You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. Our operations involve certain risks, many of which are beyond our control. You should pay particular attention to the fact that most of our business is located in the PRC and we are governed by a legal and regulatory environment, which may differ in some respects from that which prevails in other jurisdictions. Our business, financial condition and results of operations may be materially and adversely affected by any of these risks and uncertainties. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deem immaterial, could also harm our business, financial condition, results of operations and prospects. The trading price of our Shares could decline due to any of these risks and uncertainties and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely on a limited number of customers with which we have no long-term contracts for a significant portion of our revenue.

During the Track Record Period, we derived a significant portion of our revenue from a limited number of customers, some of whom are our Controlling Shareholders and related companies and their respective subsidiaries. For the two years ended December 31, 2010, sales to our largest customer, Mianyang Ruian, a subsidiary of Brilliance China, accounted for 29.2% and 23.2% of our revenue, respectively, and for the year ended December 31, 2011 and the nine months ended September 30, 2012, sales to our largest customer, Zhengzhou Nissan, accounted for 27.9% and 26.4% of our revenue, respectively. During the Track Record Period, sales to our top five customers on an entity basis accounted for 82.9%, 77.8%, 76.0% and 75.3% of our revenue, respectively. In addition, during the Track Record Period, sales to our top five customers on a group basis accounted for 86.8%, 86.1%, 84.9% and 81.7% of our revenue, respectively. Such top five customers on a group basis include our related companies, Brilliance China Group and Huachen Group. Furthermore, during the Track Record Period, aggregate sales to Brilliance China, Huachen and Wuliangye on a group basis amounted to RMB663.5 million, RMB1,075.6 million, RMB1,077.8 million and RMB867.4 million, which accounted for 51.6%, 55.3%, 46.7% and 44.6% of our revenue for the same periods, respectively, and total sales to Brilliance China Group on a group basis accounted for 48.8%, 41.4%, 18.0% and 19.6% of our revenue for the same periods, respectively. We expect to continue to generate a significant portion of our revenue from sales to Brilliance China Group and our other major customers in the foreseeable future. Although during the Track Record Period, we did not experience any loss of any major customer, we cannot guarantee that we will be able to maintain or improve our relationships with these major customers, and they may terminate their respective relationships with us according to the terms of our supply agreements. The loss of any of these major customers could materially and adversely affect our business, financial condition and results of operations.

We generally enter into one-year supply agreements with our customers at the beginning of the year. We negotiate with our customers on unit prices and estimated purchase quantities at the beginning of each year, and purchase orders with specific quantities are placed on a regular basis. As a result, although we have long-term relationships with all our major customers, our supply agreements are generally short-term in nature. In circumstances where any of our customers, particularly our key customers, materially reduce, revise, delay or cancel their orders with us or terminate their business relationships with us, we may not be able to obtain replacement orders on similar terms in a timely manner from other customers. The occurrence of any of the foregoing events could materially and adversely affect our business, financial condition and results of operations.

We do not designate any of our production lines to any of our related companies, Brilliance China Group and Huachen Group. During the Track Record Period, our total sales volumes to Brilliance China Group and Huachen Group accounted for approximately 60.1%, 69.5%, 59.9% and 54.4% of our total designed production capacity, respectively. If any of Brilliance China Group and Huachen Group cancel partially or all their orders with us or terminate their business relationships with us, we may experience idle production capacity.

We may face increases in the prices of raw material and engine components.

Our raw material and engine components include aluminum ingots, cylinder casting, electronic fuel injection systems, crankshafts and other parts and components. As a result, we are directly exposed to fluctuations in the prices of aluminum ingots and various engine components, and indirectly to fluctuations in the price of iron as it is a major raw material for many engine components. During the Track Record Period, the purchase prices of our engine components generally decreased gradually as we were able to reduce the purchase prices of some engine components through negotiations with our suppliers as part of our cost control efforts. However, in the past, we have experienced price fluctuations of aluminum ingots and certain engine components. The prices of aluminum ingots and iron are subject to global as well as regional supply and demand conditions. Our purchase price of aluminum ingots is determined based on the market prices of aluminum ingots of the week of delivery. The market prices of aluminum have fluctuated significantly in the past few years. The average spot price of aluminum increased by 12.4% from 2009 to 2010 and further increased by 7.4% from 2010 to 2011, according to the Shanghai Changjiang Aluminum Spot Price Index. We expect the volatility of aluminum price to continue in the foreseeable future. We do not currently engage in any transactions to hedge against risks relating to fluctuations in aluminum ingots and engine component prices. For the three years ended December 31, 2011 and the nine months ended September 30, 2012, our cost of raw material and engine components accounted for 91.4%, 92.0%, 93.4% and 94.0% of our total cost of sales, respectively. In particular, the cost of aluminum ingots accounted for 2.8%, 2.9%, 2.9% and 2.4% of our total cost of sales for the same periods, respectively. Our unit purchase price of aluminum ingots increased by 5.4% from 2009 to 2010, increased by 6.0% from 2010 to 2011 and decreased by 2.3% from 2011 to the nine months ended September 30, 2012, which was consistent with the market trend. Although changes in the purchase prices of any single raw material and engine component during the Track Record Period did not significantly affect our gross profit margin, the cost of raw material and engine components as a whole plays a prominent role in the manufacture of our products, and we normally cannot adjust our product prices with our customers once they are determined by the contracts, unless the contracts include a price adjustment mechanism or there is an unusual significant price fluctuation. Raw material and engine component price increases may add to our cost of sales and we may or may not be able to pass such increased costs to our customers due to our contractual arrangements with our customers and the increasing competition in the PRC automotive engine market. As a result, we may experience lower profit margins if our cost of raw material and engine components increase significantly, which could materially and adversely affect our business, financial condition and results of operations.

Our profitability could be negatively affected by downward pricing trends of our products.

During the Track Record Period, we have experienced downward pressure on our product prices and this trend may continue in the future. For example, the average unit prices for our less than 1.6L gasoline engines decreased from RMB8,232 per unit in 2009 to RMB7,952 per unit in 2010, RMB7,748 per unit in 2011 and RMB7,515 per unit in the nine months ended September 30, 2012; the average unit prices of our 1.6L-2.0L gasoline engines decreased from RMB7,029 per unit in 2009 to RMB6,914 per unit in 2010 and from RMB7,206 per unit in 2011 to RMB6,961 per unit in the nine months ended September 30, 2012; and the average unit prices for our 2.0L-2.5L diesel engines decreased from RMB25,559 per unit in 2009 to RMB23,771 per unit in 2010, RMB23,528 per unit in

2011 and RMB21,677 per unit in the nine months ended September 30, 2012. The less than 1.6L gasoline engines accounted for 21.1%, 30.9%, 27.5% and 33.9%, respectively, of our total engine revenue for the Track Record Period. The 1.6L-2.0L gasoline engines accounted for 20.8%, 16.8%, 12.8% and 12.3%, respectively, of our total engine revenue for the Track Record Period. The 2.0L-2.5L diesel engines accounted for 21.9%, 18.4%, 20.4% and 18.7%, respectively, of our total engine revenue for the Track Record Period. The reduction in average unit prices was attributable to a combination of factors, including changes in product mix, lowered product prices of certain engine models to expand our market and attract new customers, or as requested by certain customers who chose to have less spare parts sold with the engines to reduce their production costs, or demanded us to lower the product price for increased purchase quantity from us. This is consistent with the industry trend of expected decreasing engine prices in general. See "Industry Overview — Overview of the PRC PV and LCV Engine Market — Market trends in the PV and LCV engine markets in China." The decrease in average unit prices, coupled with the increase in raw material and engine components costs, has adversely impacted our profit margins for certain periods and resulted in increased pressure for cost management. In the event that we have to reduce our product prices to remain competitive but fail to offset such reductions by increasing our sales volume, reducing our costs and expenses or by introducing new competitive products, our profitability may be materially and adversely affected.

Our trade and bills receivables with related and non-related companies increased significantly during the Track Record Period.

As of December 31, 2009, 2010 and 2011 and September 30, 2012, our trade and bills receivables from non-related companies were RMB92.8 million, RMB167.5 million, RMB487.0 million and RMB646.0 million, respectively, and our trade and bills receivables from related companies were RMB532.2 million, RMB826.4 million, RMB1,061.9 million and RMB954.3 million, respectively. In particular, as of December 31, 2009, 2010 and 2011 and September 30, 2012, trade receivables from non-related companies of approximately RMB6.7 million, RMB2.6 million, RMB43.5 million and RMB202.2 million were past due but not impaired, and trade receivables due from related companies of approximately RMB145.7 million, RMB266.1 million, RMB419.5 million and RMB471.6 million were past due but not impaired. The increases in our total trade and bills receivables with related and non-related companies were primarily due to the growth in sales of our products and prolonged payment cycles by some of our customers. In particular, our trade receivables from non-related companies increased significantly from RMB33.1 million as of December 31, 2010 to RMB245.4 million as of December 31, 2011 further to RMB380.3 million as of September 30, 2012, primarily due to the PRC Government's continued tightening of credit policy in 2011 and 2012 to control inflation which increased pressure on our customers' cash flows who subsequently prolonged their payment cycle. For the same reason, our bills receivable also increased substantially during the Track Record Period, as customers increasingly used promissory notes issued by banks and financial institutions for payment. During the Track Record Period, substantially all our customers to a certain degree used promissory notes issued by banks and financial institutions for payment in lieu of cash which effectively turned trade receivables into bills receivables.

The increased amount of our trade and bills receivables has had, and will likely continue to have, an increased pressure on our working capital needs and increase our bills receivable turnover days. Additionally, if we are unable to recover our trade and bills receivables, which might be affected by factors beyond our and our customers' control, our business, financial condition and results of operations may be materially and adversely affected. See "Financial Information — Description of Certain Items from Our Consolidated Statements of Financial Position — Trade and other receivables" and "Financial Information — Description of Certain Items from Our Consolidated Statements of Financial Position — Amounts due from related companies" for further details.

We recorded negative operating cash flows in 2010, primarily due to increased amounts due from our related companies. There can be no assurance that we will record positive operating cash flows in the future.

We recorded negative operating cash flows of RMB9.6 million in 2010, which was primarily attributable to increases in both the amounts due from our related companies and the number of turnover days associated with these amounts, in particular, those due from Brilliance China Group and Huachen Group, who purchased our products and delayed their payments to us, when their cash flows were affected by the launching of their new automobile models and tightened credit policy by the PRC Government to control inflation in 2010. We did not hold any collateral over these balances because these were trade related receivables and our management assessed these related companies to be financially sound, taking into consideration the gradual and frequent repayments from those related companies. We expect to incur amounts due from the related companies in the future as we continue to conduct business with them and there can be no assurance that the associated payments will not be delayed.

In addition, our amounts due from related companies turnover days increased from 186 days in 2009 to 231 days in 2010, to 320 days in 2011, primarily because they delayed their payments to us due to the tightened credit policy by the PRC Government in 2010 and 2011, which increased pressure on their cash flows. The increased turnover days can create increased pressure on our cash flows. In addition, there can be no assurance that we will generate sufficient cash flows from our business operations in the future. If we are unable to continuously finance our business operations and expansion by funds generated from our operating activities or otherwise, our business, financial condition and results of operations could be materially and adversely affected. See “Financial Information — Liquidity and Capital Resources”, “Financial Information — Contingent Liabilities” and “Financial Information — Description of Certain Items from Our Consolidated Statements of Financial Position — Trade and other receivables” for further details.

We face risks related to discounting and endorsing bills receivable.

During the Track Record Period, we received certain promissory notes issued by banks and financial institutions with payment terms of three to six months from a related party for the settlement of a loan receivable from that related party. As a result, for recording purpose, we recognized the note receivable from the bank or financial institution and derecognized the loan receivable from that related party. For cash flow management, we settled accounts payable to certain suppliers by endorsing the abovementioned promissory notes issued by banks and financial institutions with recourse to those suppliers in lieu of cash payment. As a result, for recording purpose, we derecognized accounts payable to the suppliers and the note receivable from the bank or financial institution. The overall effect of these transactions resulted in the settlement of a loan receivable from a related party and the derecognition of certain accounts payable to certain suppliers.

During the Track Record Period, we also discounted certain bills receivable to banks for cash. The average discount rate for each of the three years ended December 31, 2011 and the nine months ended September 30, 2012 (calculated by using the finance costs related to discounted bills for the year/period divided by the aggregate amount of discounted bills for the year/period) was 0.7%, 1.4%, 4.1% and 3.0%, respectively.

The promissory notes issued by banks and financial institutions endorsed to the suppliers provide the suppliers with recourse against us. In case of a default in payment of the endorsed and discounted bills receivable, the maximum possible exposure of our Group was RMB353.0 million, RMB627.2 million, RMB678.9 million and RMB583.5 million as of December 31, 2009, 2010, 2011 and September 30, 2012. Endorsing and/or discounting bills receivable also increase our finance costs, which may have an adverse impact on our financial condition and results of operations. We expect to continue this practice of endorsing bills receivable for the settlement of other balances and discounting bills receivable for cash after Listing.

We rely on certain major suppliers for key engine components and such suppliers may fail to deliver their supplies to us on a timely basis or fail to meet our product quality standards.

We rely on a limited group of suppliers for the key engine components we use for our production and some of these suppliers, such as the suppliers of electronic fuel injection systems, may be difficult or time-consuming to replace. It could take as long as 12 months to replace them. For example, to change the electronic fuel injection system in our engine, we need to go through a series of procedures in order to determine the corresponding specifications of engine bench, high-altitude, high and low temperature conditions for the applied vehicles and for the applied vehicles to obtain relevant regulatory clearance. In addition, we had one aluminum ingots supplier during the Track Record Period. We normally enter into supply contracts with our suppliers on a yearly basis at the beginning of the year, which provide for, among others, the unit prices of aluminum ingots and engine components which are valid and effective throughout the year. We generally do not enter into long-term supply agreements with our suppliers. For the three years ended December 31, 2011 and the nine months ended September 30, 2012, purchases from the largest supplier of our Group accounted for 9.3%, 9.1%, 7.7% and 9.9% of our total costs of sales, respectively, and purchases from the top five suppliers of our Group accounted for 32.0%, 34.1%, 30.8% and 35.9% of our total costs of sales, respectively. In addition, during the Track Record Period, aggregate purchases from Brilliance China, Huachen and Wuliangye, and their respective subsidiaries, amounted to RMB133.9 million, RMB198.8 million, RMB193.9 million and RMB142.9 million, respectively, which accounted for 12.0%, 12.1%, 10.6%, 9.2% of our total costs of sales for the same periods. Our suppliers may from time to time extend lead-times, limit supplies or increase prices due to capacity constraints or other factors. We have in the past experienced delays by our suppliers in the delivery of some of the engine components during peak seasons. If any of our major suppliers ceases to supply us with aluminum ingots or key engine components, and suitable replacements cannot be secured on similar terms on a timely basis, or we experience any significant decreases in the quantity, quality or increases in the price of aluminum ingots or our key engine components or experience significant delays, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to accurately forecast customer demand, which could cause us to incur costs associated with carrying excess raw material and engine components, over-invest in and underutilize our new production facilities or render us unable to fulfil customer orders.

We generally manufacture our products and purchase our raw material and engine components according to confirmed purchase orders as well as projected sales. We rely on internal forecasts based on such confirmed purchase orders and projected sales to estimate the type and volume of raw material and engine components to be purchased and the timing of such purchases, as well as the type and volume of products to be manufactured and the timing of such production. If our internal forecasts do not accurately reflect actual customer demand, the level of which may vary for a variety of reasons beyond our control, we may incur costs associated with carrying excess raw material and engine components, over-invest in and underutilize our new production facilities as detailed in "Business — Production" in this prospectus, or encounter shortages of raw material and engine components that make it difficult for us to fulfil customer orders. We may experience fluctuations in customer orders and if sales and shipments do not occur as expected, expenses and inventory levels could be disproportionately high as compared to sales generated in the same period, and our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to sustain historical financial performance and growth.

We experienced substantial growth in revenue during the Track Record Period. For the three years ended December 31, 2011 and the nine months ended September 30, 2012, the revenue of our Group was RMB1,285.2 million, RMB1,945.1 million, RMB2,307.7 million and RMB1,946.3 million, respectively. However, the changes in our revenue and profit during the Track Record Period may not be indicative of our future performance. As disclosed under "Business — Our Strategies" in this prospectus, we plan to adopt a number of strategies, such as expansion of production capacity and enhancement of research and development to strengthen our position in the independent branded segment of the PV and LCV engine market in the PRC. These strategies may increase our costs and expenses and therefore impact our profitability. The successful implementation of our business plans depends on a number of factors which may or may not be within our control, including but not limited to whether the automotive industry, particularly in the PRC, will continue to grow at the pace anticipated by our Directors, whether we will be able to timely and effectively capture the opportunities associated with such growth, the level of competition arising from other automotive engine manufacturers, our ability to manage our business growth strategically and cost-effectively, our ability to cope with any increase in product demands and fluctuations in raw material and engine components prices, our ability to enhance our research and development capabilities and the availability of funds to finance our strategic plans. There is no assurance that we can successfully manage any of these factors. If we fail to implement our business plans, our business, financial condition and results of operations could be materially and adversely affected.

Our business is subject to operational risks.

Our results of operations are dependent on the continuing operation of our production facilities. Our operations are subject to hazards inherent to manufacturing industries, including but not limited to fires, unexpected wear and tear or degradation, mechanical failure or misuse and power outages, unscheduled downtimes, performance below expected levels of output or efficiency, transportation interruptions, other industrial accidents, environmental risks and terrorist acts. During the Track Record Period, we did not experience any material operational problems at our production facilities. However, any future occurrence of material operational problems at our facilities may materially reduce our productivity and profitability during and after the period of such operational difficulties. Some of the hazards may interrupt our operations, cause personal injury, loss of life, severe damage to or destruction of property and equipment and environmental damage and result in legal and regulatory liabilities and/or the imposition of civil or criminal penalties. Furthermore, we may be subject to claims with respect to workplace, workers' compensation and other matters. Consequently, our business, financial condition and results of operations could be materially and adversely affected.

Our business relies heavily on production technologies and processes that are subject to continuous change and we cannot assure you that we will be able to continue to develop our own proprietary production technologies and processes or acquire technologies that would enable us to remain competitive in the PRC automotive engine market.

Our competitiveness in the PRC automotive engine market depends in large part on our ability to develop new production processes and technologies, which we believe help us to continuously tailor our products to meet our customers' needs. These technologies and processes are subject to continuous evolution and change. Our proprietary technologies and processes may be critical to the continuous improvement of our product quality and performance, as well as our ability to gain market share through improving existing products and launching new products. Furthermore, there is no assurance that any research and development activities conducted by us will be completed within the anticipated timeframe or that the costs of such research and development activities can be fully or partially recovered. For the three years ended December 31, 2011 and the nine months ended September 30, 2012, our research and development costs, which included research expenses and amortization of capitalized development costs, amounted to RMB24.7 million, RMB31.5 million, RMB29.8 million and RMB14.0 million, respectively. In particular, any new technology for alternative energy or electric vehicles could potentially render our fuel-based engine technologies obsolete. Furthermore, if we design a product for a specific type of vehicle for our customers and their product development fails, our product development costs may also be non-recoverable. If our research and development activities do not result in the successful development of a new product or the technologies developed by us become obsolete, we will need to write off the relevant development costs. If we are unable to develop our own proprietary technologies and processes, or acquire technologies that would enable us to remain competitive in the automotive engine market, our business, financial condition and results of operations could be materially and adversely affected.

We may fail to adequately protect our intellectual property rights.

Our principal intellectual property rights include our proprietary technologies, product designs, technical know-how, patents and trademarks. We are susceptible to infringement by third parties of our intellectual property rights and there is no assurance that third parties will not copy or otherwise obtain and use our intellectual property without our authorization. We have obtained patents for certain aspects of our proprietary technologies and registered certain aspects of our trademarks as referred to in "Appendix V — Statutory and General Information — Further information about our business — Intellectual property." However, it is not possible for us to comply with, and seek every clearance under, the relevant laws of all possible jurisdictions for the protection and enforceability of our intellectual property rights and there is no assurance that such registrations can completely protect us against any infringement or protect us from any challenges by our competitors or other third parties. When necessary, we may have to expend a significant amount of financial resources to assert, safeguard and/or maintain our intellectual property rights. In the event that our intellectual property rights cannot be enforced against an infringement by our competitors or other third parties, our business, financial condition and results of operations could be materially and adversely affected.

As at the Latest Practicable Date, we were in the process of registering our logo in Hong Kong. For more information on this pending trademark application, see "Appendix V — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property." There is no assurance that there will not be any objection to the pending trademark application or that the pending trademark application will be approved. Any liability claim in relation to our use of the logo, made or threatened to be made against us in the future, regardless of its merits, may result in costly litigation and put strain on our administrative and financial resources.

Our competitors may develop technologies that are similar to our technologies, and they may be more advanced in applying for intellectual property right protections. As a result, we may be forced to abandon and change our technologies, incur more research and development costs and extend our research and development cycle. In addition, as we procure various engine components from third-party suppliers, we may be involved in infringement claims against our suppliers if they are alleged to infringe upon the intellectual property rights of others. There may be patents held by others of which we are unaware that our products or operations may infringe. Any involvement in intellectual property rights infringement litigation may result in substantial costs, reputational damage and diversion of resources and management attention. If we are barred from using certain engine components, technologies, designs or other intellectual properties and fail to develop non-infringing substitutes or to obtain licenses to such intellectual properties, our operations may be interrupted and, should that continue, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to retain members of our senior management team and other key personnel or attract qualified and experienced personnel to join us.

Our management team has extensive experience in and in-depth market knowledge of the PRC automotive engine industry. Our future performance and success depend to a significant extent on our ability to retain and motivate our senior management team, including Mr. Wu Xiao An, our chairman and executive Director, and Mr. Wang Yunxian, our chief executive officer and executive Director, and other key personnel, such as senior research and development personnel. Our senior management team has on average over 20 years of experience in the automotive engine industry. Further information on our Directors and senior management is set forth in "Directors and Senior Management" in this prospectus. During the Track Record Period, we have not lost any member of our senior management team or key personnel to our competitors. There is no assurance that we will be able to retain members of our senior management team and other key personnel or recruit additional competent personnel for our future development. Moreover, we do not maintain insurance for the loss of any key personnel. Any loss of senior management members or key personnel without immediate and adequate replacement may limit our competitiveness, affect our production planning and implementation, reduce our manufacturing quality or cause customer dissatisfaction. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to successfully develop our products and new production technologies on a timely basis, or at all.

One of our strategies is to continue to introduce new products to enable us to meet the demand of our new and existing customers. Changes in customer requirements and preferences, frequent product introductions and the emergence of new or substitute technology or evolving industry standards and practices could render our existing products and services obsolete or less attractive. The success of our strategy to introduce new products is dependent on our ability to anticipate customer needs, provide new products and differentiate our products from those of our competitors. The introduction of our new products may be less successful than we expect due to low levels of customer acceptance, costs associated with the introduction of new products, delays in bringing products to market, lower than anticipated prices for new products or quality issues. Our future success depends in part upon our ability to successfully identify, develop and market new products that meet customer needs and are accepted in the market. There is no assurance that we will be able to anticipate and respond to the demand for new products, services and technologies in a timely and cost-effective manner, adapt to technological advances or fulfil customer expectations. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We may fail to pass customer approval processes for our new products or maintain existing approvals with our customers.

Before embarking on the sale of new products or sales to new customers, we must first undergo customer approval processes and become an approved supplier of our target customers. Such approval process may take months, during which we are required to submit our sample engines and related specifications and qualifications to our potential customers, who will conduct a series of tests to determine whether the functionality, compatibility and quality of our engines are in compliance with their requirements. This approval process may be carried out in conjunction with joint product development by our customers and us. Although our product development is based on the analysis of government regulations, industry trends and customer demands, we cannot assure you that we will always succeed in obtaining approvals for new products from our customers, obtaining approvals from new customers or remaining as a qualified supplier of our existing products. In addition, automotive manufacturers generally have limited demand for outsourcing engines from independent branded engine manufacturers. If we fail to become an approved supplier to potential customers or fail to remain as a qualified supplier for our existing customers, our business, financial condition and results of operations could be materially and adversely affected.

Any failure to maintain an effective quality control system at our production facilities could harm our business.

The quality of our products is critical to the success of our business. This significantly depends on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system, the quality control training program, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any significant failure or deterioration of our quality control system could result in the production of defective or substandard products, delays in the delivery of our products, the need to replace defective or substandard products, and damage to our reputation. If our products do not meet the specifications and requirements agreed with or requested by our customers, or if any of our products are defective, or result in our customers suffering losses as a result of product liability claims, we may be subject to product liability claims and litigations, claims for indemnity by our customers, and other claims for compensation. We also could incur significant legal costs regardless of the outcome of any claim of alleged defect. Product failures or defects, and any complaints or negative publicity resulting therefrom, could result in decreased sales of these or other products, or claims or litigation against us regarding the quality of our products. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We may face potential product liability claims or suffer losses due to product defects or recalls.

We may be subject to product liability claims in the event any of our products are alleged or found to be defective. We have not obtained insurance coverage for product liability or implemented any other protection scheme. If our products prove to be defective and result in losses to our customers, we may be subject to product liability claims under the laws of the PRC or other jurisdictions in which our products are sold. As a result, we may have to incur significant legal costs and divert our administrative resources regardless of the outcome of the claims. In addition, any such claims could damage our customer relationships and business and result in negative publicity. In the event of allegations that any of our products are defective, we and/or our customers may also undergo product recalls, which could result in substantial and unexpected expenditure and could materially reduce our operating profit and cash flows. A product recall may require significant management attention, affect the value of our brand image, lead to decreased demand for our products and may also lead to increased scrutiny by regulatory agencies over our operations. We may also be forced to defend lawsuits and, if unsuccessful, to pay a substantial amount of damages. There can be no assurance that we may be able to recover part of the damages by claiming against our suppliers when a product defect is attributable to parts or components supplied by our suppliers.

We are subject to potential changes or discontinuation of the preferential tax treatments and government subsidies in the PRC currently available to us.

Our PRC subsidiary enjoyed preferential enterprise income tax rates during the Track Record Period as approved by the relevant tax authorities in the PRC. Our PRC subsidiary was accredited as a High and New Technology Enterprise by the Sichuan Province branch of MST and other authorities in December 2008 for a term of three years, and was therefore registered with the local tax authority to be eligible for the reduced 15% enterprise income tax rate for three years ended December 31, 2011. Our High and New Technology Enterprise qualification was renewed in 2011, which entitles us to enjoy such reduced tax rate for another three years until December 31, 2014. We were also eligible to enjoy a 15% enterprise income tax rate according to the Notice of the State Council on the Implementation of Several Policies for the Western China Development Plan (《國務院關於實施西部大開發若干政策措施的通知》) and the Notice of SAT in relation to the Opinions on the

Implementation of the Relevant Tax Treatment Policies for the Western China Development Plan (《國家稅務總局關於落實西部大開發有關稅收政策具體實施意見的通知》) from 2001 to 2010, which will continue for another ten years from 2011 to 2020 according to the Notice of Relevant Issues on Tax Policy for Further Implementation of the Western China Development Plan (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) issued on July 27, 2011. Furthermore, we benefited from a waiver of enterprise income tax for 2009 and 2010 according to the Cai Shui No.104 [2008] Notice in Relation to Tax Policies in Support of Recovery and Reconstruction After the Wenchuan Earthquake (《關於支持汶川地震災後恢復重建有關稅收政策問題的通知》) promulgated by the MOF, the General Administration of Customs and the SAT and the Cai Shui No.131 [2009] Notice in relation to Extension of Tax Favourable Treatment Period (《關於延長部分稅收優惠政策執行期限的通知》) promulgated by MOF and SAT. Since such tax benefit ended at the end of 2010, our tax liabilities increased in 2011. As a result of the above applicable tax rates, our effective income tax rate for the three years ended December 31, 2011 and the nine months ended September 30, 2012 was 2.1%, 0.2%, 14.5% and 14.1%, respectively. Changes to the past and current preferential tax treatments applicable to us may render the comparisons between our past post-tax financial results not meaningful and should not be relied upon as indicators of our future performance. Our qualification as a High and New Technology Enterprise will be subject to a three-year review by the relevant government authorities in China. There can be no assurance that our PRC subsidiary will continue to be a High and New Technology Enterprise after the current term expires, or the current favorable tax policies available to us will not be withdrawn or revoked by the PRC Government or become less favorable. In addition, during the Track Record Period, we have recognized an aggregate of RMB5.0 million in the form of government funding or subsidies in relation to various research and development projects. If the current preferential tax treatments and government subsidies are reduced or are no longer available in the future, our business, financial condition and results of operations could be materially and adversely affected.

We may be considered a resident enterprise and may therefore be subject to enterprise income tax and our Shareholders may be subject to taxation in the PRC.

Under the PRC Enterprise Income Tax Law (the "PRC EIT Law"), enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises," and generally will be subject to the uniform 25% enterprise income tax rate for their global income. Under the Implementation Rules of the PRC EIT Law, "de facto management body" is defined as the body that has material and overall management and control over the production and business, personnel, accounting and assets of the enterprise. A circular issued by the SAT on April 22, 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with its "de facto management body" located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function are mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside in the PRC. As our financial and human resources decisions are mainly made at the Board or Shareholders' meetings convened outside of the PRC and our accounting books, company seals, and minutes and files of our Board and Shareholders' meetings are kept outside of the PRC, and we have not received any notice from the PRC tax authorities claiming to recognize us as a resident enterprise, we do not believe that we will be classified as a "resident enterprise", and our PRC legal adviser, Jingtian & Gongcheng, has advised us that we should not be classified as a "resident enterprise" under the current PRC laws. However, we cannot assure you that the PRC tax authorities will not take a different view. If we are considered a resident enterprise, we will be subject to the enterprise income tax of 25% of our global income.

Under the PRC EIT Law and related implementation rules, PRC income tax at the rate of up to 10% is applicable to dividends payable to investors that are "non-resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty otherwise provides. Because we may be treated as a resident enterprise, any dividends we pay to our non-PRC Shareholders on profits earned after January 1, 2008, and the income from disposal of our Shares by non-PRC Shareholders may be subject to PRC income tax, which may materially and adversely affect your investment. Subject to applicable tax agreements or treaties between the PRC and other tax jurisdictions, non-residents are ordinarily subject to a maximum 10% (or lower treaty rate) withholding tax or capital gain tax with respect to dividend income or income from disposal of shares from resident enterprises.

We may be required to pay income tax on capital gains by the relevant PRC tax authorities, which may increase our tax liability and affect our net profit and cash flows.

On December 10, 2009, the SAT issued the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer (Guo Shui Han [2009] No.698) (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (國稅函 [2009] 698 號), or Circular 698, which became effective retrospectively on January 1, 2008. The notice clarified the definition of fair value, cost of investment and other relevant details on corporate income tax management regarding the direct or indirect share transfer of a PRC resident enterprise by non-PRC resident enterprises. On March 28, 2011, the SAT released the SAT Public Notice (2011) No. 24, or SAT Public Notice 24, to clarify several issues related to Circular 698. SAT Public Notice 24 became effective on April 1, 2011. According to SAT Public Notice 24, the term "effective tax" refers to the effective tax on the gain derived from the disposition of the equity interests of an overseas holding company; and the term "does not impose income tax" refers to the cases where the gain derived from the disposition of the equity interests of an overseas holding company is not subject to income tax in the country or region where the overseas holding company is a resident. Our Directors are of the view that our offshore reorganization for the Global Offering is for bona fide commercial reasons and we intend to carry out any potential future reorganization for genuine commercial reasons. However, it is currently unclear how the relevant PRC tax authorities will implement or enforce the above notices and whether such income tax on capital gain treatment will be subject to further change. According to a confirmation letter issued by the Mianyang State Tax Bureau to us on January 5, 2012, the Reorganization of the Group before its proposed Listing does not subject the Group to any tax payment or withholding liability under PRC tax laws, regulations and regulatory documents. However, we cannot assure you that Circular 698 will not be determined by the tax authorities to be applicable to our future offshore reorganization transactions where non-resident investors are involved. If any of such transactions are determined by the tax authorities to be lacking reasonable commercial purposes, we and our non-resident investors may become at risk of being taxed under Circular 698 and may be required to expend resources to comply with Circular 698 or to establish that we should not be taxed under Circular 698, which may have a material adverse effect on our financial condition and results of operations or such non-PRC resident investors' investments in us.

Expansion of our production capacity may not be successful.

Our future growth depends on whether we are able to expand our production capacity and our ability to meet the increasing demand for our products. We plan to increase our production capacity by constructing new production facilities in the Mianyang High-Tech Development Zone. Upon commencement of full commercial production at our new production facilities, we expect our annual production capacity to increase from the current 255,000 units to 300,000 units. We have also established the Dongfeng JV to construct an engine production facility with a planned annual production capacity of 200,000 units to manufacture engines for Dongfeng's light-duty vehicles. Furthermore, we entered into an engine production line management agreement with FAW Jilin in November 2011, pursuant to which we will manage and operate a 40,000 units per annum production line owned by FAW Jilin located in Jilin Province to manufacture our engines exclusively for their vehicles. However, we may not successfully expand our production capacity according to these plans within the anticipated timeframe. The time involved in the construction of our new production facilities could be adversely affected by our failure to receive required regulatory approvals, technical difficulties, human or other resource constraints, or capital investment or funding constraints. Moreover, the expansion of our production capacity may exceed the cost levels originally anticipated. If any of these events occurs, we may not be able to attain the desired production capacity or the intended economic benefits, which could materially and adversely affect our business, financial condition and results of operations. See "Business — Production — Production Capacity Expansion" for further details.

Our business may be significantly affected because of factors beyond our control.

Our results of operations may fluctuate significantly because of factors that are beyond our control including disruptions of public infrastructure, such as roads or power grids, natural disasters, earthquakes or other catastrophic events. In particular, our production facilities are located in Sichuan Province, which is located in one of the 23 earthquake zones in the PRC according to the Sichuan Earthquake Administration. On May 12, 2008, Wenchuan County of Sichuan Province, a region that is approximately 102 km away from our production facilities in Mianyang City, suffered an earthquake with an 8.0 magnitude on the Richter scale (the "Wenchuan Earthquake"). The impact of the Wenchuan Earthquake on our operations included suspension of operations, damage of properties and injuries to personnel. In particular, the Wenchuan Earthquake caused structural damage to approximately 46% of our buildings and other damage to our equipment and inventories. Our operation was suspended for three days and product deliveries to our customers were delayed. Our communications with our customers and business connections were also temporarily affected as they were concerned about our ability to execute our production schedules and canceled planned trips to visit us. By the end of 2009, our production capacity had substantially recovered to the pre-earthquake level. The actual impairment loss on our assets caused by the Wenchuan Earthquake was mainly related to scrapped engine components of RMB2.3 million (included in provision of inventories in 2008) and fixed assets slightly damaged by the earthquake. The loss of business due to the Wenchuan Earthquake was estimated to be approximately RMB118 million, which was not accounted for in our financial statements. We cannot assure you that we will not suffer any losses in the future as a result of similar events that are beyond our control. Any similar future events could result in operational disruptions, damages to production facilities, equipment and properties, human injuries and casualties, production suspension, delays in deliveries of supplies from our suppliers or products to our customers and material unanticipated costs, and therefore have a material and adverse effect on our business, financial condition and results of operations.

Changes in interest rates may affect our financing costs.

The interest expenses of our Group related to bank loans and other indebtedness for the three years ended December 31, 2011 and the nine months ended September 30, 2012 were RMB11.1 million, RMB17.8 million, RMB37.5 million and RMB21.6 million, respectively. Our financing costs and, as a result, our results of operations, are affected by changes in interest rates as most of our loans are short-term in nature. Bank interest rates may increase at the time we renew our bank loans or if and when we seek additional financing when existing loans mature. Since the fourth quarter of 2010, the PBOC has increased the RMB benchmark deposit and loan rates of financial institutions six times. The increased RMB benchmark deposit and loan rates have increased our financing costs of existing loans and will increase our future financing costs. Any future increase in interest rates may further materially and adversely affect our business, financial condition and results of operations.

We have bank borrowings that are secured by property, plant and equipment and land use rights.

As of September 30, 2012, we had RMB552.0 million in bank balances and cash and RMB195.0 million in bank borrowings due within one year. As of September 30, 2012, RMB195.0 million of the bank borrowings were secured by our property, plant and equipment and land use rights, which were pledged to various banks in China. In the event that we fail to repay the borrowings when they mature and the banks enforce their rights against us under the relevant pledges, we may lose part or all of these pledged properties, plant, equipment and land use rights, which may materially and adversely affect our business, financial condition and results of operations.

We are dependent on the availability of a stable supply of labor at reasonable cost, which may not be sustainable.

Our production relies on a stable supply of labor. There is no guarantee that our supply of labor will remain stable and our labor cost will not increase significantly. If we fail to retain our existing labor and/or recruit and properly train sufficient labor in a timely manner, we may not be able to cope with a sudden increase in demand for our products or properly implement our expansion plans. If we are not able to manufacture and deliver our products on schedule or if we are unable to implement our expansion plans, our business, financial condition, results of operations and prospects could be materially and adversely affected. Moreover, if there is a significant increase in our labor costs our profitability could be materially and adversely affected.

We may fail to comply with present or future applicable environmental laws and regulations.

Under relevant PRC environmental laws and regulations, the construction, expansion and operation of our production facilities are subject to certain environmental permits and approvals. The failure to obtain or renew such permits or approvals or to obtain or renew them in a timely manner may subject us to fines and penalties imposed by the PRC Government and we may be required to suspend the use of production facilities or vacate the premises. In addition, as our production processes generate solid waste, noise, wastewater and oil and other industrial wastes, we are also required to comply with national and local environmental regulations applicable to us. In addition to the initial capital investment in making our production facilities compliant with the environmental laws and regulations, our annual cost of compliance with the applicable environmental rules and regulations for the three years ended December 31, 2011 and the nine months ended September 30, 2012 was RMB0.05 million, RMB0.07 million, RMB0.08 million and RMB0.1 million, respectively. If we fail to comply with present or future applicable environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. Any failure by us to control the use or to restrict adequately the discharge of hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations, which could have a material adverse effect on our business and results of operations. In addition, we cannot assure you that future changes in PRC environmental protection laws and regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities. As China is experiencing substantial issues with environmental pollution, it is likely that the national, provincial and local governmental agencies will adopt regulations setting forth stricter pollution controls and requirements. Any such regulation applicable to the manufacture of our products may increase our operating costs or even cause suspension of our operations, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

We are subject to safety and health laws and regulations in the PRC and our production operations entail significant risks of workplace injury or fatality.

Our operations are subject to various PRC national and local laws and regulations that require us to provide a safe and healthy production and working environment for our employees by providing them with adequate protective clothing and gear, safety education and training and having dedicated safety management personnel. In addition, operators of some of our equipment must undergo special training and obtain special work permits. Any failure to meet and maintain such legal and regulatory standards and requirements could subject us to warnings from relevant governmental authorities, governmental orders to rectify such non-compliance within a specified time frame, governmental fines and legal proceedings. We could also be required to temporarily suspend our production or permanently cease our operations in the event of significant non-compliances.

The production of automotive engines presents significant risks of workplace injury or fatality despite the implementation of safety precautions, training and compliance with state and local safety and health laws and regulations. We have in place and intend to continuously maintain policies and procedures to minimize these risks. During the Track Record Period, we had six incidents resulting in material injuries to our employees during the production process. These injuries were caused by the non-compliance of our safety guidelines by the injured employees or accidents. In addition, we had two non-workplace safety related employee deaths. The employees and their families were compensated by social insurance and welfare fund and relevant payments had been settled in full. There can be no assurance that we will not become subject to material liabilities for workplace injuries or fatalities, which could interrupt our production operations and damage our reputation, as well as have a material adverse effect on our business, financial condition and results of operations.

Our insurance coverage may not be sufficient to cover the risks related to our operations or any losses.

We may experience major accidents and business interruptions due to natural disasters, electrical outages, floods and other acts of God in the course of our operations, which may cause significant losses or damage. Any such accidents, and the consequences resulting from them, may not be covered adequately, or at all, by the insurance policies we carry. Although we carry property insurance, we do not carry any business interruption insurance or third-party product liability insurance for losses or damage arising from accidents relating to our operations or products. In addition, because of market conditions, premiums and deductibles for our existing insurance policies could increase substantially and, in some instances, our existing insurance may become unavailable or available only for reduced amounts of coverage. Losses and damages arising from accidents and business interruptions relating to our operations or products may have a material and adverse effect on our business, financial condition and results of operations if such losses or damages are not fully insured.

We may not be able to successfully implement any overseas expansion plans and strategies that we may undertake in the future.

During the Track Record Period and through the Latest Practicable Date, our engines were directly sold in China, with only a small amount installed in vehicles and sold to overseas markets by automotive manufacturers. Although currently we have no plan to expand into overseas markets, we may choose to sell our products directly to overseas markets in the future. However, we may not be able to expand into overseas markets successfully due to various factors, including but not limited to the following:

- our lack of experience and lack of substantial presence overseas may make it difficult for us to effectively expand into foreign markets;
- we may face market entry barriers such as strong local competition or tariffs, taxes and other restrictions, which may prevent us from competing effectively in new markets;

- there may not be a steady increase in our overseas orders, we may not be able to predict market trends and customer needs to offer an appropriate product mix to overseas markets or there may not be sufficient demand for our products;

- we may fail to obtain or maintain licenses or certifications for our operations and products in the overseas markets; and

- current and future trade and economic sanctions among countries may cause difficulties in exporting our products to certain countries.

RISKS RELATING TO OUR INDUSTRY

Market demand for our products may be affected by a slowdown in the growth rate of the PRC automotive industry.

There is a direct correlation between our business and the automotive production and sales volumes of our customers in the PRC, which are in turn dependent on economic policies and market sentiment and demand. The production of vehicles in the PRC has grown at a fast pace in the past due to various factors, including the continued growth of China's economy, ongoing government incentive policies, increases in consumer purchasing power and a historically low rate of vehicle ownership. Any significant reduction in automotive production and sales by our customers could have a material and adverse effect on our business. There can be no assurance that there will not be negative changes in China's economy, market conditions, government policies and other factors leading to a slowdown in demand for automobiles. For example, the sale of PV engines in the PRC increased by 5.1% from 2010 to 2011, compared with 34.0% from 2009 to 2010, while the sale of LCV engines decreased by 10.3% from 2010 to 2011, compared with an increase of 26.1% from 2009 to 2010. The decline in demand for the automobiles of our customers would directly and adversely affect demand for our products and hence our business, financial condition and results of operations could be materially and adversely affected.

The global financial crisis, economic downturn and uncertainty may have a material and adverse effect on our business, financial condition and results of operations.

Our operations and performance may be adversely impacted by a deterioration of global economic conditions. The economic conditions in North America, Europe and other regions deteriorated significantly in late 2008 and 2009. The current economic environment continues to be uncertain, and the economic conditions in Europe have worsened as a result of the pending European debt crisis. These conditions may make it difficult for our customers to accurately plan future business activities and could cause our customers to terminate their relationships with us or could cause end-consumers to slow or reduce their spending on our customers' products. Furthermore, during challenging economic times, our customers may not have timely access to sufficient credit, which could reduce the number of purchase orders they place with us. In particular, since 2010, the PRC Government has tightened its credit policy to control rising inflation rate and has raised the RMB benchmark deposit and loan interest rates six times. As a result, during the Track Record Period, we have accrued significant trade and bills receivables and amounts due from our related companies caused by their delayed payments and increasing use of promissory notes issued by banks and financial institutions, which mature within three to six months, for payment, as the tightened credit policy increased their costs of financing which in turn increased pressure on their cash flows. Our trade and bills receivables due from related companies amounted to RMB954.3 million as of September 30, 2012, of which RMB471.6 million of trade receivables were past due without collateral, and our trade and bills receivables from non-related companies amounted to RMB380.3 million as of September 30, 2012, of which RMB202.2 million of trade receivables were past due without collateral. We and our customers and suppliers were affected by the PRC Government's tightened credit policy to various degrees. Furthermore, according to a speech delivered by China's Premier Wen Jiaobao at the annual meeting of the National People's Congress in Beijing on March 5, 2012, China's GDP growth is targeted at 7.5% for the year 2012. Going forward, according to the 12th Five-Year Plan, the PRC Government expects to achieve an average of 7.0% annual GDP growth during the period from 2011 to 2015. We cannot predict the timing, magnitude or duration of any current or future economic slowdown or subsequent economic recovery, globally, in the PRC, the United States, Europe or in our industry. These and other economic factors could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, the availability of credit to entities such as us, operating within emerging markets, is significantly influenced by levels of investor confidence in such markets as a whole and any factors that may affect market confidence could affect the costs or availability of funding for entities within any such markets. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. If this economic downturn continues or there are prolonged disruptions to the credit markets, such as due to the European debt crisis, it could limit our ability to borrow funds from our current or other funding sources or cause the continued access to funds to become more expensive, we may be exposed to a downturn in sales caused by such tightening of credit conditions, and our business, financial condition and results of operations could be materially and adversely affected.

We operate in a competitive industry and face intense competition from our competitors.

We face intense competition from both domestic and foreign competitors and there is no assurance that we will be able to effectively compete with them. To the extent that our competitors, whether domestic or foreign, gain a competitive advantage in terms of pricing, product quality, brand name recognition and financial and technical resources, the market share and profitability of our Group may be adversely affected. One of our main competitors, Shenyang Xinguang Brilliance, is a Sino-foreign equity joint venture held as to 50% by Brilliance China, one of our Controlling Shareholders. For details of our competition with Shenyang Xinguang Brilliance and other competitors, see "Business — Competition" and "Relationship with Our Controlling Shareholders and Huachen — Excluded Business of Brilliance China" in this prospectus. Our ability to compete depends on our ability to offer sufficient quantities of high quality products that are suitable for our customers at a more competitive proposition than that of domestic and foreign competitors. In addition, our competitiveness depends on our ability to maintain our track record of timely deliveries and superior customer service. Our failure to compete effectively could materially and adversely affect our business, financial condition, results of operations and market position.

Changes in automotive industry policies and regulations may adversely affect our business, financial condition and results of operations.

Our business is significantly affected by automotive industry policies and regulations, particularly in the PRC. Any adverse changes in existing policies and regulations in the automotive industry in the PRC, including, without limitation, tightened restrictions on foreign investment, imposition of stricter fuel economy and emission standards, restrictions limiting automotive purchases in certain cities, such as Beijing, increasing fuel prices and taxes on automotive purchases or the cessation of government incentive plans for the purchase of new or certain types of vehicles, or the adoption of any new policies adversely affecting the automotive industry in the PRC, could reduce the demand for automobiles and auto parts, and in turn reduce the demand for automotive engines. For example, China adopted the Implementation Rules for Old-for-New Replacement of Automotives (《汽車以舊換新實施辦法》) and Implementation Scheme for Promoting Purchase of Motor Vehicles and Motorcycles in Rural Areas (《汽車摩托車下鄉操作細則》) to promote the use of minibuses and LCVs. However, such purchase subsidy programs lasted only from June 2009 to December 2010 and from March 2009 to the end of 2010, respectively. For details of these favorable policies and regulations that were terminated, see "Industry Overview — Overview of the PRC PV and LCV Market — Policies and regulations in China automotive industry" in this prospectus.

Furthermore, existing PRC automotive industry policies and regulations impose certain restrictions on investment by foreign vehicle manufacturers in vehicle production projects in China. Further tightening of these policies and regulations could lead to a lower level of participation by foreign automotive manufacturers in the PRC automotive market, which in turn could reduce the supply of automobiles in the market, resulting in lower demand for automotive engines. See "Regulation Overview — Regulations Relating to Project Initiation Approvals" in this prospectus.

In addition, the PRC Government may adjust the domestic oil supply prices by considering several factors, including changes in the global crude oil prices, which makes the cost of gasoline in the PRC less predictable. If the demand for fuel increases in the PRC, fuel shortages or price increases may occur. Consumers may avoid increased or unpredictable fuel costs by utilizing alternative means of transportation, such as bicycles, public buses and subways, thus reducing the demand for automobiles and automobile engines. For example, the PRC Government has started a reform to adjust the fuel tax and oil price in China in order to promote energy savings and emission reductions. According to the Notice of the State Council on Implementing the Oil Price and Tax Reform (《國務院關於實施成品油價格和稅費改革的通知》), which came into effect on January 1, 2009, gasoline tax increased from RMB0.2 per liter to RMB1.0 per liter, and diesel tax increased from RMB0.1 per liter to RMB0.8 per liter.

The rapid development trend of automobiles may create pressure on our production facilities and affect our business.

Rapid technological development with respect to automobiles may pose challenges to our existing production equipment. For example, we may have to modify our production lines to cater for the development of electric vehicles that require different automotive engines from those applied in traditional vehicles. We possess certain production technologies and know-how in the manufacturing of fuel-electric hybrid automotive engines. Nevertheless, if there is further development of electric vehicles or other technological developments in the automotive industry in the future that require different automotive engines and we cannot timely adjust our production facilities and operations accordingly, our business prospects, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Any adverse change in the political and economic policies of the PRC Government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

Substantially all our operations are conducted in the PRC and all our revenues are sourced from the PRC. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to the economic, political and legal developments of the PRC. The PRC economy differs from other developed economies of the world in many respects, including:

- its socialist market economic structure;
- the level of governmental involvement;
- the level of development;

- growth rate;
- the control of foreign exchange; and
- the allocation of resources.

As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the Chinese economy were similar to those of other developed countries. The PRC economy has been transitioning from a planned economy to a more market oriented economy. The PRC Government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy and is continuing to play a significant role in regulating industries by imposing industrial policies.

We cannot, however, predict whether changes in the political, economic and social conditions and policies in the PRC, or in the relevant laws, rules and regulations, will have any material and adverse effect on our current or future business, financial condition and results of operations.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

Substantially all of our operations are conducted in the PRC. The PRC legal system is based on written statutes and prior court decisions are not binding. Since 1979, the PRC Government has been developing a comprehensive system of laws, rules and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade.

However, due to the fact that these laws, rules and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve some degree of uncertainty with respect to the outcome of any legal action in which we may be involved in the PRC.

As a foreign company, our acquisition of PRC companies may take longer and be subject to higher levels of scrutiny by the PRC Government.

On August 8, 2006, MOFCOM, SAIC, SAT, SAFE, SASAC and CSRC jointly promulgated the Provisions on Mergers and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》, the "M&A Provisions"). The M&A Provisions became effective on September 8, 2006 and were reissued by MOFCOM in June 2009. The M&A Provisions established additional procedures and requirements, including but not limited to, the requirement that foreign investors must obtain approval from MOFCOM or its local counterpart at the provincial level when they acquire equity or assets of a PRC domestic enterprise. It is generally expected that compliance with the regulations will be more time-consuming and costly than in the past and will result in a more extensive evaluation by the PRC Government and result in increased control over the terms of the transaction. Therefore, acquisitions in China by non-PRC entities may face difficulties in completion because the terms of the transaction may not satisfy terms required by regulatory authorities in the approval process. If we decide to acquire a PRC domestic enterprise, the execution of our acquisition plan may become more time-consuming, complex and uncertain, and as a result, our business and growth prospects could be materially and adversely affected.

Implementation of the PRC Labor Contract Law and other labor-related regulations in China may materially and adversely affect our business, financial condition and results of operations.

The PRC Labor Contract Law (《中華人民共和國勞動合同法》) and the PRC Labor Contract Law Implementation Rules (《中華人民共和國勞動合同法實施條例》) took effect on January 1, 2008 and

September 18, 2008, respectively. These labor laws and rules impose additional stringent requirements on employers in relation to entering into fixed term employment contracts, hiring of part-time employees and dismissing employees. Pursuant to the PRC Labor Contract Law, since January 1, 2008, we have been required to enter into non-fixed term employment contracts with employees who have worked for us for more than 10 consecutive years or for whom a fixed term employment contract has been concluded for two consecutive times, unless otherwise provided in the PRC Labor Contract Law. We may not be able to efficiently terminate non-fixed term employment contracts under the PRC Labor Contract Law without cause unless there exists special circumstances as stipulated in the PRC Labor Contract Law Implementation Rules as well as other PRC laws for the termination of the employment contracts by the employer. We are also required to make severance payments to fixed term contract employees when the term of their employment contracts expire, except for certain circumstances prescribed in the PRC Labor Contract Law including where an employee voluntarily rejects an offer to renew the contract where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in the circumstances where (i) the term of service is more than six months but less than a year, the amount of severance payment shall be calculated the same as a full year of service; (ii) the term of service is less than six months, the employer shall pay half a month's wage to the employee as severance payment; and (iii) the employee's monthly wage is more than three times the local average monthly wage of the proceeding year announced by the local relevant PRC Government, the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by the number of years of service which cannot exceed a maximum of 12. A minimum wage requirement has also been incorporated into the PRC Labor Contract Law. Liability for damages or fines may be imposed for any material breach of the PRC Labor Contract Law. In addition, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which became effective on January 1, 2008, employees who have continuously worked for more than one year are entitled to paid holidays ranging from 5 to 15 days, depending on their length of service. Employees who agree to waive their holiday time at the request of their employers must be compensated with three times their normal daily salary for each holiday waived. As a result of these PRC laws, rules and regulations, our labor costs have increased. There can be no assurance that any disputes, work stoppages or strikes will not arise in the future. Further, there can be no assurance that there will be no additional or new labor laws, rules and regulations in the PRC, which may lead to potential increases in our labor costs and future disputes with our employees. In such events, our business, financial condition and results of operations could be materially and adversely affected.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using proceeds we receive from the Global Offering to make loans or additional capital contributions to our PRC subsidiary.

As an offshore holding company of our PRC subsidiaries, our Company may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries by utilizing the proceeds we receive from the Global Offering. Any loans to our PRC subsidiary are subject to PRC regulations and foreign exchange loan registrations, and capital contributions to our PRC subsidiary must be approved by the PRC MOFCOM or its local bureaus. However, we cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, with respect to our future loans or capital contributions to our PRC subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds received from the Global Offering and to fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to expand our business. As a result, our business, financial condition and results of operations could be materially and adversely affected.

On August 29, 2008, SAFE issued the Notice of the General Department of the SAFE on Improving on Relevant Business Operations Issues Concerning the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《國家外滙管理局綜合司關於完善外商投資企業 外滙資本金支付結滙管理有關業務操作問題的通知》, "Notice 142") which regulates the conversion by a foreign-invested enterprise of foreign currency into RMB by restricting how the converted RMB may be used. Notice 142 requires that the RMB funds converted from the foreign currency capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the relevant PRC Government and may not be used for equity investments within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its supervision over the flow and use of RMB funds converted from the foreign currency capital of a foreign-invested enterprise. The use of such RMB capital may not be changed without SAFE's approval, and may not, in any case, be used to repay or prepay RMB loans if such loans have not been used. Violations of Notice 142 will result in severe penalties, such as heavy fines set out in the relevant foreign exchange control regulations. As a result, Notice 142 may significantly limit our ability to use the net proceeds from the Global Offering to expand our business in the PRC, and to convert the net proceeds from the Global Offering into RMB to invest in or acquire other PRC companies.

Our Company is a holding company that relies on payments from our PRC subsidiary for funding.

We are a holding company incorporated in the Cayman Islands and operate our core business primarily through our subsidiary in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders and to service our indebtedness depends on payments received from our PRC subsidiary. If our PRC subsidiary incurs any debts or losses, such indebtedness or losses may impair its ability to pay dividends or other distributions to us. As a result, our ability to pay dividends or other distributions and to service our indebtedness will be restricted.

PRC laws, rules and regulations require that dividends be paid only out of the net profit calculated according to PRC generally accepted accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws, rules and regulations also require PRC-incorporated companies, such as our PRC subsidiary, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

In addition, although the Group's existing borrowings contain no such restrictive covenants that restrict the ability of our PRC subsidiary to make distribution to us, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that our subsidiaries or we may enter into in the future, if any, may also restrict the ability of our PRC subsidiary to make distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

Fluctuations in foreign exchange rates and changes in foreign exchange regulations may materially and adversely affect our business, financial condition, results of operations and our ability to remit payments.

Most of our revenue and expenditures are denominated in RMB, which is currently not a freely convertible currency. In addition, we will require foreign currencies for dividend payment (if any) to our Shareholders. As a result, we are exposed to foreign currency fluctuations.

In the PRC, since 1994, the conversion of RMB into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC. The PRC Government has, with effect from July 21, 2005, reformed the exchange rate regime by permitting RMB to fluctuate within a narrow and managed band based on market supply and demand with reference to a basket of currencies. On

July 21, 2005, RMB was revaluated appreciating against the U.S. dollar and Hong Kong dollar by 2.0%. The PRC Government has made further adjustments to the exchange rate system. Any appreciation of RMB may result in the decrease in the value of our foreign currency-denominated assets, including the net proceeds from the Global Offering. Conversely, any depreciation of RMB may adversely affect the value of any dividends payable on our Shares in foreign currency terms.

Over the years, the PRC Government has significantly reduced its control over routine foreign exchange transactions under current accounts items, including trade and service-related foreign exchange transactions and payment of dividends. However, foreign exchange transactions under capital accounts items continue to be subject to significant foreign exchange controls and require the approval of, or registration with, SAFE. Under our current group structure, our Company's income is derived principally from dividend payments from our subsidiary located in the PRC. Shortages in foreign currency may restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations.

In addition, under the current foreign exchange regulations in China, subject to the relevant registration at SAFE, we are able to pay dividends in foreign currencies, without prior approval from SAFE, by complying with certain procedural requirements. However, there can be no assurance that the current PRC foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. Changes in PRC foreign exchange policies might have a negative impact on our ability to service our foreign currency-denominated indebtedness and to distribute dividends to our Shareholders in foreign currencies.

It may be difficult to effect service of process upon some of our Directors and executive officers who live in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts.

Most of our assets and our principal business operations are in the PRC. Substantially all our executive Directors and all members of our senior management team are residing in the PRC with no permanent addresses outside the PRC. Therefore, it may not be possible for investors to effect service of process upon such persons in the PRC or to enforce against our Company or such persons in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties or arrangements providing for the recognition and enforcement of civil judgments of the courts of the United Kingdom, the United States or most other western countries. Therefore, recognition and enforcement in the PRC of judgments obtained in such jurisdictions may not be possible. On July 14, 2006, the PRC and Hong Kong signed the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned". However, investors are reminded that only an enforceable final judgment requiring payment of money arising out of a commercial contract with an exclusive jurisdiction clause and granted by Hong Kong courts may be recognized by PRC courts, subject to the requirements and restrictions set forth in the arrangement.

Shortage of utilities in the PRC could affect our business.

Our production operations require significant and stable supplies of water and electricity, the use of which will further increase substantially as we expand our production capacity. We had not experienced any water and electricity shortage at our production facilities in the PRC during the Track Record Period, except as a result of the Wenchuan Earthquake. Given the increasing demand in the PRC amidst limited supply, shortages or suspensions of utilities are not uncommon and we may not always have adequate supplies to meet our needs at our production facilities. If such shortages or suspensions of utilities happen for a significant period of time, this may have an adverse effect on our business.

Any outbreak of severe communicable diseases in the PRC may cause suspension of our operations and affect the economic conditions of the PRC, which may, in turn, affect our business and operations.

The outbreak of any severe communicable disease in the PRC could have a material adverse effect on the domestic consumption and, possibly, the overall GDP growth of the PRC. As all of our revenue is currently derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC may materially and adversely affect our business, prospects, financial condition and results of operations. In addition, if our employees are affected by any severe communicable disease, we may be required to close our facilities or institute other measures to prevent the spread of disease, which may materially and adversely affect or disrupt our production. The spread of any severe communicable disease in the PRC and elsewhere may also affect the economic sentiment and in turn have a material adverse effect on the Global Offering.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop.

Prior to the Global Offering, there has been no public market for our Shares. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for our Shares following the Global Offering or in the future, and the failure of developing or sustaining such market could have a material adverse effect on the market and liquidity of our Shares. The Offer Price for our Shares will be the result of negotiations among the Joint Global Coordinators (on behalf of themselves and the other Underwriters of the Global Offering) and our Company and may differ from the market prices for our Shares after the Listing. An investor who purchases Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares. In addition, the initial trading price of our Shares could be lower than the Offer Price due to a variety of reasons including material negative events affecting us.

The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses to our Shareholders.

Immediately following the Global Offering, the liquidity, trading volume and trading price of our Shares will be determined by the marketplace and may be volatile and may be influenced by many factors, some of which are beyond our control, including:

- fluctuations in our interim or annual results of operations;
- changes in financial performance estimates by securities analysts;
- investor perceptions of us and the investment environment in Asia, including Hong Kong and the PRC;
- changes in policies and developments relating to the automotive industry;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;

- changes in pricing policies adopted by us or our competitors;
- depth and liquidity of the market for our Shares;
- demand for and supply of our Shares;
- general economic factors; and
- other factors, such as those described in the other risk factors set forth in this prospectus.

Moreover, stock markets and shares of listed companies in general have experienced increased price and volume fluctuations in recent years. These broad market and industry fluctuations may adversely affect the market price of our Shares regardless of our operating performance or prospects.

The interests of our Controlling Shareholders may not align with those of our other Shareholders.

Immediately after the Global Offering, each of our Controlling Shareholders will either directly or indirectly own approximately 31.908% of our Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. In cases where their interests are aligned and they vote together, our Controlling Shareholders will also have the power to prevent or cause a change in control. Without the consent of one or all of the Controlling Shareholders, we may be prevented from entering into transactions that could be beneficial to us. In addition, such Controlling Shareholders are also the controlling shareholders of, or may otherwise participate in the management of, certain other companies that are outside of our Group. For example, Brilliance China has a 50% and a 14.43% interest in Shenyang Xinguang Brilliance and Aerospace Mitsubishi, respectively, which are potential competitors of our Company. We cannot assure you that they will act in our interests or that conflicts of interest will be resolved in our favor. See "Relationship with Our Controlling Shareholders and Huachen."

We cannot assure you that we will declare dividends in the future.

We cannot assure you that we will pay dividends in the future. Our Board is responsible for determining and declaring the amount of dividends. Whether dividends will be distributed and the amount to be distributed will depend on various factors, including without limitation, the results of our operations, cash flows, financial condition, the payment by our subsidiaries of cash dividends to us, future prospects, contractual restrictions, applicable law and other factors which our Directors may determine as important. For further details of our dividend policy, please refer to "Financial Information — Dividends and Dividend Policy" in this prospectus. Any declaration and payment, as well as the amount of dividends, will be subject to our constitutional documents and the Cayman Islands laws, including the approval of our Shareholders or our Directors. In addition, upon the Listing, we may only pay dividends out of distributable reserves as determined under PRC GAAP or HKFRS, whichever is lower. As a result, we may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, including in respect of periods that our financial statements indicate that our operations have been profitable.

Purchasers of the Offer Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Shares is higher than the net tangible assets per Share immediately before the Global Offering. Therefore, purchasers of the Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible assets of HK$1.82 per Share as at September 30, 2012, based on the maximum Offer Price of HK$2.80 per Share (without taking into account Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme). Purchasers of the Shares may experience dilution in the net tangible assets per Share of their Shares if we issue additional Shares in the future at a price, which is lower than the net tangible assets per Share.

There may be a dilutive effect on the earnings per Share associated with the Share Option Scheme and an impact on future earnings.

We have conditionally adopted the Share Option Scheme pursuant to which options may be granted after the Listing Date, subject to the provisions of the Share Option Scheme and the Listing Rules. Details of the Share Option Scheme are set out in "Statutory and General Information — Share Option Scheme" in Appendix V to this prospectus. Any exercise of the options granted under the Share Option Scheme will result in an increase in the number of Shares in issue, and may result in the dilution in the percentage of ownership of the shareholders, the earnings per Share and net asset value per Share.

There can be no assurance on the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third party sources, including the industry expert report, contained in this prospectus.

Certain facts, forecasts and other statistics relating to China and other countries and regions and the automotive engine market in China contained in this prospectus have been derived from various government publications, market data providers and other independent third party sources, including Frost & Sullivan, an independent industry expert, and generally are believed to be reliable. However, we cannot guarantee the accuracy and completeness of such information. These facts, forecasts and other statistics have not been independently verified by our Company, the Sole Sponsor, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering and none of them make any representation as to the accuracy or completeness of such information. Furthermore, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside China. For these reasons, you should not place undue reliance on such information as a basis for making your investment in our Shares.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands laws and, under Cayman Islands laws, protection to minority shareholders may differ from those established under the laws of Hong Kong, the U.S. and other jurisdictions.

Our corporate affairs are governed by our Memorandum of Association and the Articles and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in Hong Kong, the U.S. and other jurisdictions. Such differences may mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong, the U.S. or other jurisdictions. See "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix IV to this prospectus.

Investors should read this entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and we do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should only rely on information included in this prospectus and should not rely on any of the information in press articles or other media coverage in making any decision as to whether to purchase our Shares.