RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND HUACHEN

Immediately following the Listing and assuming the Over-allotment Option is not exercised, each of Brilliance China, Brilliance Investment, Wuliangye, Pushi Group, Xinhua Combustion Engine and Xinhua Investment will be interested, directly or indirectly, in approximately 31.908% of the issued share capital of our Company.

Brilliance China

Brilliance China, a company listed on the Stock Exchange (stock code: 1114.HK), engages in the automotive manufacturing business in China. It operates largely by two segments: manufacturing and sale of minibuses and automotive components. Brilliance China also established a joint venture, BMW Brilliance Automotive, with BMW Holding B.V. to produce BMW sedans. The automotive components manufactured by Brilliance China were mainly for its own consumption and for sale to its customers for maintenance and repair purposes. It also sells certain automotive components to Huachen Group and its other customers. Brilliance China was formerly known as Brilliance Holdings (Bermuda) Company Limited and changed its name to Brilliance China Automotive Holdings Limited in 1992. Brilliance China was founded in 1992 and listed on the Stock Exchange in 1999.

Certain subsidiaries of Brilliance China are our suppliers of engine components. The engine components supplied to us are solely used for the production of our engines or sell to our customers for repair and maintenance purposes. Brilliance China sold engine components to parties other than our Group during the Track Record Period and may continue to do so in the future. In addition, certain subsidiaries and an associate of Brilliance China are our customers and purchase engines and engine components from us.

Huachen

Huachen is a state-owned limited liability company which was established under the PRC laws on September 16, 2002 and is wholly and beneficially owned by the People's Government of Liaoning Province of the PRC. The principal activities of the Huachen Group include but not limited to investment holding, and manufacture and sale of Zhonghua ("中華") branded sedans. Huachen is an investment holding company and did not sell any engine components to us during the Track Record Period. Huachen may, through Brilliance China Group, sell engine components to parties other than our Group in the future. Huachen Group manufactures a small volume of automotive engines, as compared to the total volume of engines produced by our Group, for its own consumption. It did not and does not sell its engines outside the Huachen Group.

As at the Latest Practicable Date, Huachen owned 42.48% of the issued share capital of Brilliance China and Huachen treats Brilliance China as an associate in its financial statements, which are prepared in accordance with the PRC generally accepted accounting principles. Huachen cannot single handedly pass a resolution at a general meeting of Brilliance China. In addition, all decisions of Brilliance China in relation to voting at the general meeting of our Company are determined by the board of directors of Brilliance China. Despite the fact that some of the directors of Brilliance China are also directors or senior management of Huachen, Brilliance China is a Hong Kong listed company and its directors are subject to extensive corporate governance rules and fiduciary duties. Thus, the voting decisions made by the board of directors of Brilliance China are independent from Huachen. Further, on the assumptions that the Over-allotment Option is not exercised, and there is no change in Huachen's interest in Brilliance China, upon Listing, Huachen will be interested in approximately 42.48% of the issued share capital of Brilliance China, which, through its wholly-owned subsidiary Brilliance Investment, will be interested in approximately 31.908% of the issued share capital of our Company. In addition, Huachen does not have control over the Board of our Company. Based on the above, Huachen is not entitled to exercise nor control the exercise of 30% or more of the voting power at the general meeting of our Company and therefore Huachen is not a Controlling Shareholder of our Company under the Listing Rules.

Notwithstanding the above, the Stock Exchange has deemed Huachen as a connected person of our Company, and therefore, our transactions with Huachen Group will be subject to the requirements of Chapter 14A of the Listing Rules upon the Listing. The Stock Exchange has deemed Huachen as a connected person of our Company for the following reasons:

(i) Huachen is Brilliance China's controlling shareholder. Based on Brilliance China's annual report, all of its executive and non-executive directors (five out of eight board members) have directorship or senior management roles in Huachen. In addition, one executive Director and one non-executive Director are also director and president of Huachen. Such management overlapping suggests that Huachen will have significant influence over our Company's and Brilliance China's decisions;

(ii) our Company's reliance on sales to Brilliance China reduced significantly over the Track Record Period following Brilliance China's disposal of its loss making Zhonghua sedan business to Huachen in December 2009, and our Company has shifted the relevant sales to Huachen since then. Such transaction illustrated the close relationship between Huachen and Brilliance China; and

(iii) Huachen had and will continue to have significant transactions with our Company. If Huachen is not a connected person of our Company, our transactions with Huachen after the Listing will not be subject to announcement and/or Shareholders' approval requirements under Chapter 14A of the Listing Rules, and there will be no disclosure on expected scale of transactions with Huachen going forward. Deeming Huachen as a connected person of our Company will provide more corporate transparency to the relevant transactions, and provide our Shareholders an opportunity to review and approve our future transactions with Huachen under Chapter 14A of the Listing Rules.

For details of our transactions with Huachen Group upon the Listing, please refer to "Connected Transactions" of this prospectus.

Xinhua Combustion Engine

Xinhua Combustion Engine was founded in 1994 and is primarily engaged in the manufacturing and sale of engine components for engines, sale of automobiles and provision of related services and logistic services.

Xinhua Combustion Engine is one of our suppliers of engine components. The engine components supplied by Xinhua Combustion Engine are produced based on the specifications we provided to Xinhua Combustion Engine and they are solely used for our engines or sold to our customers for repair and maintenance purposes. Xinhua Combustion Engine did not sell its engine components to parties other than our Group during the Track Record Period. It may sell its engine components to parties other than our Group in the future. Xinhua Combustion Engine is not engaged in the sales of automotive engines. Commencing from 2012, we have been selling engine components to Xinhua Combustion Engine for its after-sale automotive repair and maintenance business they conduct. These engine components are different from those they supply to us.

Pushi Group

Pushi Group is a wholly-owned subsidiary of Wuliangye, and is principally engaged in various industries including manufacture of machinery, polymeric materials and civil technology development.

In particular, the major products of Pushi Group's machinery manufacturing business include precision injection molds, automotive panel dies and engine components. We purchased crankshafts from a subsidiary of Pushi Group during the Track Record Period.

Wuliangye

Wuliangye principally engages in the production and sales of a series of wine including "wuliangye (五糧液)" branded wine. It also engages in a wide range of other businesses including industrial packaging, optical glass, logistics, rubber products and pharmacy.

EXCLUDED BUSINESSES OF BRILLIANCE CHINA

Shenyang Xinguang Brilliance

Shenyang Xinguang Brilliance is a joint venture owned as to 50% by Brilliance China and 50% by China Aerospace, a state-owned enterprise incorporated in the PRC and an independent third party of Brilliance China.

Shenyang Xinguang Brilliance primarily manufactures and sells light-duty gasoline engines and engine components (the "Excluded Business of Shenyang Xinguang Brilliance"). In particular, Shenyang Xinguang Brilliance is engaged in the manufacture and sale of four models of 1.6L to 2.5L gasoline engines under the brand name "Bao Pai" ("豹牌"). The main customers of Shenyang Xinguang Brilliance include PV and LCV manufacturers such as Shenyang Jinbei, a subsidiary of Brilliance China, Xiamen King Long United Automotive Industry Co., Ltd.* (廈門金龍聯合汽車工業有限公司) and Hebei Zhongxing Automobile Co., Ltd.* (河北中興汽車製造有限公司), all of which are also our customers. During the Track Record Period, the revenue contributed by overlapping customers to our Group amounted to approximately RMB452.4 million, RMB559.3 million, RMB504.7 million and RMB393.8 million, respectively. Shenyang Xinguang Brilliance's current production capacity is approximately 80,000 units, and its sales volume totaled 60,185 units and 44,088 units in 2011 and the nine months ended September 30, 2012, respectively. Since China Aerospace is an independent third party of Brilliance China, Shenyang Xinguang Brilliance cannot be injected into our Group without consent from China Aerospace.

Shenyang Jinbei, based on its production needs, market reputation and engine quality and price, procures engines from Shenyang Xinguang Brilliance and us. During the Track Record Period, we sold more engines to Shenyang Jinbei than Shenyang Xinguang Brilliance in terms of sales volume. For the three years ended December 31, 2011 and the nine months ended September 30, 2012, total sales of our engines to Shenyang Jinbei (including those sold to Xing Yuan Dong and Mianyang Ruian, which subsequently sold their products to Shenyang Jinbei) was approximately RMB386.6 million, RMB460.0 million, RMB416.2 million and RMB381.8 million, respectively, which accounted for approximately 30.1%, 23.7%, 18.0% and 19.6% of our revenue during the same periods, respectively. These sales mainly represented sales of light-duty gasoline engines with displacement between 1.6L to 2.5L.

We understand that Shenyang Xinguang Brilliance will continue to sell its existing products and Brilliance China has no immediate plan for Shenyang Xinguang Brilliance to develop new products due to its current financial and technological limitation. Based on our understanding, if Shenyang Xinguang Brilliance develops new products, it will not develop products which may compete, directly or indirectly, with those produced or to be produced by our Group. We also understand that Brilliance China currently has no plan to make new capital contributions to Shenyang Xinguang Brilliance to expand its business operations.

One of the directors of Mianyang Xinchen, who does not hold any directorship in our Company, hold directorship in Shenyang Xinguang Brilliance. To avoid any potential conflict of interest arising from common directorship or leakage of sensitive information in relation to our Group's products or customers, the sole overlapping director undertakes (i) to declare his interests prior to any board meeting of Mianyang Xinchen; (ii) if he is an interested director, he shall not be counted towards any quorum and shall abstain from voting in respect of the transactions or matters that he is interested in during Mianyang Xinchen's board meeting and (iii) not to disclose any inside information in connection with the business and operations of Mianyang Xinchen to any third parties, including the Controlling Shareholders.

Reasons for not including the Excluded Business of Shenyang Xinguang Brilliance in our Group

Our Directors have considered that it is neither in the best interest of, nor feasible for, our Group to include the Excluded Business of Shenyang Xinguang Brilliance in our Group, on the following basis:

(i) although our products which compete with Shenyang Xinguang Brilliance's products mentioned above accounted for a significant portion of our revenue during the Track Record Period, the percentage of our revenue generated from sales of these products to Shenyang Jinbei, Xing Yuan Dong and Mianyang Ruian, in aggregate, has declined from approximately 30.1% in 2009 to approximately 18.0% in 2011, and maintained at a steady level for the nine months ended September 30, 2012 which accounted for approximately 19.6%. This was primarily due to our Group having (a) upgraded our products and introduced new products which allowed us to penetrate into new market segments; and (b) diversified our customer base as a result of the upgraded and new products. It is expected that our revenue generated from sales of these products will remain low, and we believe we will have less reliance on our products which compete with Shenyang Xinguang Brilliance's products going forward; and

(ii) Shenyang Xinguang Brilliance recorded a net loss for the years ended December 31, 2009 and 2011 and the nine months ended September 30, 2012, and its financial performance may not improve significantly in the near future.

We have no intention and we believe that Brilliance China currently has no intention to include the Excluded Business of Shenyang Xinguang Brilliance in our Group. In the event that the Excluded Business of Shenyang Xinguang Brilliance is to be included in our Group, consent will need to be obtained from China Aerospace. Brilliance China has not been given any consent from China Aerospace.

Undertaking from Huachen and Brilliance China

Each of Huachen and Brilliance China has entered into a deed of undertaking in favor of our Company (the "First Huachen and Brilliance China Undertaking"), pursuant to which each of Huachen and Brilliance China has unconditionally and irrevocably undertaken to our Company (for itself and for the benefit of each other member of our Group) that it will procure its respective subsidiaries (i) to first purchase products from us if the products offered by our Group and Shenyang Xinguang Brilliance are of similar quality, specifications and price; and (ii) to maintain or increase the purchases of the products mentioned in (i) above from our Group going forward.

Our Directors consider that the First Huachen and Brilliance China Undertaking will not affect the interest of Brilliance China's shareholders as a whole on the basis that (i) neither Shenyang Xinguang Brilliance nor our Group is wholly-owned by Brilliance China and their revenues will not be consolidated into the accounts of Brilliance China, thus purchasing from our Group instead of Shenyang Xinguang Brilliance will not have a material impact on the financial performance of Brilliance China; and (ii) this arrangement will not have an adverse effect on the quality of the products produced by Brilliance China since Brilliance China will procure its subsidiaries to first purchase the products from us only if the products offered by our Group and Shenyang Xinguang Brilliance are of similar quality. In addition, we believe that the entering into of the First Huachen and Brilliance China Undertaking by Brilliance China does not breach any duties and obligations Brilliance China owes to Shenyang Xinguang Brilliance and/or China Aerospace.

Aerospace Mitsubishi

Aerospace Mitsubishi is a sino-foreign joint venture owned as to 30% by China Aerospace, 25% by Mitsubishi Locomobiles Industry Co., Ltd.* (三菱自動車工業株式會社), 21% by Shenyang Jianhua Motors Engine Co., Ltd.* (瀋陽建華汽車發動機有限公司) ("Shenyang Jianhua"), 14.7% by Malaysia-China Investment Holdings Co., Ltd.* (馬中投資控股有限公司), and 9.3% by Mitsubishi Commerce and Administration Co., Ltd.* (三菱商事株式會社) (collectively, the "Shareholders of Aerospace Mitsubishi"). Shenyang Jianhua is owned as to 20% by Xing Yuan Dong, a wholly-owned subsidiary of Brilliance China, and 80% by Shenyang Jinbei, a 60.9% owned subsidiary of Brilliance China. As such, Brilliance China has an effective equity interest of 14.43% in Aerospace Mitsubishi. Aerospace Mitsubishi is reported as an associate of Brilliance China in Brilliance China's 2011 Annual Report. Except for Shenyang Jianhua, the other Shareholders of Aerospace Mitsubishi are independent third parties of Brilliance China and our Company.

Aerospace Mitsubishi is principally engaged in the manufacture and sale of gasoline automotive engines and matching transmissions (the "Excluded Business of Aerospace Mitsubishi") with its headquarters in Shenyang, the PRC. Aerospace Mitsubishi primarily manufactures and sells two series of gasoline engines with displacement ranges of less than 1.6L, 1.6L to 2.0L and 2.0L to 2.5L under the brand name "Mitsubishi". The customers of Aerospace Mitsubishi include medium or premium edition PV and LCV manufacturers, such as Huachen, Zhengzhou Nissan, GAC Changfeng, Hebei Zhongxing Automobile Co., Ltd.* (河北中興汽車製造有限公司) and Dandong Huanghai Automotive Company Limited* (丹東黃海汽車有限責任公司), which are also our customers. During the Track Record Period, the revenue contributed by the overlapping customers to our Group amounted to approximately RMB665.8 million, RMB1,119.7 million, RMB1,189.0 million and RMB925.2 million respectively. Aerospace Mitsubishi's revenue and net profits in 2011 amounted to approximately RMB3,877 million and RMB423 million, respectively. Based solely on information published on Aerospace Mitsubishi's website, Aerospace Mitsubishi's production volume in 2011 and 2012 amounted to approximately 375,000 units and 470,000 units, respectively, and its sales volume in 2011 and 2012 amounted to approximately 365,000 units and 465,000 units, respectively.

As set out in "Industry Overview — The Competitive Landscape in the PRC PV and LCV Engine Market — Engine supplier selection process and criteria" in this prospectus, according to the Frost & Sullivan Report, automotive manufacturers usually select their system and parts suppliers based on the market positioning and cost structure of a new vehicle model. Typically, during the product development process, the research and development department of an automotive manufacturer will design a model based on its market positioning strategy and evaluation of the cost structure and functions of the new model. Afterwards, the production planning department will evaluate the proposals for cost structure made by the research and development department, and together with the procurement department, identify potential suppliers from different pools of suitable system and parts suppliers based on certain criteria, including manufacturing cost, market positioning and final product pricing. For instance, if a new vehicle model is positioned as a premium edition model, the automotive manufacturers will generally select relatively higher quality engine and components, which in turn will increase the manufacturing cost, and they will sell the vehicle at a higher price to the end-users. On the other hand, if a new vehicle model is positioned as a basic edition model, the automotive manufacturers will generally select relatively lower quality engine and components which in turn lower the manufacturing cost, and they will sell the vehicle at a lower price to the end-users. As a result, an automotive manufacturer may have different engine supplier pools for the basic edition and premium edition of one automotive series and it typically does not invite bidding from the engine suppliers from different pools at the same time. As such, even within the same displacement range and supplying to the same automotive manufacturers, two engine suppliers may not directly compete against each other due to the fact that they are separated into different pools of suitable engine suppliers. According to the Frost & Sullivan Report, we currently do not compete directly with Aerospace Mitsubishi, even though we had overlapping customers. This is due to the fact that our overlapping customers produced both basic edition models and medium or premium edition models. However, our overlapping customers treat us and Aerospace Mitsubishi as engine suppliers in two different supplier pools. Generally, our overlapping customers will purchase engines from us for their basic edition models, and they will purchase engines from Aerospace Mitsubishi for their medium or premium models. Also, historically, we supplied engines for basic edition models to our customers while Aerospace Mitsubishi mainly supplied engines for medium or premium edition models to its customers. We believe Aerospace Mitsubishi is able to leverage on its premium brand “Mitsubishi” to capture customers who are in the medium and premium vehicle sectors. Based on this distinction, we believe that our customers, including the overlapping customers, when they develop a new vehicle model, would not reach out to both of us for engine supplies. End-users often compare basic edition models with medium and premium edition models before they purchase a vehicle. Such comparison of different edition models may lead to indirect competition between us and Aerospace Mitsubishi. In addition, given that both Aerospace Mitsubishi and our Group are engaged in the manufacture and sale of automotive engines and have overlapping customers, there can be no guarantee that Aerospace Mitsubishi and our Group will not directly compete in the future. Based on currently available information, our Company and Brilliance China are not aware that Aerospace Mitsubishi plans to manufacture and/or sell the same type of automotive engines as our Company in the near term.

We understand from Brilliance China, which currently owns equity interests in Aerospace Mitsubishi through its subsidiaries, that it has been a passive investor since it first invested in Aerospace Mitsubishi. Brilliance China also informed us that it has not been involved in the day-to-day operation of Aerospace Mitsubishi and has not been in a position to single handedly formulate the overall strategy of Aerospace Mitsubishi which may lead to competition with our Group. Currently, two of the nine directors of Aerospace Mitsubishi were nominated by Brilliance China. Brilliance China therefore does not have control over the board of directors of Aerospace Mitsubishi. These two directors are neither directors nor senior management of Brilliance China or our Company, but one of them is a director of Mianyang Xinchen. To avoid any potential conflict of interest arising from such common directorship or leakage of sensitive information in relation to our Group’s products or customers, the sole overlapping director has signed an undertaking to our Company, pursuant to which he undertakes (i) to declare his interests prior to any board meeting of Mianyang Xinchen; (ii) if he is an interested director, he shall not be counted towards any quorum and shall abstain from voting in respect of the transactions or matters that he is interested in during Mianyang Xinchen’s board meeting; and (iii) not to disclose any inside information in connection with the business and operations of Mianyang Xinchen to any third parties, including the Controlling Shareholders.

Reasons for not including the Excluded Business of Aerospace Mitsubishi in our Group

Our Directors have considered that it is neither in the best interest of, nor feasible for, our Group to include the Excluded Business of Aerospace Mitsubishi in our Group for the following reasons:

(i) our Directors believe that there is currently no direct competition between our existing products and the existing products of Aerospace Mitsubishi on the basis that our Group and Aerospace Mitsubishi offer products with a different cost structure and target different vehicle models;

(ii) our Group has no current plan to develop and manufacture products which have the same or similar cost structure as those produced by Aerospace Mitsubishi or target vehicles within the same or similar price ranges;

(iii) our Group operates independently from Aerospace Mitsubishi;

(iv) our Group's current plan is to focus on the organic growth of its operation and retain all resources to achieve that. Any resources allocated for the acquisition of the 14.43% interest in Aerospace Mitsubishi currently held by Brilliance China may adversely affect the expansion plan of our Group; and

(v) a minority interest of 14.43% would not give us any meaningful control over the management of Aerospace Mitsubishi to influence its business for the benefit of our Group or include it within our Group.

Based on the due diligence performed by the Sole Sponsor on the Excluded Business of Aerospace Mitsubishi, including due diligence performed with the Group, the overlapping customers of Aerospace Mitsubishi and the Group, and the industry consultant, the Sole Sponsor considers that the potential for competition between the Group and Aerospace Mitsubishi is not of such magnitude as to affect the Company's suitability for Listing. In addition, Brilliance China has entered into an undertaking pursuant to which it will adopt measures to address the potential conflicts of interest in the event that there is competition between the Group and Aerospace Mitsubishi, and the Sole Sponsor considers that these measures are sufficient to address potential conflicts of interest.

We have no intention and we believe that Brilliance China currently has no intention to include Brilliance China's stake in Aerospace Mitsubishi in our Group. In the event that Brilliance China plans to transfer its stake in Aerospace Mitsubishi to our Group, the other Shareholders of Aerospace Mitsubishi have a first refusal right. No consent has been sought from other Shareholders of Aerospace Mitsubishi by Brilliance China relating to the transfer of its stake in Aerospace Mitsubishi.

Undertaking from Huachen and Brilliance China

Each of Huachen and Brilliance China has entered into a deed of undertaking in favor of our Company (the "Second Huachen and Brilliance China Undertaking"), pursuant to which each of Huachen and Brilliance China has unconditionally and irrevocably undertaken to our Company (for itself and for the benefit of each other member of our Group) that it shall abstain from voting in the event that there are discussions on matters that involve both Aerospace Mitsubishi and our Group during Aerospace Mitsubishi's board meetings and that it will procure its respective subsidiaries (i) to first purchase products from us if the products offered by our Group and Aerospace Mitsubishi are of similar quality, specifications and price; and (ii) to maintain or increase the purchases of the products mentioned in (i) above from our Group going forward.

To the best of our Directors' knowledge, as at the Latest Practicable Date, other than the Excluded Business of Shenyang Xinguang Brilliance and the Excluded Business of Aerospace Mitsubishi, none of the Controlling Shareholders, Huachen nor their respective associates was engaged in the manufacture or sale of automotive engines (including trading activities) which may directly or indirectly compete with the products manufactured and sold by our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND HUACHEN

Having considered the following factors, we are satisfied that we can conduct our business independently of our Controlling Shareholders, Huachen and their respective associates (other than our Company) after completion of the Global Offering.

Operational Independence

We have full control over our assets to continue our business independently of our Controlling Shareholders and Huachen. We do not rely on our Controlling Shareholders or Huachen for our operations, technology, product development, production, staffing or marketing, save as for certain sale and purchase transactions with our Controlling Shareholders, Huachen and/or their respective associates disclosed in this prospectus. For instance, we develop new technologies and enhance our existing products through our own research and development team at our research and development centre. We produce our products at our own production facilities, which are established independently of our Controlling Shareholders, Huachen and their respective associates.

Our Directors and senior management conduct our business with established systems and arrangements in place. Our organizational structure is made up of functional departments, each with specific areas of responsibility. We have also established a set of internal control measures to facilitate the effective operation of our business.

During the Track Record Period, we had entered into certain transactions with the Controlling Shareholders and Huachen which are expected to continue after Listing, and they will constitute continuing connected transactions for our Company upon Listing. Those transactions are set out as follows:

Transactions with Brilliance China Group

(i) Mianyang Ruian, a wholly-owned subsidiary of Brilliance China, has sold and will continue to sell various types of engine components to us;

(ii) Shenyang Jinbei, a non wholly-owned subsidiary of Brilliance China, has purchased and will continue to purchase automotive engines and various types of engine components from us; and

(iii) Xing Yuan Dong, a wholly-owned subsidiary of Brilliance China, has purchased and will continue to purchase engines from us.

During the Track Record Period, our aggregate purchases from Brilliance China Group were approximately RMB24.2 million, RMB36.0 million, RMB39.3 million and RMB35.4 million, respectively, representing approximately 2.2%, 2.2%, 2.1% and 2.3% of our total cost of sales for the same periods, respectively. We expect our purchases from Brilliance China Group in aggregate will not exceed RMB55.8 million, RMB65.6 million and RMB78.0 million for the three years ending December 31, 2015, respectively.

During the Track Record Period, our aggregate sales to Brilliance China Group were approximately RMB627.0 million, RMB805.2 million, RMB416.2 million and RMB381.8 million, respectively, representing approximately 48.8%, 41.4%, 18.0% and 19.6% of our total revenue for the same periods, respectively. Our sales to Brilliance China Group during the Track Record Period included the sales of our engines to Shenyang Brilliance Power and Shenyang ChenFa, which were then subsidiaries of Brilliance China. These two entities ceased to be the subsidiaries of Brilliance China in 2009 and 2011, respectively. We expect our sales to Brilliance China Group in aggregate will not exceed RMB501.0 million, RMB574.9 million and RMB667.6 million for the three years ending December 31, 2015, respectively.

Transactions with Wuliangye Group

(i) Xinhua Combustion Engine has provided and will continue to provide (a) a trademark license for the use of one of the trademarks of Xinhua Combustion Engine registered in the name of Xinhua Combustion Engine on our engines; and (b) various gasoline and diesel engine components such as crankshafts, exhaust manifolds and cylinders chambers and cylinder heads to us; and it has purchased and will continue to purchase engine components from us. Xinhua Combustion Engine has provided equipment maintenance and repair services to us during the Track Record Period and such services will not continue going forward;

(ii) Mianyang Jianmen Real Estate, a wholly-owned subsidiary of Xinhua Combustion Engine, has provided and will continue to provide construction and building maintenance services to us; and

(iii) Sichuan Pushi, a direct wholly-owned subsidiary of the Pushi Group, the holding company of Xinhua Combustion Engine, has sold and will continue to sell crankshafts to us.

During the Track Record Period, our aggregate procurement and purchases from Wuliangye Group, including the construction and maintenance costs charged by Wuliangye Group, were approximately RMB112.3 million, RMB164.0 million, RMB160.1 million and RMB114.3 million, respectively, representing approximately 10.1%, 10.0%, 8.7% and 7.3% of our total cost of sales for the same periods, respectively. We expect our procurement of the above services and/or products from Wuliangye Group, including the construction and maintenance costs charged by Wuliangye Group, which will constitute continuing connected transactions exempt from the independent Shareholders' approval requirements and non-exempt continuing connected transactions under the Listing Rules, as set out in the "Connected Transactions" of this prospectus, in aggregate will not exceed RMB206.1 million, RMB242.6 million and RMB279.5 million for the three year ending December 31, 2015, respectively. We also expect to have transactions with Wuliangye Group which will constitute exempted continuing connected transactions under the Listing Rules as set out in the "Connected Transactions" of this prospectus, of which the expected aggregated amounts are not material for the purpose of the above calculations. During the nine months ended September 30, 2012, our aggregate sales to Wuliangye Group were approximately RMB182,000, representing approximately 0.01% of our total revenue for the same period.

Transactions with Huachen Group

(i) Huachen has purchased and will continue to purchase engines and engine components from us;

(ii) Mianyang Huarui, a wholly-owned subsidiary of Huachen, has purchased and will continue to purchase engines and engine components from us. Mianyang Huarui has also sold and will continue to sell engine components to us;

(iii) Mianyang Huaxiang, an indirect wholly-owned subsidiary of Huachen, has purchased and will continue to purchase engines and engine components from us; and

(iv) Shenyang Brilliance Power, a non wholly-owned subsidiary of Huachen, has purchased and will continue to purchase engines from us.

We have been purchasing engine components and automotive components, which are not produced by us from Huachen Group since 2011. During the year ended December 31, 2011 and the nine months ended September 30, 2012, our aggregate purchases from Huachen Group were approximately RMB7,290 and RMB9,910, respectively, representing approximately 0% and 0% of our total cost of sales for the same periods, respectively.

During the Track Record Period, our aggregate sales to Huachen Group were approximately RMB36.4 million, RMB270.4 million, RMB661.6 million and RMB485.4 million, respectively, representing approximately 2.8%, 13.9%, 28.7% and 25.0% of our total revenue for the same periods, respectively. We expect our sales to Huachen Group in aggregate will not exceed RMB774.1 million, RMB868.6 million and RMB1,044.3 million for the three years ending December 31, 2015, respectively.

Please refer to "Connected Transactions" in this prospectus for details of the above transactions.

The increase in our sales to Huachen Group during the Track Record Period is mainly due to (i) the increase in demand for our products from Huachen Group; and (ii) the transfer of certain businesses and subsidiaries of Brilliance China, e.g. Zhonghua sedan business, which purchased our products, to Huachen for the purpose of reorganization. Shenyang JinBei, a non-wholly owned subsidiary of Brilliance China, obtained an approval from the Chinese government to produce and sell Zhonghua sedans in the PRC in May 2002, and our Group began supplying engines to Zhonghua sedan in 2009. The transfer of the Zhonghua sedan business (the "Transfer") took place on December 31, 2009 as disclosed in the annual report of Brilliance China for the year ended December 31, 2009. According to the circular of Brilliance China dated December 1, 2009, the reasons for the Transfer are as follows:

(i) Zhonghua sedan had consumed substantial resources of Brilliance China Group in terms of its brand building and product development. The high upfront development costs coupled with the relatively low sales volume of Zhonghua sedans in the past had resulted in substantial losses generated from this business segment. Therefore, Brilliance China considered that further development of this business would require significant additional investment thus putting considerable financial burden on Brilliance China in the short to medium term;

(ii) the directors of Brilliance China considered that the then poor performance of the Zhonghua sedan business had adversely influenced and suppressed the true potential value of Brilliance China Group. Thus, they believed that the Transfer would provide immediate earnings enhancement to Brilliance China Group, uplift the profile of Brilliance China and unlock the true intrinsic value of Brilliance China Group so that the value of Brilliance China Group's remaining businesses could be fully recognized by the market and better reflected in Brilliance China's share price; and

(iii) the Transfer would enable Brilliance China to refocus its management and financial resources on its then existing profitable businesses, as well as to develop other new downstream service-related automotive aftermarket businesses.

To our understanding, Huachen Group was interested in acquiring the Zhonghua sedan business in 2009, notwithstanding that it was loss-making and had high upfront development costs, because Huachen believed that by operating the Zhonghua sedan business as a wholly-owned business rather than indirectly owned through Huachen Group's 42.48% ownership in Brilliance China, the Zhonghua sedan business would be able to enjoy additional government concessions and grants which it would not have been able to access without being a wholly-owned business of Huachen Group. Such benefits included fleet sales to government entities, and various tax rebates and allowances. In addition, by becoming a wholly-owned subsidiary of a state-owned entity, the PRC government would be more receptive to purchasing and using Zhonghua branded sedans, which offered an opportunity for the Zhonghua sedan business to penetrate into the government sector and open up an additional source of income. We understand that Huachen Group was confident that with more time and resources, which Huachen Group was willing to commit, and additional government support and concessions, it had the ability to eventually turnaround the Zhonghua sedan business.

We believe that Huachen, a major customer of our Group, relies on us for the supply of engines for the manufacture of its products on the basis that (i) the quality and price of our products are competitive to our competitors; and (ii) Huachen has been purchasing automotive engines from us since 2009. The engines that we supply to Huachen are developed and produced according to the specifications required by Huachen. We believe that if Huachen intends to purchase automotive engines from other engine manufacturers, it will incur time and cost to identify engine manufacturers which can develop and produce automotive engines that are compatible to Huachen's products and with similar, if not the same, quality as our engines.

Although our expected total sales to and/or total purchases from Brilliance China Group and/or Wuliangye Group and/or Huachen Group will continue to increase after Listing, given the expected rapid growth of the PV and LCV engine market in the PRC and the anticipated growth in similar sale and purchase transactions with other third parties, we expect the proportion of our transactions with Brilliance China Group, Wuliangye Group and Huachen Group, as compared to the total value of all such sale and purchase transactions, to remain largely stable or decrease.

We did not reduce our sales to non-related customers during the Track Record Period, and our sales to non-related customers during the same periods accounted for approximately 48.4%, 44.7%, 53.3% and 53.0% of our total revenue, respectively.

The following table sets forth our total sales to Brilliance China Group, Huachen Group and Wuliangye Group during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,	
	2009		2010		2011		2012	
Sale	**RMB'000**	**% of total revenue**	**RMB'000**	**% of total revenue**	**RMB'000**	**% of total revenue**	**RMB'000**	**% of total revenue**
Brilliance China Group	627,041	48.8	805,233	41.4	416,192	18.0	381,755	19.6
Huachen Group	36,430	2.8	270,414	13.9	661,627	28.7	485,440	25.0
Wuliangye Group	—	—	—	—	—	—	182	0.0
Total:	663,471	51.6	1,075,647	55.3	1,077,819	46.7	867,377	44.6

We currently estimate, based on the reasons set forth below, that our sales to Brilliance China Group, Huachen Group and Wuliangye Group for the three years ending December 31, 2015 are not expected to exceed the amounts set forth in the following table:

	Year ending December 31,		
	2013	2014	2015
Estimated Maximum Sale	**RMB million**	**RMB million**	**RMB million**
Brilliance China Group	501.0	574.9	667.6
Huachen Group	774.1	868.6	1,044.3
Wuliangye Group	0.3	0.4	0.4

The 2013 amounts for each of Brilliance China Group and Huachen Group are determined with reference to their expected number of vehicles to be produced by vehicle models, new vehicle models to be launched and vehicle models expected to cease production in 2013 based on both discussions with Brilliance China Group and Huachen Group regarding their respective plans for 2013 and their respective plans for 2013 furnished to us.

The 2014 and 2015 amounts for each of Brilliance China Group and Huachen Group are determined with reference to (i) the anticipated increase in the demand of our products in 2013; (ii) the historical trend of our sales to each of them; (iii) the outlook of the PV and LCV engine market in the PRC in 2014 and 2015; and (iv) the new vehicle models expected to be launched by each of them in 2014 and 2015. For the purpose of these estimates we have assumed that the per unit prices of our products would remain stable throughout the three years ending December 31, 2015.

The amounts for Wuliangye Group are determined with reference to (i) in the case of 2013, the volume of engine components to be purchased by Wuliangye Group based on discussions with Wuliangye Group regarding its plans for 2013; and (ii) in the case of 2014 and 2015, an expected increase in demand based on such discussions with Wuliangye Group and the expected business growth of Wuliangye Group's business.

The estimates above are forward-looking and reflect the current views of our Directors with respect to future events and are subject to certain risks, uncertainties and assumptions, including but not limited to the risk factors described in this prospectus. The estimates above are made as at the date of this prospectus and may potentially change in light of future developments. For further details, please see "Forward-looking Statements" in this prospectus.

The following table sets forth our total purchases from Brilliance China Group, Huachen Group and Wuliangye Group during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,	
	2009		2010		2011		2012	
Purchase	**RMB'000**	**% of total cost of sales**	**RMB'000**	**% of total cost of sales**	**RMB'000**	**% of total cost of sales**	**RMB'000**	**% of total cost of sales**
Brilliance China Group	24,204	2.2	36,035	2.2	39,274	2.1	35,431	2.3
Huachen Group	—	—	—	—	7	0.0	10	0.0
Wuliangye Group	109,712	9.8	162,738	9.9	154,639	8.5	107,425	6.9
Total:	133,916	12.0	198,773	12.1	193,920	10.6	142,866	9.2

We are operating independently from our Controlling Shareholders, Huachen and their respective associates on the basis that the above transactions are governed by agreements entered into in the ordinary course of our business and on terms which are fair and reasonable and in the event that the Controlling Shareholders and/or Huachen are unable to provide their services upon reasonable terms, we are entitled to choose third parties who can provide such products or services upon comparable terms. Given the above, our Board is satisfied that we have been operating independently from our Controlling Shareholders, Huachen and their respective associates during the Track Record Period and will continue to do so.

Huachen Group and Brilliance China Group were two of our major customers during the Track Record Period due to (i) the history of our Group and its relationship with Huachen Group and Brilliance China Group and (ii) Huachen Group and Brilliance China Group are two of the major players in the PRC PV market. We expect our revenue percentage generated from the sale of our products to Huachen Group and Brilliance China Group will remain largely stable or decline in the next couple of years. In addition, we believe our Group has the production flexibility to adjust our existing production lines to accommodate the production requirements of different engine models to cater for the needs of our existing and new customers. Although the reliance on sales of our products to Huachen Group and Brilliance China Group is expected to remain largely stable or decline in the future, it is unlikely that a company in our line of business would be able to break off reliance on either one of them as a major customer.

Our Directors consider that there is no significant risk of reliance on the Controlling Shareholders and Huachen Group that would render our Company unsuitable for Listing, taking into consideration the above and for the following reasons:

(i) our sales to the Controlling Shareholders and Huachen Group, on a group basis, accounted for less than 50% of our total revenue for the year ended December 31, 2011 and the nine months ended September 30, 2012. Further, during the Track Record Period, our sales to Brilliance China Group and Huachen Group, in aggregate, amounted to approximately 51.6%, 55.3%, 46.7% and 44.6%, respectively. Such decreasing trend shows that we have been reducing our reliance on Brilliance China Group and Huachen Group by diversifying our focus from sales to Brilliance China Group and Huachen Group to independent third party customers;

(ii) our purchases from the Controlling Shareholders, on a group basis collectively accounted for less than 11% of our total cost of sales for the year ended December 31, 2011 and the nine months ended September 30, 2012, respectively. In addition, during the Track Record Period, we had over 200 suppliers and did not rely on our Controlling Shareholders or Huachen Group for supplying any of our key engine components. We have the ability to find substitute suppliers in the market if necessary;

(iii) we have been actively developing our business relationship with our existing and new independent third party customers in the PRC market, and expanding our production capacity and increasing our sales and marketing resources to diversify our customer base and gradually reduce the percentage of total revenue attributable to our Controlling Shareholders and Huachen Group. During the Track Record Period, our sales to non-related customers accounted for approximately 48.4%, 44.7%, 53.3% and 53.0% of our total revenue, respectively, and seven of our top ten customers were independent third party automotive manufacturers, and we are trying to develop new customer relationships with other independent third parties going forward;

(iv) we have the necessary skill, technology and production flexibility to adjust our existing production lines to accommodate the production requirements of different engine models to cater for the need of third party customers;

(v) Huachen Group and Brilliance China Group are two of the major players in the PRC PV market and we expect that they will remain our major customers. Although we have been in the process of and are continuing to reduce the percentage of our overall sales attributable to Huachen Group and Brilliance China Group, it is not practical for us to significantly reduce such percentage in a short period of time. However, given our expected increase in overall sales and our concerted effort to increase sales to third party customers, the percentages of our overall sales attributable to Huachen Group and Brilliance China Group, in the aggregate, are expected to remain stable or decline in the next couple of years;

(vi) the business relationships are mutual and complementary. We believe that each of Brilliance China Group and Huachen Group uses our engines for the manufacture of its products because (a) the quality and price of our products are competitive; and (b) we have a good and stable track record as each of Brilliance China Group and Huachen Group has been purchasing automotive engines from us since 1998 and 2009, respectively. Based on information provided to us by Brilliance China, in terms of the actual amount of engines purchased, during the Track Record Period, the aggregate purchase of our engines by Huachen Group amounted to approximately Nil, 58%, 77% and 60%, respectively, of Huachen Group's total purchase amount of automotive engines, and the aggregate purchase of our engines by Brilliance China Group amounted to approximately 30%, 45%, 48% and 63%, respectively, of Brilliance China Group's total purchase amount of automotive engines. If Brilliance China Group and Huachen Group intend to purchase automotive engines from new engine manufacturers, they will incur time and cost to identify engine manufacturers which can develop and produce automotive engines that are compatible to their products and with similar, if not the same, quality as our engines. We understand from Brilliance China Group and Huachen Group that there is at least one alternative engine supplier for each of their products, depending on the model and specification of the engines they need;

(vii) we entered into one-year supply agreements with Brilliance China Group and Huachen Group at the beginning of the year in order to maintain flexibility with other customers, which is in line with the industry practice in the PRC PV and LCV engine market; and

(viii) given the expected increase in local demand for our engines due to the growth of the PV and LCV engine market in the PRC in recent years (for details, please refer to "Industry Overview — Overview of the PRC PV and LCV Engine Market"), we consider that we are capable of expanding and diversifying our customer base.

Our arrangements to reduce the percentage of overall revenue attributable to our Controlling Shareholders and Huachen Group going forward are as follows:

(i) actively pursuing independent third party customers in the PRC market to diversify our customer base;

(ii) expanding our production capacity to cater for the needs of additional customers; and

(iii) increasing our sales and marketing resources and activities to gain more market share from independent third party customers.

Further, Brilliance China Group's revenue for the year ended December 31, 2011 was approximately RMB6,442.9 million according to its 2011 annual report publicly available on its website and the Stock Exchange's website, and its revenue for the six months ended June 30, 2012 was approximately RMB2,810.3 million according to its 2012 interim report publicly available on its website and the Stock Exchange's website. Given the financial strength of the Controlling Shareholders and Huachen and their track record of gradual and frequent repayments, our Company considers that our transactions with the Controlling Shareholders and Huachen Group would not lead to any material receivables collection or cash flow issues, pressure on profit margin or significant decline in orders in the foreseeable future. For details of the settlement records from, among others, Brilliance China Group and Huachen Group, please see "Financial Information — Description of Certain Items from Our Consolidated Statements of Financial Position — Amounts due from related companies".

Financial Independence

Our financial auditing system is independent from our Controlling Shareholders and Huachen and we employ a competent and well-staffed team of financial accounting personnel. We have our own accounting and finance department, and our accounting systems, treasury function for cash receipts and payment and access to third party financing are independent of our Controlling Shareholders and Huachen. We make financial decisions according to our own business needs.

On October 18, 2011, (i) a loan agreement entered into between Brilliance Investment as the lender and our Company as the borrower, and (ii) a loan agreement entered into between Xinhua Investment as the lender and our Company as the borrower, pursuant to which each of Brilliance Investment and Xinhua Investment agreed to lend to our Company HK$20,000,000 for the sole purpose of onward lending to Lead In for Lead In's purchase of the Lead In Subscribed Shares. Since the process involved in order for Mianyang Xinchen to obtain approval to exchange RMB for HK dollars would be lengthy, this arrangement was implemented to facilitate our Group to obtain sufficient HK dollars to complete the arrangement in time to meet the requirements set out in the Guidance on Pre-IPO Investments issued on October 13, 2010 by the Stock Exchange. The loans will be repaid before the Listing. We consider that the arrangement will have no implication on our Group's financial dependence on our Controlling Shareholders. Other than these loans, our Controlling Shareholders and Huachen have not provided any financial assistance, security and/or guarantee in favor of our Group as at the Latest Practicable Date.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and Huachen, and do not place undue reliance on them.

Management Independence

Our Board consists of eight Directors, including two executive Directors, two non-executive Directors and four independent non-executive Directors. Two of our Directors hold positions in Brilliance China and/or Huachen, namely, Mr. Wu Xiao An, the chairman and executive director of Brilliance China, and the director of Huachen, and Mr. Qi Yumin, the chief executive officer, president and executive director of Brilliance China, and the chairman, president and executive director of Huachen. As at the Latest Practicable Date, each of Mr. Wu Xiao An and Mr. Qi Yumin was interested in 7,750,000 shares and 4,500,000 share options of Brilliance China, respectively, representing approximately 0.15% and 0.09% of the issued share capital of Brilliance China, respectively. Further, Mr. Li Peiqi, our non-executive Director, is the chairman of Xinhua Combustion Engine. Mr. Wang Yunxian, our Director, was the then director and general manager of Xinhua Combustion Engine and he has resigned from his roles as director and general manager of Xinhua Combustion Engine on March 22, 2012 and March 23, 2012, respectively.

The three overlapping Directors shall abstain from voting on discussions that may be entered into with the relevant Controlling Shareholder and/or Huachen, and shall not vote on such matters. Our Company believes that only if there is an unlikely event which involves all of Brilliance China, Huachen, Xinhua Combustion Engine and Wuliangye would all the three overlapping Directors be required to abstain from voting simultaneously during Board discussions. In such event, our Board will then comprise Mr. Wang Yunxian and our independent non-executive Directors. We are satisfied that Mr. Wang Yunxian, our chief executive officer and executive Director, and our four independent non-executive Directors who possess sufficient and competent industry knowledge and experience, and with the support of our qualified senior management team, are capable to vote on such matters which is in the best interests of the Shareholders as a whole. Please refer to "Directors and Senior Management" for detailed biographies.

Name	Position in our Group upon Listing	Directorship in Brilliance China/Huachen upon Listing	Directorship in Xinhua Combustion Engine/ Pushi Group/ Wuliangye upon Listing
Wu Xiao An (also known as Ng Siu On) (吳小安)	Chairman and executive Director	Chairman and executive director of Brilliance China, and director of Huachen	None
Wang Yunxian (王運先)	Chief executive officer and executive Director	None	None
Qi Yumin (祁玉民)	Non-executive Director	Chief executive officer, president and executive director of Brilliance China, and chairman, president and executive director of Huachen	None
Li Peiqi (李培奇)	Non-executive Director	None	Chairman of Xinhua Combustion Engine
Chi Guohua (池國華)	Independent non-executive Director	None	None
Wang Jun (王雋)	Independent non-executive Director	None	None
Huang Haibo (黃海波)	Independent non-executive Director	None	None
Wang Songlin (王松林)	Independent non-executive Director	None	None

Each of Brilliance China and Xinhua Combustion Engine has nominated two Directors from its respective groups to our Board. This arrangement was adopted to (i) jointly manage and operate the business of our Company, which was originally a joint-stock company between Brilliance China and Xinhua Combustion Engine; and (ii) enhance the cooperation between Brilliance China and Xinhua Combustion Engine. Our Directors believe that the above arrangement has proven beneficial to our Company and is in the best interests of our Shareholders as a whole.

Most members of our senior management have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in our business. The responsibilities of our senior management team include dealing with operational and financial matters, making general capital expenditure decisions and daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders and Huachen. Certain of our senior management have resigned from their respective management roles in Xinhua Combustion Engine. None of the senior management of our Group holds any directorship or senior management roles in our Controlling Shareholders or Huachen.

All of our Directors and members of senior management possess relevant management and/ or industry-related experience to act as Directors or senior management of our Company. Further details are set out in "Directors and Senior Management" in this prospectus. Each of our Directors is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. Under our Articles of Association, where a Director has a material interest in any contract, arrangement or other proposal considered by our Board, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have a senior management team to make business decisions independently. Our independent non-executive Directors have sufficient and competent industry knowledge and experience. Our independent non-executive Directors will also bring independent judgment to the decision making process of our Board, taking into account the advice of our senior management. Our Directors and the Sole Sponsor are of the view that Mr. Wang Yunxian and the independent non-executive Directors will be able to function effectively in the unlikely event that all other Directors are required to abstain from voting at the relevant Board meetings of our Company.

Based on the above, our Board is satisfied that our Board as a whole, together with our senior management team, are able to perform the managerial role in our Group independently of the Controlling Shareholders and Huachen.

DEED OF NON-COMPETITION

The Controlling Shareholders and Huachen entered into a deed of non-competition (the "Deed of Non-competition") on February 25, 2013 in favor of our Company, pursuant to which each of the Controlling Shareholders and Huachen has unconditionally and irrevocably agreed, undertaken and covenanted with our Company (for itself and for the benefits of each other member of our Group) that it would not, and would procure that its associates (other than any members of our Group) would not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which competes or is likely to compete, directly or indirectly, with the business referred to in this prospectus and any other business from time to time conducted, carried on or contemplated to be carried on by any member of our Group or in which any member of our Group is engaged or has invested or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) (the "Restricted Business").

Each of the Controlling Shareholders and Huachen has further unconditionally and irrevocably agreed, undertaken to and covenanted with our Company the following:

(i) to provide all information requested by our Company which is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition;

(ii) to procure our Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcements to the public; and

(iii) to make an annual declaration on compliance with its undertaking under the Deed of Non-competition in the annual reports of our Company as the independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

The Controlling Shareholders and Huachen have further unconditionally and irrevocably agreed, undertaken to and covenanted with our Company to procure that any business investment or other commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Business (the "New Opportunities") given, identified or offered to it and/or any of its associates (other than any members of our Group) (the "Offeror") is first referred to us in the following manner:

(i) each of the Controlling Shareholders and Huachen is required to, and shall procure its associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New Opportunities would constitute competition with our core business; and (b) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the "Offer Notice"); and

(ii) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities and confirming that such New Opportunities would not constitute competition with our core business; or (b) the Offeror has not received such notice from us within 10 Business Days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we shall seek opinions and decisions from our independent non-executive Directors who do not have a material interest in the matter as to whether (i) such New Opportunities would constitute competition with our core business; and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunities.

The Deed of Non-competition does not apply to:

(i) the holding of or interests in the shares of any member of our Group;

(ii) the Excluded Business of Shenyang Xinguang Brilliance and the Excluded Business of Aerospace Mitsubishi;

(iii) the holding of or interests in the shares of a company other than our Group, whose shares are listed on a recognized stock exchange provided that:

   (a) the relevant Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or consolidated assets, as shown in that company's latest audited accounts; or

   (b) the total number of the shares held by the relevant Controlling Shareholder, Huachen and/or its associates does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholder, Huachen and its respective associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate, with its associates) whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholder and Huachen in aggregate and/or its associates in aggregate.

The undertakings given by each of the Controlling Shareholders and Huachen under the Deed of Non-competition shall lapse and each of the Controlling Shareholders and Huachen shall be released from the restrictions imposed on it upon occurrence of the earlier of either of the following events or circumstances:

(i) the date on which the Shares cease to be listed on the Stock Exchange; or

(ii) the date on which all of the Controlling Shareholders and their respective associates cease to be Controlling Shareholders of our Company within the meaning of the Listing Rules in force from time to time.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of the Controlling Shareholders and Huachen Group and to safeguard the interests of our Shareholders:

(i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholders and Huachen, and the First Huachen and Brilliance China Undertaking and the Second Huachen and Brilliance China Undertaking by Huachen and Brilliance China;

(ii) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition by the Controlling Shareholders and Huachen, and the First Huachen and Brilliance China Undertaking and the Second Huachen and Brilliance China Undertaking by Huachen and Brilliance China, in the annual reports of our Company;

(iii) in the event that connected transactions between our Group and the Excluded Businesses or other business in which any of our Directors or their respective associates has any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions;

(iv) our Directors operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his or her associates is materially interested; and

(v) pursuant to the Corporate Governance Code and Corporate Governance Report (the "Code") in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

Our Company is expected to comply with the Code which sets out principles of good corporate governance in relation to, among others, Directors, the chairman, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in our corporate governance report which will be included in our annual report.