

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

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 30 September 2011. Our Company has established a place of business in Hong Kong at Room 2912, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, and has been registered with the Companies Registry of Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr. Chui Wing Fai has been appointed as the agent of our Company for acceptance of service of process and notices in Hong Kong at the principal place of business of our Company in Hong Kong.

Our Company's corporate affairs are subject to its constitutive documents comprising the Memorandum of Association and the Articles and, as our Company was incorporated in the Cayman Islands, to the Cayman Companies Law. A summary of various provisions of our Company's constitutive documents and relevant aspects of the Cayman Companies Law is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

At the time of its incorporation, our Company had an authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each.

On 30 September 2011, one nil paid Share was allotted and issued to Mapcal Limited, the initial subscriber. On 23 November 2011, such nil paid Share was transferred to CUAS and, on the same date, our Company issued five nil paid Shares to CUAS and four nil paid Shares to Sunrise International.

On 20 January 2012, pursuant to a share swap agreement dated 16 January 2012 among CUAS, Sunrise International and our Company, in consideration of the transfer by CUAS and Sunrise International of all their respective interests in Xiezhong BVI to our Company, our Company issued 59,994 and 39,996 Shares to CUAS and Sunrise International respectively, credited as fully paid, and credited the previously issued six nil paid Shares held by CUAS and four nil paid Shares held by Sunrise International as fully paid.

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 by the creation of an additional 1,961,000,000 Shares.

Save as disclosed in this paragraph and the paragraph headed "Reorganisation" of the section headed "History and Development" in this prospectus, our Company does not have any changes in its share capital since its incorporation.

3. Resolutions of the Shareholders passed on 21 May 2012

The resolutions of the Shareholders passed on 21 May 2012 include, among others:

- (a) our Company conditionally approved and adopted the Articles, the provisions of which are summarised in Appendix V to this prospectus;
- (b) conditional upon the conditions stated in the paragraph headed “Conditions” of the section headed “Structure of the Share Offer” in this prospectus having been fulfilled:
 - (i) the Share Offer and Capitalisation Issue were approved and our Directors were authorised to allot and issue the new Shares pursuant to the Share Offer and Capitalisation Issue, on and subject to such terms and conditions as they may in their absolute discretion decide;
 - (ii) the rules of the Share Option Scheme (subject to such amendments as may be approved by our Directors or a committee thereof) were approved and adopted and our Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and do such acts and things as it may consider necessary or expedient to give effect to the transactions contemplated under the Share Option Scheme;
 - (iii) a general unconditional mandate was given to our Directors to allot, issue and deal whether pursuant to an option or otherwise with additional Shares (including the power to make or grant offers, agreements and options which would or might require the exercise of such powers), otherwise than pursuant to (ww) a rights issue; (xx) the exercise of rights of subscription, exchange or conversion under the terms of any warrants or convertible securities issued by our Company or any securities which are exchangeable into Shares; (yy) the exercise of the subscription rights under options granted under the Share Option Scheme or any other similar arrangement of our Company from time to time adopted for the grant or issue to officers and/or employees and/or consultants and/or advisors of our Company and/or any of its subsidiaries and/or other persons of Shares or rights to acquire Shares; or (zz) any scrip dividend or similar arrangement providing for allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, with an aggregate nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue; and (bb) the aggregate nominal amount of the share capital of our Company which may be repurchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (iv)

below, until the conclusion of the next annual general meeting of our Company or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any other applicable laws or the date of passing of an ordinary resolution by the Shareholders at general meeting revoking or varying the authority given to our Directors, whichever occurs first;

- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or other stock exchange on which Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or of any other stock exchange as amended from time to time, with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Share Offer and Capitalisation Issue until the conclusion of the next annual general meeting of our Company or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any other applicable laws or the date of passing of an ordinary resolution by the Shareholders at general meeting revoking or varying the authority given to our Directors, whichever occurs first; and
- (v) the general unconditional mandate mentioned in paragraph (iii) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above.

4. Reorganisation

Our Group underwent certain share capital changes and reorganisation steps to rationalise our corporate and shareholding structure in preparation for the Listing. Please refer to the paragraph headed “Reorganisation” of the section headed “History and Development” in this prospectus for details.

5. Changes in share capital of subsidiaries

Save as mentioned in the paragraph headed “Corporate History of Our Subsidiaries” of the section headed “History and Development” in this prospectus, there has been no change in the share capital of the subsidiaries of our Company during the two years immediately prior to the date of this prospectus.

6. Repurchase by our Company of its own securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction.

Our Directors were granted a general unconditional mandate (the "Repurchase Mandate") authorising the repurchase of Shares by our Company on the Stock Exchange or on any other stock exchange on which Shares may be listed and recognised by the SFC and the Stock Exchange, as referred to in the paragraph headed "A. Further Information about our Company — 3. Resolutions of the Shareholders passed on 21 May 2012" above in this Appendix. The Repurchase Mandate will be exercisable upon Listing and will expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Cayman Companies Law or any other applicable laws to be held, or when revoked or varied by ordinary resolution of the Shareholders, whichever shall first occur.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for such purpose in accordance with the Listing Rules, the Memorandum of Association and the Articles and the applicable laws of the Cayman Islands. Our 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. Subject to the foregoing, any repurchases by our Company may be made out of our Company's funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase or out of our Company's share premium account. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our Company's share premium account.

(iii) Trading Restrictions

The total number of Shares which our Company may repurchase on the Stock Exchange is the number of Shares representing up to a maximum of 10% of the aggregate number of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue. Our Company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, 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. In addition, our Company is prohibited from repurchasing its Shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its Shares were traded on the Stock Exchange. The Listing Rules also prohibit our Company from repurchasing its securities which will result in Shares held by 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 it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

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

(v) Suspension of Repurchase

Our Company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been 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 publication of an announcement of our Company's 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), our Company may not repurchase its Shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if our Company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, our Company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Connected Persons

Our Company is prohibited from knowingly repurchasing securities on the Stock Exchange from our connected person and our connected person is prohibited from knowingly selling his securities to our Company.

(b) Reasons for Repurchases

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

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and the Articles, the applicable laws of Cayman Islands and the Listing Rules.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(d) General

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the completion of the Share Offer and the Capitalisation Issue, could accordingly result in up to 80,000,000 Shares being repurchased by our Company.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell Shares to our Company or its subsidiaries.

Our Directors have 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, the Memorandum of Association and the Articles and the applicable laws of the Cayman Islands.

No connected person 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.

No purchase of Shares has been made by our Company within six months prior to the date of this prospectus.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of our Company increases, 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 could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

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

- (a) a sale and purchase agreement dated 16 January 2012 entered into among Sunrise International, CUAS and our Company, pursuant to which 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;

- (b) the Deed of Non-competition;
- (c) the Deed of Indemnity; and
- (d) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

The following intellectual property rights are material in relation to our Group's business:

(a) Patents

- (i) As at the Latest Practicable Date, our Group had registered the following patents in the PRC:


Type	Patent Description	Registered Owner	Patent Number	Expiry Date
Invention	Defrosting device for automobile air-conditioning evaporator (轎車空調蒸發器除霜裝置)	Xiezhong Nanjing	ZL 03129515.0	25 June 2023
Utility Model	Co-current condenser for automobile air-conditioner (一種汽車空調用平行流冷凝器)	Xiezhong Nanjing	ZL 2010 2 0243022.8	28 June 2020
Invention	Co-current evaporator (平行流蒸發器)	Xiezhong Nanjing	ZL 2009 1 0028354.6	21 January 2029
Utility Model	Collecting tube of co-current evaporator for automobile air-conditioner (一種汽車空調用平行流蒸發器集流管)	Xiezhong Nanjing	ZL 2009 2 0283129.2	28 December 2019
Utility Model	Sealing device for automobile air-conditioning air doors (汽車空調風門密封裝置)	Xiezhong Nanjing	ZL 2009 2 0037694.0	21 January 2019
Utility Model	Cooling system for automobile engine (一種汽車發動機冷卻系統)	Xiezhong Nanjing	ZL 2009 2 0037695.5	21 January 2019
Utility Model	Cascading evaporator (一種層疊式蒸發器)	Xiezhong Nanjing	ZL 2009 2 0038109.9	15 January 2019
Design	Auto-controller of automobile air-conditioning system (汽車空調自動控制器)	Xiezhong Nanjing	ZL 2011 3 0306432.2	1 September 2021
Design	Manual-controller of automobile air-conditioning system (汽車空調手動控制器)	Xiezhong Nanjing	ZL 2011 3 0306431.8	1 September 2021

- (ii) As at the Latest Practicable Date, our Group had applied for the registration of the following patents in the PRC and such registration had not yet been granted:



Type	Patent Description	Application Owner	Application Number	Application Date
Utility Model	Assembling Structure of the air blower in automobile air-conditioning system (一種汽車空調鼓風機的安裝結構)	Xiezhong Nanjing	201120400663.4	20 October 2011
Utility Model	Electrical-controller of automobile air-conditioning system (一種汽車空調控制電路)	Xiezhong Nanjing	201120358818.2	23 September 2011
Utility Model	Assembly of automobile air-conditioning system with heater and water tank (一種汽車空調暖風水箱總成)	Xiezhong Nanjing	201120359309.1	23 September 2011
Design	Electrical-controller of automobile air-conditioning system (汽車空調電動控制器)	Xiezhong Nanjing	201130306424.8	2 September 2011
Utility Model	Enclosed shell device of automobile air-conditioning system (汽車空調HVAC殼體密封裝置)	Xiezhong Nanjing	201120308092.1	23 August 2011
Utility Model	Cooling System for automobile air-conditioning system (一種汽車空調冷卻裝置)	Xiezhong Nanjing	201120287853.X	9 August 2011

(b) Trademarks

- (i) As at the Latest Practicable Date, our Group had registered the following trademark in the PRC:

Trademark	Registered Owner	Registration No.	Class	Expiry Date
	Xiezhong Nanjing	3685726	11	13 February 2016

- (ii) As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks in Hong Kong and such registration had not yet been granted:

Trademark	Applicant	Application No.	Class	Application Date
	Xiezhong HK	302070305	11	27 October 2011
	Xiezhong HK	302080971	11	9 November 2011
协众 XIEZHONG	Xiezhong HK	302080962	11	9 November 2011

- (iii) As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks in the PRC and such registration had not yet been granted:

Trademark	Applicant	Application No.	Class	Application Date
协众 XIEZHONG	Xiezhong Nanjing	9771453	11	27 July 2011
协众 XIEZHONG	Xiezhong Nanjing	9771472	12	27 July 2011

(c) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Registered Owner	Expiry Date
njxiezhong.com	Xiezhong Nanjing	13 August 2013
XIEZHONGINTERNATIONAL.HK	Xiezhong HK	15 July 2014
XIEZHONGHOLDINGS.HK	Xiezhong HK	15 July 2014
XIEZHONG.HK	Xiezhong HK	15 July 2014

C. FURTHER INFORMATION ABOUT OUR GROUP'S ENTERPRISES IN THE PRC

Brief particulars of the subsidiaries of our Company established in the PRC are set out below:

(1) Xiezhong Nanjing

Name:	Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd. 南京協眾汽車空調集團有限公司
Date and place of establishment:	15 April 2002, Nanjing
Term of operation:	15 April 2002 to 14 April 2022
Nature:	Limited liability company (Solely funded by Taiwan, Hong Kong or Macao corporate body)
Shareholder:	Xiezhong HK
Scope of business:	permitted business: none general business: production of automobile air-conditioners and accessories, automobile parts; sale of self-manufactured products and provision of related services
Registered capital:	RMB50,000,000
Total investment:	RMB100,000,000
Attributable interest to our Group:	100%
Legal representative:	Mr. Chen Cunyou (陳存友)

(2) Xiezhong Beijing

Name:	北京海納川協眾汽車空調有限公司 (Beijing Hainachuan Xiezhong Automobile Air-conditioning Co., Ltd.*)
Date and place of establishment:	25 October 2006, Beijing
Term of operation:	25 October 2006 to 24 October 2026
Nature:	Limited liability company
Shareholders:	Xiezhong Nanjing (50%) Beijing Hainachuan (50%)
Scope of business:	permitted business: none general business: sale of automobile air-conditioners and accessories; development of technology; provision of technological consultation and services
Registered capital:	RMB43,000,000
Attributable interest to our Group:	50%
Legal representative:	Mr. Xu Xiaojiang (許小江)

(3) Xiezhong Liaoning

Name:	遼寧晨友汽車空調系統有限公司 (Liaoning Chenyou Automobile Air-conditioning System Co., Ltd.*)
Date and place of establishment:	29 September 2009, Liaoning
Term of operation:	29 September 2009 to 29 September 2029
Nature:	Limited liability company
Shareholders:	Xiezhong Nanjing (60%) 瀋陽特種焊料有限公司 (Shenyang Special Solder Co., Ltd.*) (40%)
Scope of business:	Production of automobile air-conditioners, accessories and automobile parts; sale of self-manufactured products and provision of related services
Registered capital:	RMB10,000,000
Attributable interest to our Group:	60%
Legal representative:	Mr. Ge Hongbing (葛紅兵)

(4) Xiezhong Hubei

Names:	湖北雷迪特協眾汽車空調系統有限公司 (Hubei Leidite Xiezhong Automobile Air-conditioning System Co., Ltd.*)
Date and place of establishment:	13 April 2010, Hubei
Term of operation:	13 April 2010 to 12 April 2030
Nature:	Limited liability company
Shareholders:	Xiezhong Nanjing (51%) 湖北雷迪特汽車冷卻系統有限公司(Hubei Leidite Automobile Cooling System Co., Ltd.*) (49%)
Scope of business:	Research and development, production, sale and export of automobile engine cooling systems, air-conditioning systems, modules and accessories and thermal systems; provision of after-sales services (projects which are subject to special governmental provisions shall be operated after approval or in accordance with the certificate within the approved period)
Registered capital:	RMB10,000,000
Attributable interest to our Group:	51%
Legal representative:	Mr. Li Xiangping (李湘平)

D. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interests — interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations

Save as disclosed below, none of our Directors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will, upon Listing, have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will, upon Listing, be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will, upon Listing, 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 contained in the Listing Rules.

Long positions (L) and short positions (S) in the Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Kenneth Fang (Note 1)	Interest of controlled corporation	36,000,000 (L)	4.5%
Mr. Chen Cunyou (Note 2)	Beneficial owner	1,800,000 (S)	0.225%
Mr. Ge Hongbing (Note 3)	Beneficial owner	10,260,000 (L)	1.2825%
Mr. Zhang Yichen (Note 4)	Beneficial owner	6,000,000 (L)	0.75%
	Interest of controlled corporation	185,148,000 (L)	23.14%
		9,257,400 (S)	1.16%

Notes:

- As mentioned in the paragraph headed “Share Incentive Plan” in the section headed “History and Development” in this prospectus, each of Fang Brothers, CDH Cool, CDH Auto, CITIC Capital China and Sunrise International has an obligation to transfer a total of 30,000,000 Shares in proportion to their respective interests in the Company at nil consideration to the grantees under the Share Incentive Plan upon full exercise of the grantees’ rights thereunder. As a result, each of them has a short position in respect of the Shares to be so transferred under the Share Incentive Plan. Since Mr. Kenneth Fang has a 50% interest in Fang Brothers Holdings Limited, which wholly owns Fang Brothers. Therefore, Mr. Kenneth Fang is deemed to be interested in all the Shares held by and short positions in Shares of Fang Brothers by virtue of the SFO.
- Mr. Chen Cunyou was granted rights to acquire 10,260,000 Shares under the Share Incentive Plan.

3. Mr. Ge Hongbing was granted rights to acquire 6,000,000 Shares under the Share Incentive Plan.
4. Mr. Zhang Yichen is deemed to be interested in all the Shares held by and all short positions in Shares of CITIC Capital China by virtue of the SFO. For details of his deemed interest, please refer to the section headed “Substantial Shareholders”.

(b) Particulars of service agreements and appointment letters

Each of our Directors has entered into a service contract or is subject to an appointment letter (as the case may be) with our Company for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other.

There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group.

(c) Directors’ remuneration

Our Company’s principal policies concerning remuneration of executive Directors are to enable our Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives. Under the policy, a Director is not allowed to approve his own remuneration. The principal elements of our Group’s executive remuneration package include salaries, discretionary bonuses and eligibility to participate in the Share Option Scheme.

The aggregate remuneration (comprising salaries, allowances, benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments) payable to our Directors for each of the three years ended 31 December 2011 were approximately RMB3.6 million, RMB1.6 million and RMB1.0 million, respectively.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the three years ended 31 December 2011.

Under the current arrangements, our Directors will be entitled to receive remuneration (including directors fees for independent non-executive Directors) which, for the financial year ending 31 December 2012, is expected to amount to HK\$0.4 million in aggregate.

Save for director’s fee and their eligibility to participate in the Share Option Scheme, none of the non-executive Directors is expected to receive any other remuneration from holding their office as non-executive Directors.

Further details as to the breakdowns of the Directors' remuneration for each of the three years ended 31 December 2011 are set out in Note 8 of the Accountants' Report headed "Directors' Remuneration" in Appendix I to this prospectus.

2. Substantial shareholders

Information on persons, not being Directors or chief executive of our Company, who will have, immediately following the Share Offer, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO is set out in the section headed "Substantial Shareholders" in this prospectus.

3. Competing interest

None of our Directors are interested in any business which competes or is likely to compete, directly or indirectly, with the business of our Group.

4. Disclaimers

Save as disclosed in this prospectus,

- (a) none of our Directors is interested in the promotion of, or in any assets which have been, within two years immediately preceding the date of this prospectus, 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;
- (b) none of our Directors is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group taken as a whole; and
- (c) insofar as our Directors are aware, none of our Directors or their associates, or the Shareholders who are expected to be interested in 5% or more of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

E. SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted by our Company on 21 May 2012 and revised on 30 May 2012 are as follows:

(a) Purpose

The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of our Group's businesses; to provide additional incentives to the Qualifying Grantees (as defined below); and to promote the long term financial success of our Group by aligning the interests of option holders to Shareholders.

(b) Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an option to any Qualifying Grantees as the Board may in its absolute discretion select. "Qualifying Grantee" means:

- (i) (1) any employee (whether full-time or part-time employee) of any members of our Group or any Affiliates and any person who is an officer of any members of our Group or any Affiliates ("Employee");
- (2) any person who is seconded to work for any member of our Group or any Affiliates ("Secondee");
- (3) any consultant, agent, representative, adviser, customer, contractor of our Group or any Affiliates;
- (4) any business partner/ally/alliance, joint venture partner, supplier of goods or services to our Group or any Affiliates or any employee thereof; or

(collectively the "Eligible Person")

- (ii) any trust for the benefit of an Eligible Person or his immediate family members or any company controlled by an Eligible Person or his immediate family members ("Related Trust and Company").

"Affiliate" means a company that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h)

an Associated Company of the holding company of the Company; or (i) an Associated Company of the Company; or (j) Associated Company of controlling shareholder of the Company;

“Associated Company” means a company in the equity share capital of which a company, directly or indirectly, has an 20% or greater beneficial interest but excluding the subsidiaries of that company;

“immediate family members” means a spouse or person co-habiting as the spouse of an Eligible Person, and any child or step-child, parent or step-parent, brother, sister, step-brother, step-sister, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of an Eligible Person;

“officer” means company secretary or director (whether executive or non-executive); and

“subsidiary” has the meaning set out in the Listing Rules.

(c) Administration

The Share Option Scheme shall be subject to the administration of the Board whose decision shall (save as otherwise provided in the Share Option Scheme) be final and binding. Subject to the provisions of the Listing Rules and applicable law and other regulations from time to time in force, the Board’s powers include the authority, in its discretion:

- (i) to select Qualifying Grantees to whom options may be granted under the Share Option Scheme;
- (ii) to determine, subject to the requirements of the Listing Rules and the law, the time of the grant of options;
- (iii) to determine the number of Shares to be covered by each option granted under the Share Option Scheme;
- (iv) to approve forms of option agreements;
- (v) to determine the terms and conditions, not inconsistent with the terms of the Share Option Scheme, of any option based in each case on such factors as the Board, in its sole discretion, shall determine. Such terms and condition may include, but are not limited to:
 - the subscription price;
 - the option period, which shall be not greater than the period prescribed by the Listing Rules from time to time (which is, as at the date of adoption of the Share Option Scheme, a period of 10 years from the commencement date);

- the minimum period, if any, for which an option must be held before it vests or becomes exercisable in whole or in part;
 - the performance targets, if any, that must be achieved before the option can be exercised;
 - the amount, if any, payable on application or acceptance of the option and the period within which payments must be made; and
 - the period, if any, during which Shares allotted and issued upon exercise of the option shall be subject to restrictions on dealings, and the terms of such restrictions;
- (vi) to construe and interpret the terms of the Share Option Scheme and options granted pursuant to the Share Option Scheme;
- (vii) to prescribe, amend and rescind rules and regulations relating to the Share Option Scheme, including rules and regulations relating to sub-schemes established for the purpose of qualifying for preferred treatment under foreign laws and for benefits intended solely for any particular type of Qualifying Grantees; and
- (viii) subject to the provisions relating to grant to substantial shareholders and independent non-executive Directors and their respective associates in the Share Option Scheme, to vary the terms and conditions of any option agreement (provided that such variation is not inconsistent with the terms of the Listing Rules and the Share Option Scheme).

(d) Grant of options

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board shall be entitled at any time within 10 years commencing on the Listing Date to make an offer for the grant of an option to any Qualifying Grantee as the Board may in its absolute discretion select.

An offer of the grant of an option shall be deemed to have been made on the date such offer is approved by the Board, notwithstanding that the letter or any other document containing the offer is sent to and received by the Qualifying Grantee on a later date.

(e) Restriction on time of grant of option

An offer of the grant of an option may not be made after a price sensitive event has occurred or a price sensitive matter in respect of our Group has been the subject of a decision, until such price sensitive information has been publicly disseminated in accordance with the Listing Rules. In particular, but only insofar as and for so long as the Listing Rules require, no offer of the option may be made during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange) for the approval of our Company's interim or annual results; and
- (ii) the deadline for our Company to publish its interim or annual results announcement,

and ending on the date of the results announcement.

(f) Acceptance and payment on acceptance of option offer

An offer shall remain open for acceptance by the Qualifying Grantee concerned for a period of 28 days from the date of the offer (or such period as the Board may specify in writing).

HK\$1 is payable by the grantee to our Company on acceptance of the option offer.

(g) Subscription price

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the granting of the option; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the granting of the option; and (iii) the nominal value of a Share.

For the purpose of determining the subscription price, if the Shares have been listed for less than five business days immediately preceding the date of the granting of the option, the new issue price per Share under the public offering in connection with such listing (excluding brokerage fee, trading fee and transaction levy payable thereon) shall be deemed to be the closing price for any business day falling within the period before such listing.

(h) Option period

The period as the Board may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the Listing Rules from time to time (which is, as at the date of adoption of the Share Option Scheme, a period of 10 years from the date of the granting of the option).

(i) Rights are personal to grantee

An option shall be personal to the option holder and shall not be assignable or transferable.

(j) Rights attaching to Shares allotted

The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Articles of our Company for the time being in force and shall rank *pari passu* in all respects with the fully paid Shares in issue on the date of issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of issue, 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 of issue.

(k) Rights on retirement, death or permanent physical or mental disability

If an option holder (or, in the case of an option holder which is a Related Trust and Company, the relevant Eligible Person) ceases to be a Qualifying Grantee attributable to the fact that he dies or becomes permanently physically or mentally disabled or in the case of an option holder being an Employee (or, in the case of an option holder which is a Related Trust and Company of an Employee, the relevant Employee), retires, unless otherwise provided in the option agreement, the option may be exercised within such period of time as is specified in the option agreement (but in no event later than the expiration of the term of such option as set forth in the option agreement).

In the absence of a specified time in the option agreement, the option shall remain exercisable for 12 months (or such longer period as the Board shall decide) following the relevant option holder's or Qualifying Grantee's or Employee's (as the case may be) retirement, death or permanent physical or mental disability. The option may be exercised within that period by the personal representatives of the option holder.

If the option is not so exercised within the time specified, the option shall lapse.

(l) Termination for misconduct

If an option holder being an Employee (or, in the event of an option holder which is a Related Trust and Company of the Employee, the relevant Employee) ceases to be an Employee for his conduct based on which the relevant employer can terminate his contract of employment without notice or payment in lieu, or having been convicted of any criminal offence involving his integrity or honesty, the option shall immediately lapse.

(m) Termination for bankruptcy cause

If an option holder (or, in the event of an option holder which is a Related Trust and Company of an Eligible Person, the relevant Eligible Person) ceases to be a Qualifying Grantee for having committed any act of bankruptcy or having become insolvent or having made any arrangements or composition with his creditors generally, the option shall immediately lapse.

(n) Rights on termination other than for retirement, death, permanent disability, termination resulting from misconduct or bankruptcy cause

If an option holder (or, in the event of an option holder which is a Related Trust and Company of an Eligible Person, the relevant Eligible Person) ceases to be a Qualifying Grantee other than in any of the circumstances described in paragraphs (k), (l) or (m), unless otherwise provided in the option agreement, an option holder may exercise his option within three months of such cessation (or such longer period as the Board shall decide, but in no event later than the expiration of the term of such option as set forth in the option agreement).

If the option is not so exercised within the time specified, the option shall lapse.

(o) Rights on takeover

If a takeover by way of general offer 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 concert with the offeror), and the general offer becomes or is declared unconditional in all respects, the option holder shall be entitled to exercise the option (to the extent not already exercised) at any time within one month (or such longer period as the Board shall decide) or the expiry of the term of such option as set forth in the option agreement, whichever is earlier, after the date on which the general offer becomes or is declared unconditional.

If the option is not so exercised within the time specified, the option shall lapse.

(p) Rights on compromise or arrangement

If a compromise or arrangement between our Company and its members or creditors is proposed, our Company shall give notice to the option holder on the same date as it despatches the notice to each member or creditor of our Company

summoning the meeting to consider such a compromise or arrangement, and thereupon the option holder (or his personal representatives) may until the expiry of the period commencing with such date and ending with the earlier of the date two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the option holder to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the option holder in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement.

If the option is not so exercised within the time specified, the option shall lapse.

(q) Rights on voluntary winding-up of our Company

In the event a notice is given by our Company to its 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 it despatches such notice to each member of our Company give notice thereof to all option holders (together with a notice of the existence of the provisions of the Share Option Scheme relating to this paragraph (q)) and thereupon, each option holder (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two 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 the relevant Shares to the option holder credited as fully paid.

If the option is not so exercised within the time specified, the option shall lapse.

(r) Lapse of option

Subject to the discretion of the Board to extend the option period as referred to in paragraphs (c), (k), (n) and (w), and without prejudice to the authority of the Board to provide for additional situations where an option shall lapse in any option agreement, an option shall lapse and not be exercisable (to the extent not already exercised) on the earliest of: (i) the expiry of the option period; (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n), (o), (p) and (q); and (iii) the date on which the Board or the two directors of our Company duly authorised by the Board certify that for the reason of a breach of paragraph (i).

(s) Cancellation of options

Options granted but not exercised or lapsed in accordance with the terms of the Share Option Scheme may be cancelled by our Company with the consent of the Qualifying Grantee provided that such consent shall not be required where an option lapses in accordance with paragraph (r) above. Where our Company cancels options and offers to issue new ones to the same Qualifying Grantee, the issue of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limits set out in paragraph (t) below.

(t) Maximum number of Shares available under the Share Option Scheme***(i) Overriding Limit***

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time. No options may be granted under any schemes of our Company if this will result in the limit being exceeded.

(ii) Mandate Limit

In addition to the limit set out in sub-paragraph (t)(i) above and prior to the approval of a Refreshed Mandate Limit as referred to in sub-paragraph (t)(iii) below, 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 schemes of our Company must not in aggregate exceed 10% of the Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (i.e. 80,000,000 Shares). Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

(iii) Refreshing of Mandate Limit

Our Company may by ordinary resolutions of the Shareholders refresh the mandate limit provided our Company shall issue a circular containing such information as required by the Listing Rules to Shareholders before such approval is sought. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of our Company under the limit as refreshed (the “Refreshed Mandate Limit”) must not exceed 10% of the Shares in issue as at the date of approval of the Refreshed Mandate Limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with any of the schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

(iv) Grant to specifically identified Qualifying Grantees

Specifically identified Qualifying Grantees may be granted options beyond the mandate limit. Our Company may in addition seek separate approval by its Shareholders in general meeting for granting options beyond the mandate limit provided the options in excess of the limit are granted only to Qualifying Grantees specifically identified by our Company and a circular containing such information as required by the Listing Rules is issued to Shareholders before such approval is sought.

(v) Limit for each Qualifying Grantee

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each Qualifying Grantee must not exceed 1% of the Shares in issue. Where any further grant of options to a Qualifying Grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by Shareholders in general meeting with the relevant Qualifying Grantee and his associates abstaining from voting. Prior to seeking such approval, our Company shall issue a circular containing such information as required by the Listing Rules to Shareholders.

(u) Grant of option to connected persons

Insofar as and for so long as the Listing Rules require, where any offer of an option is proposed to be made to a Director, chief executive or substantial shareholder of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding any independent non-executive director who is or whose associate is the Qualifying Grantee to whom the option is proposed to be granted). Insofar and for so long as the Listing Rules so require, no option may be granted to any substantial shareholder or an independent non-executive director of our Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other scheme(s) of our Company in the 12-month period up to and including the date of board meeting for proposing such further grant (i) representing in aggregate over 0.1% of the share capital of our Company in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of the board meeting for proposing such further grant, in excess of HK\$5 million, unless such further grant is approved by Shareholders in general meeting. Prior to seeking such approval, our Company shall issue a circular containing such information as required by the Listing Rules to the Shareholders. At such general meeting, the grant of options to the substantial shareholder or independent non-executive Director of our Company, or any of their

respective associates shall, for so long and insofar as the Listing Rules so required, be approved by Shareholders by way of poll with all connected persons of our Company abstaining from voting, except that any connected person may vote against such resolution provided that he has informed our Company of his intention to do so and such intention has been stated in the relevant circular to Shareholders.

(v) Effects of reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend scheme), rights issue or other general offer of securities made by our Company to holders of its securities, consolidation, subdivision, reduction or similar reorganisation of the share capital of our Company, such corresponding alterations (if any) shall be made to: (a) the number or nominal amount of Shares subject to the option so far as unexercised; and/or (b) the subscription price; and/or (c) the maximum number of Shares subject to the Share Option Scheme, as the auditors or independent financial adviser shall certify in writing to the Board to be in their opinion fair and reasonable (except in the case of a capitalisation issue where no such certification shall be required), provided that: (i) any such alterations shall be made on the basis that the aggregate subscription price payable by an option holder 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 such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such alterations shall be made the effect of which would be to increase the proportion of the issued share capital of our Company for which any option holder is entitled to subscribe pursuant to the options held by him; and (iv) any such adjustments shall be made in compliance with Chapter 17 of the Listing Rules, the supplemental guidance issued by the Stock Exchange dated 5 September 2005 and such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time.

For the avoidance of doubt, the issue of securities by our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such alterations.

(w) Alteration to the Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of option holders or proposed option holders except with the prior sanction of a resolution of our Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the option holders as would be required of Shareholders under the Articles for the time being of our Company for a variation of the rights attached to the Shares. Any alterations to the terms and conditions of the Share Option Scheme, which are of a

material nature and any change to the terms of the options granted, shall be approved by Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall comply with the relevant requirements of Chapter 17 of the Listing Rules from time to time. Any change to the authority of the Board to alter the terms of the Share Option Scheme shall be approved by Shareholders. Subject to the Listing Rules and the terms of the Share Option Scheme, the Board may, at any time and in its absolute discretion, remove, waive or vary the conditions, restrictions or limitations imposed in an option agreement on compassionate or any other grounds.

(x) Termination of Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered after the Share Option Scheme is terminated but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All options granted prior to such termination and not then exercised shall remain valid.

(y) Conditions of Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the obtaining of the Company of the approval for listing on the Stock Exchange of Shares which may be issued pursuant to the exercise of the Options; and
- (ii) the commencement of dealings in the Shares on the Stock Exchange.

As at the date of this prospectus, no option has been granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued following the exercise of the options granted under the Share Option Scheme. Our Directors confirm that the Share Option Scheme is in full compliance with Chapter 17 of the Listing Rules.

F. 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:

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

G. OTHER INFORMATION

1. Indemnity for tax and other matters

Sunrise International and Mr. Chen Hao have executed the Deed of Indemnity in favour of our Group to provide certain indemnities, including indemnity in respect of tax liabilities of our Group. Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries.

Under the Deed of Indemnity, Sunrise International and Mr. Chen Hao shall jointly and severally indemnify and at all times keep each member of our Group fully and effectively indemnified against (a) any taxation falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Share Offer becomes unconditional or any transactions, matters, things, event, act or omission occurring or deemed to occur on or before such date, whether alone or in conjunction with any other transaction, matter, thing, event, act, omission or circumstance whenever occurring, and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and (b) all expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties and tax which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with the non-compliance incidents of the relevant PRC laws and regulations by any member of the Group in the

PRC as described in the paragraphs headed “Employee”, “Properties” and “Legal Proceedings and Regulatory Compliance” in the section headed “Business” in this prospectus and more particularly set out in the PRC Legal Opinions (“PRC Non-Compliance Matters), save:

- (a) to the extent that provision has been made in the audited consolidated accounts of our Group or the audited accounts of the relevant member of our Group for an accounting period ended on or before 31 December 2011;
- (b) for taxation falling on any member of our Group as a result of any transaction entered into by any member of our Group on or after 1 January 2012 in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, or in connection with the Reorganisation, on or before the date on which the Share Offer becomes unconditional;
- (c) to the extent that such liability arises or is incurred as a result of any change in the law, rules or regulations, or the interpretation or practice thereof by any Statutory or governmental authority in Hong Kong, PRC or any part of the world, including but without limitation the Inland Revenue Department, having retrospective effect coming into force after the date of the Deed of Indemnity or to the extent such liability arises or is increased by an increase in rates of taxation, payments, fines, fees or premium as required by the PRC laws and regulations (as the case may be) after such date with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of any part of the world on the profits of companies for the current or any earlier financial period);
- (d) to the extent that such liability is discharged by another person who is not any member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge of the liability; or
- (e) to the extent of any provision or reserve made for such liability in the audited accounts referred to in sub-paragraph (a) above which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of Sunrise International and Mr. Chen Hao or any of them in respect of such liability shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, Sunrise International and Mr. Chen Hao further jointly and severally warrant that other than the PRC Non-Compliance Matters, the Group has not committed other non-compliance with applicable laws and regulations.

2. Litigation

Save as disclosed in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including any Shares falling to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$57,000 and are borne by our Company.

5. Promoters

CUAS and Sunrise International are the promoters of our Company. Save as disclosed in this prospectus, no amount or benefit has been paid or given within two years preceding the date of this prospectus, or is intended to be paid or given, to any of the promoters in connection with the Share Offer or related transactions described in this prospectus.

6. Qualifications of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
Chen & Co. Law Firm	PRC legal advisers
Guotai Junan Capital Limited	Licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants
Maples and Calder	Cayman Islands legal advisers
Savills Valuation and Professional Services Limited	Property Valuer
Timer Auto Consulting (Shanghai) Co., Ltd.	Independent market research consultant

7. Consents and interests of experts

Each of the experts named in the above paragraph headed “G. Other information — 6. Qualifications of experts” has given and has not withdrawn their respective written consents to the issue of this prospectus with inclusion of their reports, valuation report, letters and/or opinions or summaries of opinions (as the case may be) and/or the references to their names included herein in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts named in the above paragraph headed “G. Other information — 6. Qualifications of experts” in this Appendix:

- (a) is interested in the promotion of, or in any assets which have been, within two years immediately preceding the date of this prospectus, 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;
- (b) 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

- (c) is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.

8. Taxation

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty charged at an *ad valorem* rate of 0.2% of the consideration or, if higher, the adjudicated value of the Shares being sold or transferred. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

Profits from dealings in the Shares arising or derived from Hong Kong may also be subject to Hong Kong profits tax.

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance which came into effect on 11 February 2006.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of our Company, our Directors, the Sponsor or the other parties involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares or exercise of any rights attaching to them.

9. Principal register of members and branch register of members

The principal register of members of our Company is maintained in the Cayman Islands by Maples Fund Services (Cayman) Limited and a branch register of members of our Company is maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers of and other documents of title of the Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

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 the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance of Hong Kong so far as applicable.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong). Unless the context otherwise requires, the English language version of this prospectus shall prevail.

12. Miscellaneous

- (a) Save as disclosed in this prospectus,
 - (i) within two years preceding the date of this prospectus, 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 a consideration other than cash;
 - (ii) 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;
 - (iii) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;
 - (iv) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
 - (v) our Company has no outstanding convertible debt securities or debentures;
 - (vi) within two years preceding the date of this prospectus, no commission has been paid or payable (except commission to underwriters) to any persons for subscription or purchase, agreeing to subscribe or purchase, procuring subscription or purchase or agreeing to procure subscription or purchase of any Shares in our Company;

- (vii) within two years preceding the date of this prospectus, no commissions, discounts, agency fees, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group; and
 - (viii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (b) There is no restriction in Hong Kong affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.