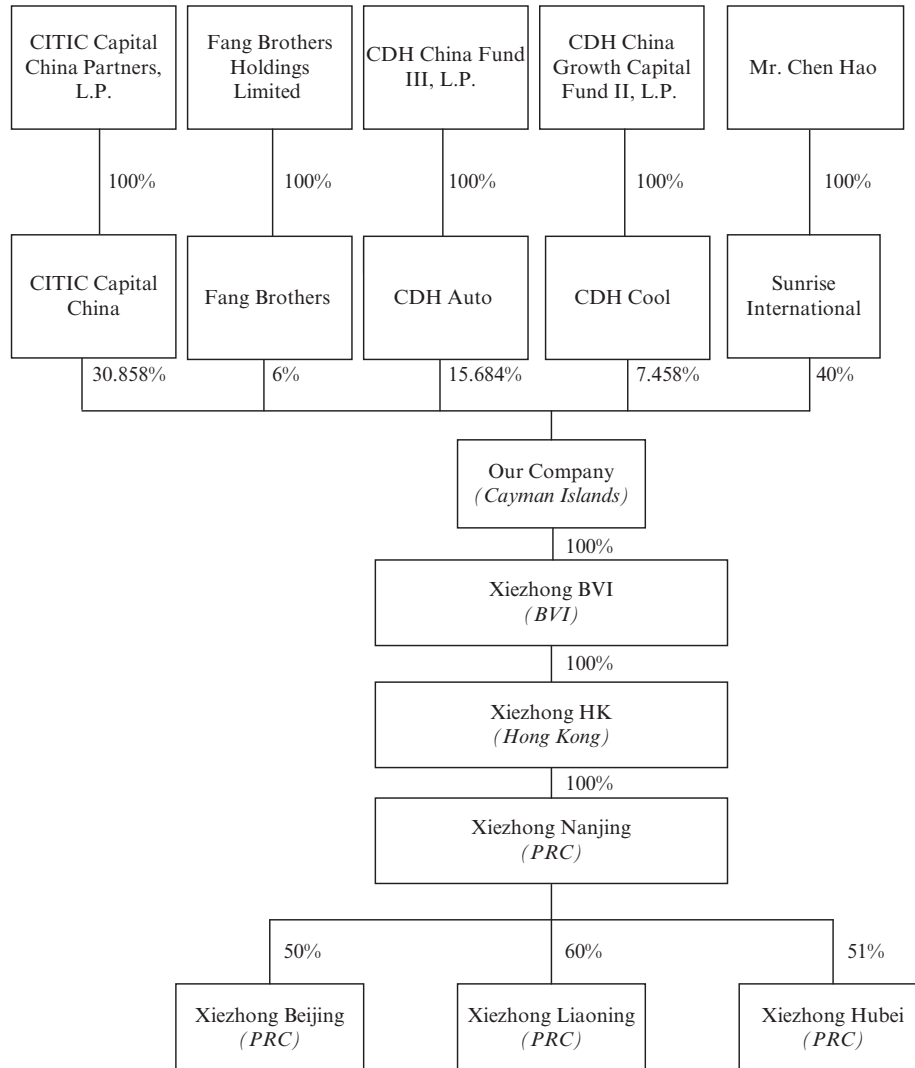
### **(h) Capitalisation Issue**

Conditional upon the share premium account of our Company being credited as a result of the Share Offer, a sum of HK\$5,999,000 standing to the credit of the share premium account of our Company will be capitalised by way of applying such sum in paying up in full 599,900,000 Shares for the issue (the “Capitalisation Issue”) to Fang Brothers, CITIC Capital China, CDH Cool, CDH Auto and Sunrise International divided among themselves in proportion to their respective interest in the Company immediately before the Share Offer.

As advised by our PRC Legal Advisers, the Reorganisation is in compliance with the relevant applicable PRC laws and regulations in all material aspects.

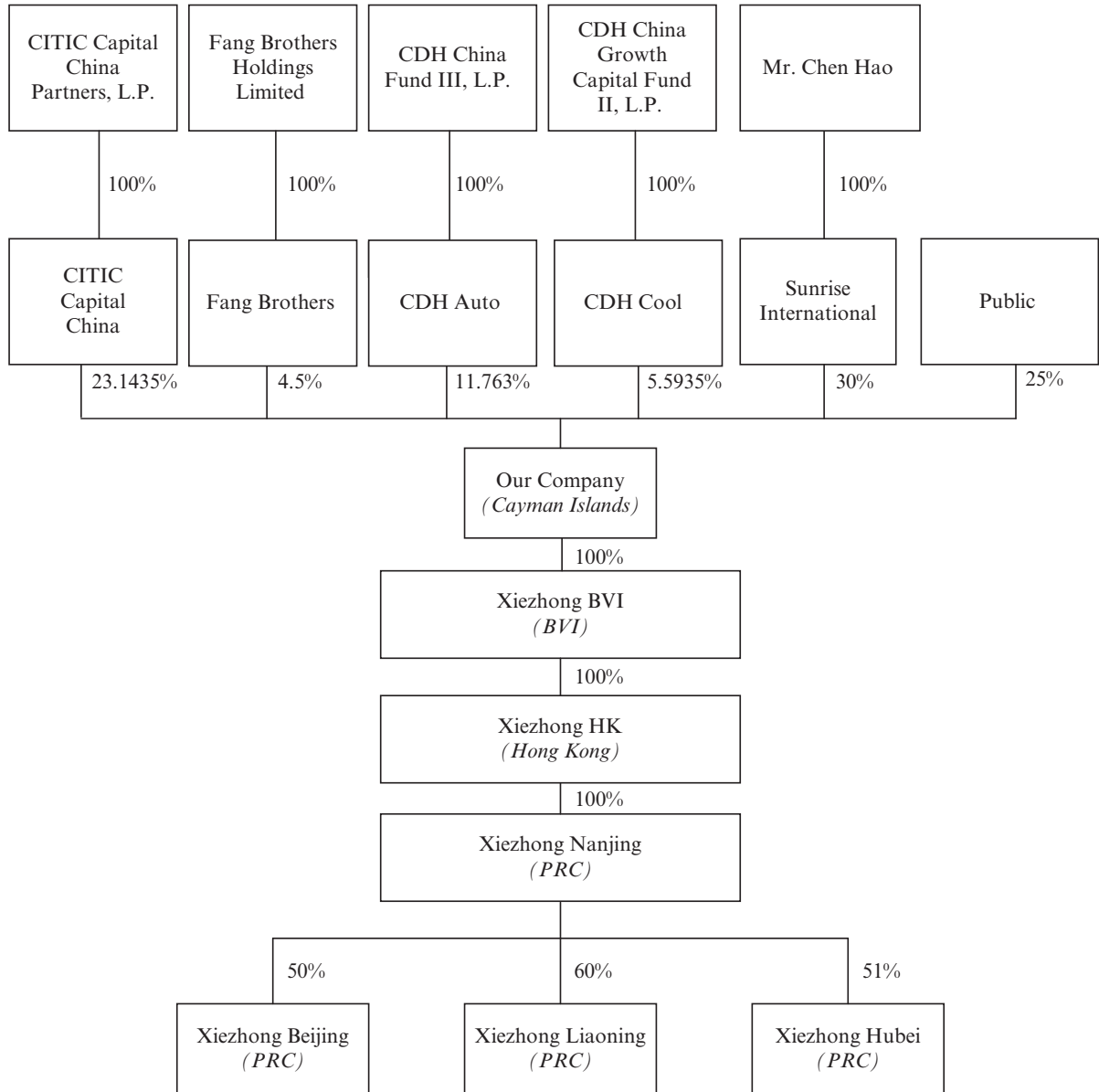
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Our corporate and shareholding structure immediately *before* the Share Offer and the Capitalisation Issue is as follow:



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Our corporate and shareholding structure immediately *after* the Share Offer and the Capitalisation Issue is as follow:



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### SHARE INCENTIVE PLAN

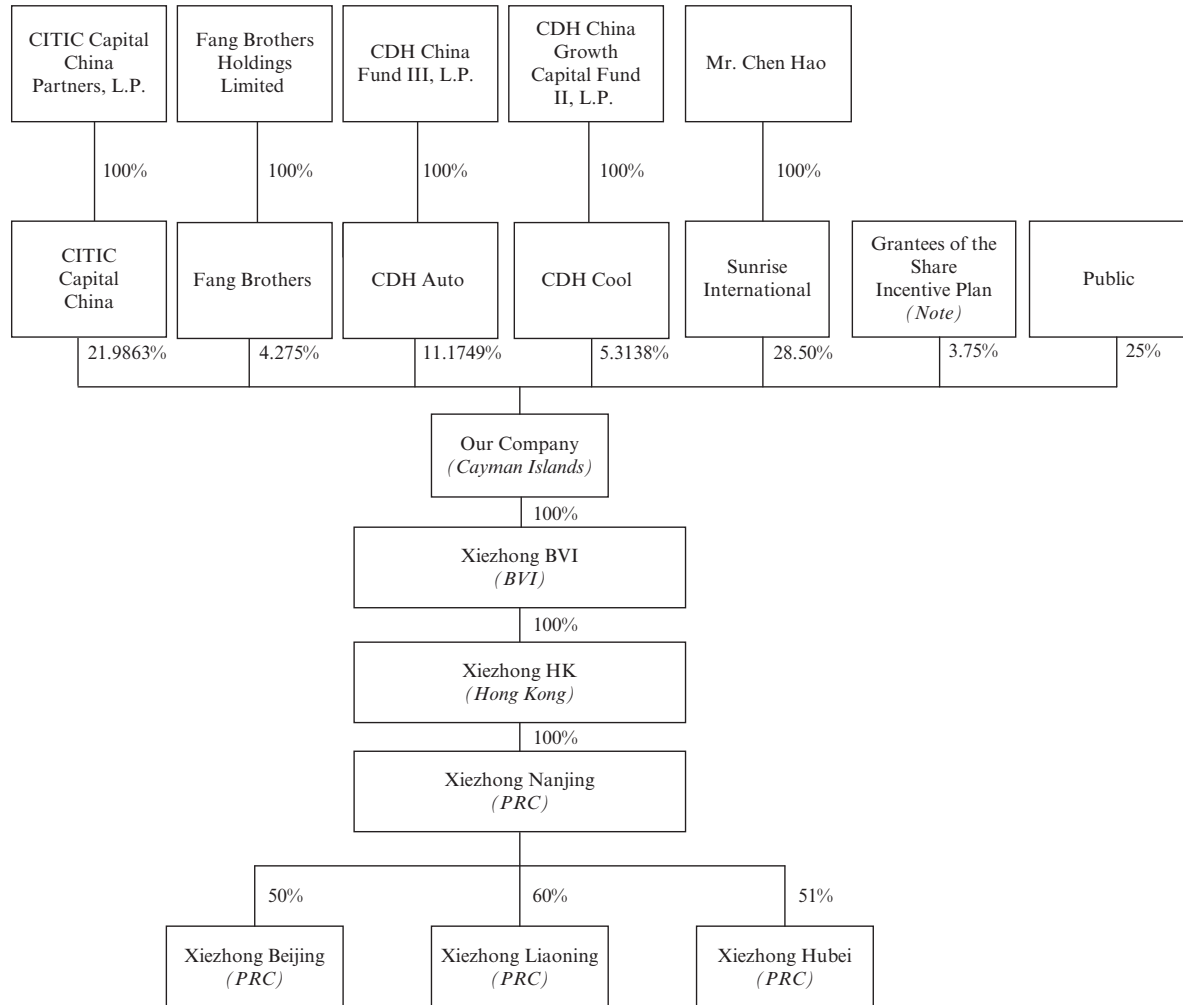
On 29 October 2008, the board of directors of Xiezhong Nanjing adopted the Share Incentive Plan, pursuant to which 33 grantees were granted rights to acquire at nil consideration, shares in Xiezhong Nanjing or its listing vehicle holding company, totalled 5% of the issued shares of such listing vehicle immediately before its listing, conditional upon Xiezhong Nanjing having achieved the targeted profits for each of the years 2008, 2009 and 2010 of RMB60 million, RMB63 million, and RMB80 million respectively. As Xiezhong Nanjing had achieved the targeted profits, each of Fang Brothers, CITIC Capital China, CDH Auto, CDH Cool and Sunrise International agreed to transfer a total of 30,000,000 Shares to the said grantees at nil consideration in proportion to their respective interests in the Company upon the grantees exercising their rights under the Share Incentive Plan. Such rights can be exercised for a period of 10 years from the date of grant. The grantees have agreed that they would not exercise any of their rights before the first anniversary of the Listing Date and that any exercise of their rights before the second anniversary of the Listing Date would be subject to a limit of 50% with their remaining rights to be exercised from the second anniversary onwards.

Particulars of the grants under the Share Incentive Plan are set out below:

<b>Grantees</b>	<b>Number of Shares to be acquired by the grantees</b>	<b>Approximate percentage of interest in our Company immediately after the Listing</b>
<b>Directors</b>		
Mr. Chen Cunyou	10,260,000	1.2825%
Mr. Ge Hongbing	6,000,000	0.75%
<b>Senior management</b>		
Mr. Huang Yugang	3,000,000	0.375%
<b>Others (30 Employees)</b>	10,740,000	1.3425%

## HISTORY AND DEVELOPMENT

Our corporate and shareholding structure immediately *after* the Share Offer, the Capitalisation Issue and transfer of Shares to the grantees under the Share Incentive Plan (which transfer will not take place until the first anniversary of the Listing Date) is as follow:



*Note:* There will be no transfer of Shares to the grantees under the Share Incentive Plan before the first anniversary of the Listing Date.