



MANDO CHINA

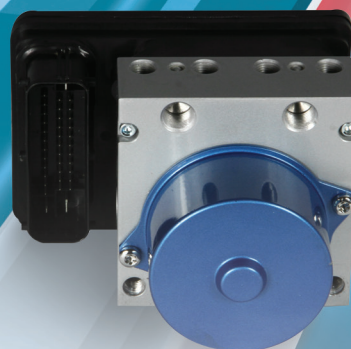
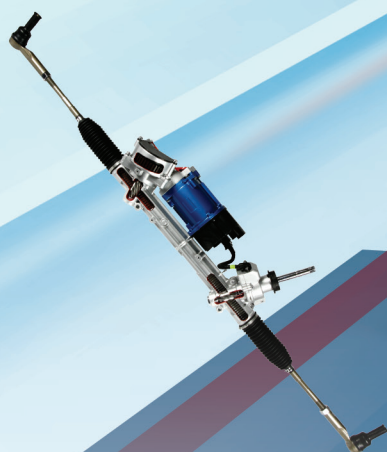
Mando China Holdings Limited

萬都中國控股有限公司*

(Incorporated in the Republic of Korea with limited liability)

Stock code: 1356

GLOBAL OFFERING



Sole Sponsor

Deutsche Bank Group 

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Deutsche Bank 

Morgan Stanley

* For identification purpose only

IMPORTANT

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.



MANDO CHINA

Mando China Holdings Limited

萬都中國控股有限公司*

(Incorporated in the Republic of Korea with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the : 243,400,000 Shares (including 182,550,000 Sale
Global Offering Shares offered by the Selling Shareholder)
Number of Hong Kong Offer Shares : 24,340,000 Sale Shares (subject to adjustment)
Number of International Offer Shares : 219,060,000 Shares (including 158,210,000 Sale
Shares offered by the Selling Shareholder and
subject to adjustment)
Maximum Offer Price : HK\$8.60 per Offer Share plus brokerage of
1.0%, SFC transaction levy of 0.003% and Hong
Kong Stock Exchange trading fee of 0.005%
(payable in full on application in Hong Kong
dollars and subject to refund)
Par value : KRW 100 per Share
Stock code : 1356

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Morgan Stanley

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters), us and the Selling Shareholder on or about Friday, May 24, 2013 and, in any event, not later than Monday, May 27, 2013. The Offer Price will be not more than HK\$8.60 per Offer Share and is currently expected to be not less than HK\$6.80 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$8.60 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$8.60 per Offer Share.

The Joint Global Coordinators (on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) on or before Monday, May 27, 2013 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Please also see the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

The Offer Shares have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Offer Shares may not be offered, sold, delivered or transferred, directly or indirectly, in Korea or to, or for the account or benefit of, any Korean resident (as such term is defined in the Foreign Exchange Transaction Act of Korea and its Enforcement Decree), except as otherwise permitted by applicable Korean laws and regulations.

* For identification purpose only.

May 20, 2013

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications under
HK eIPO White Form service through the designated
website www.hkeipo.hk⁽²⁾11:30 a.m. on Thursday, May 23, 2013

Application lists open⁽³⁾11:45 a.m. on Thursday, May 23, 2013

Latest time for lodging **WHITE** and **YELLOW**

Application Forms12:00 noon on Thursday, May 23, 2013

Latest time for completing payment of **HK eIPO White Form**

applications by effecting internet banking
transfer(s) or PPS payment transfer(s)12:00 noon on Thursday, May 23, 2013

Latest time for giving **electronic application instructions**

to HKSCC⁽⁴⁾12:00 noon on Thursday, May 23, 2013

Application lists close⁽³⁾12:00 noon on Thursday, May 23, 2013

Expected Price Determination Date⁽⁵⁾Friday, May 24, 2013

Latest time which the Hong Kong Underwriting

Agreement can be terminated⁽⁶⁾9:00 a.m. on Thursday, May 30, 2013

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or beforeThursday, May 30, 2013

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — VII. Publication of Results" in this prospectusThursday, May 30, 2013

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.mandochina.com from.Thursday, May 30, 2013

Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a "search by ID" function fromThursday, May 30, 2013

EXPECTED TIMETABLE⁽¹⁾

Dispatch/collection of refund cheques and e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾ Thursday, May 30, 2013

Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁸⁾ Thursday, May 30, 2013

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence on Friday, May 31, 2013

Notes:

- (1) All times shown above and elsewhere in this prospectus refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, May 23, 2013, the application lists will not open on that day. Please refer to the section headed “How to Apply for the Hong Kong Offer Shares — III. When may Applications be Made — 4. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares — II. How to Apply for Hong Kong Offer Shares — 5. Applying by Giving Electronic Application Instructions to HKSCC” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, May 24, 2013 and, in any event, not later than Monday, May 27, 2013. If, for any reason, the Offer Price is not agreed by Monday, May 27, 2013 between the Joint Global Coordinators (on behalf of the Underwriters), us and the Selling Shareholder, the Global Offering will not proceed and will lapse.
- (6) The obligations of the Hong Kong Underwriters to purchase or procure purchasers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination at any time prior to 9:00 a.m. on Thursday, May 30, 2013, being the day immediately preceding the Listing Date, unlike most other initial public offerings in Hong Kong where the latest time which the underwriting agreements can be terminated is 8:00 a.m. on the date of listing. Accordingly, even if any of the events described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination” (the “Termination Events”) occurs between 9:00 a.m. on Thursday, May 30, 2013 and 9:00 a.m. on Friday, May 31, 2013 when dealings in the Shares on the Hong Kong Stock Exchange are expected to commence, the Hong Kong Underwriters will not be able to terminate the Hong Kong Underwriting Agreement at or after 9:00 a.m. on Thursday, May 30, 2013 and any application made for the Hong Kong Offer Shares cannot be revoked or rescinded as a result of the occurrence of any Termination Events. Please refer also to the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination.”
- (7) Subject to (i) the Hong Kong Public Offering having become unconditional in all respects; and (ii) the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination” not having been exercised before 9:00 a.m. on Thursday, May 30, 2013, applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have indicated in their Application Forms their wish to collect their Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person may do so from the IPO processing agent, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, from 10:00 a.m. to 2:00 p.m. on Thursday, May 30, 2013. Uncollected Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be sent to the addresses as specified in the Application Forms promptly thereafter on Thursday, May 30, 2013 by ordinary post and at the applicants’ own risk.

EXPECTED TIMETABLE⁽¹⁾

For applicants who apply for less than 1,000,000 Hong Kong Offer Shares or who apply for 1,000,000 or more Hong Kong Offer Shares but have not indicated on their Application Forms that they will collect their Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person, then their Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be sent to the addresses as specified in their Application Forms on Thursday, May 30, 2013 by ordinary post and at the applicants' own risk.

Please refer to the section headed "How to Apply for the Hong Kong Offer Shares — VIII. Dispatch/Collection of Share Certificates/E-Auto Refund Payment Instructions/Refund Cheques".

- (8) Capital gains earned from an off-exchange transfer of Shares may be subject to Korean capital gains tax, unless exempt under an applicable tax treaty. Accordingly, **potential investors are strongly recommended not to conduct any off-exchange transactions**. As applied to transactions involving our Shares after the completion of the Global Offering, off-exchange transactions are defined under Korean law to encompass all transactions which are not traded through the AMS on the Hong Kong Stock Exchange and would include, without limitation, transfers of Shares in physical certificate form and through CCASS by way of Settlement Instructions and Investor Settlement Instructions as defined in the General Rules of CCASS and CCASS Operational Procedures.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

IMPORTANT NOTICE

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

IMPORTANT NOTICE

APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including Shares issued in connection with our Reorganization) and to be issued pursuant to the Global Offering.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all financial information in this prospectus is presented in accordance with IFRS. Our consolidated financial statements are audited and published annually and are prepared according to IFRS, and we publish our financial statements in Renminbi.

NON-IFRS FINANCIAL MEASURES

EBITDA refers to earnings before interest, taxes, depreciation of property, plant and equipment, amortization of intangible assets and land use rights, other income and net other gains. Adjusted profit for the period is calculated by adding back to total comprehensive income an amount equal to the effect of applicable deferred income tax on the distributable profits of the PRC Subsidiaries for the period. EBITDA and adjusted profit for the period are supplemental measures of our performance and are not required by, or presented in accordance with, IFRS. Furthermore, EBITDA and adjusted profit for the period are not measures of our financial performance or liquidity under IFRS and should not be considered as alternatives to profit for the period, operating profit or any other performance measures derived in accordance with IFRS or as alternatives to cash flow from operating activities or as measures of our liquidity.

The Directors believe EBITDA facilitates operating performance comparisons from period to period and company to company by eliminating potential differences caused by variations in capital structures, tax positions and the age and book depreciation and amortization of tangible and intangible assets. The Directors further believe adjusted profit for the period is a helpful measure of evaluating our operating performance without regard to the tax effects of our holding company structure.

IMPORTANT NOTICE

OTHER

Unless otherwise specified, amounts denominated in Korean Won and US\$ have been translated, for the purpose of illustration only, into RMB in this prospectus at the following exchange rates: KRW1,000 : RMB5.8336 and US\$1.00 : RMB6.2827. Certain amounts in Korean Won, RMB and US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rates: KRW1,000 : HK\$7.1912, RMB1.00 : HK\$1.2326 and US\$1.00 : HK\$7.7564. No representation is made that any amounts in Korean Won or US\$ were or could have been or could be converted into RMB, or any amounts in Korean Won, RMB or US\$ were or could have been or could be converted into Hong Kong dollars, at such rates or any other exchange rates on any date.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Likewise, the products of sales volumes and average selling prices may differ from revenue by product type due to rounding adjustments.

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese or Korean laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese or Korean name (as the case may be) prevails.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this prospectus. You should read such section carefully before you invest in Offer Shares.

OVERVIEW

We are one of the leading suppliers in the PRC of chassis-related automotive parts, primarily brake, steering and suspension components and systems. According to Frost & Sullivan, an independent global market research and consulting company, our share of and ranking in the PRC market, estimated based on sales volume for the year ended December 31, 2012, was 8.3%, or fourth, for brake products, 11.2%, or third, for steering products and 16.6%, or second, for suspension products. Our customer base includes the PRC operations of some of the world's largest vehicle manufacturers, such as the Hyundai-Kia Automotive Group ("**Hyundai-Kia**") and General Motors, as well as major local PRC vehicle manufacturers such as the Geely Companies and Chongqing Changan Automobile Company ("**Changan**"). We have established a substantial presence in the PRC with a network of five manufacturing facilities and a research and development center operated by our wholly-owned subsidiaries and joint ventures strategically located throughout the PRC. We supply products to our customers principally on an original equipment manufacture basis. We have become a key player in the PRC automotive parts industry by leveraging our competitive strengths, including our high quality and diverse chassis-related product portfolio, our strong relationships with global and local vehicle manufacturers operating in the PRC, our efficient operating platform and competitive cost structure, our strong technological capabilities building on our access to Mando Korea's extensive technology portfolio, and our experienced and committed management team. Our products are engineered to meet and exceed the stringent standards of our vehicle manufacturer customers, and we believe that we are widely recognized in the industry for our commitment to quality and our extensive technical expertise. For example, we received the highest quality certification level award, the "Quality 5 Star Certification," from Dongfeng Yueda Kia Motor Co., Ltd. ("**Dongfeng Kia**") in 2007 and from Beijing Hyundai Motor Company Ltd. ("**Beijing Hyundai**") in 2008, while also receiving the "Best Supplier" award from Dongfeng Kia in 2009 and from Beijing Hyundai in 2011. In addition, from Shanghai General Motors Co., Ltd., we received "Supplier of the Year" awards in 2006 and 2009 as well as the "Best Cooperation" award in 2009.

We were incorporated in August 2012 as a holding company for the PRC operations of Mando Korea. We are currently a wholly-owned subsidiary of Mando Korea, and will remain a majority-owned subsidiary of Mando Korea after the Global Offering as it is the current intention of Mando Korea to retain majority control over us following the completion of the Global Offering. See "Our History and Reorganization."

PRODUCTS

We design, manufacture and sell a wide variety of chassis-related automotive parts, primarily relating to brake, steering and suspension components and systems. We supply our products to vehicle manufacturers principally on an original equipment manufacture basis. Our business currently comprises the following four product categories: brake products, steering products, suspension products and others (which primarily comprises products manufactured in our iron casting operations).

SUMMARY

PRODUCTION FACILITIES

We currently own and operate five manufacturing plants across the PRC in Beijing, Suzhou, Tianjin, Harbin and Ningbo. See “Business — Production Facilities.”

CUSTOMERS

We sell our products primarily to the PRC operations of global vehicle manufacturers, such as Beijing Hyundai, Dongfeng Kia and Shanghai GM, as well as local PRC vehicle manufacturers such as the Geely Companies (including Geely Jirun, our joint venture partner in Mando Ningbo), Chery Automobile Co., Ltd. (“Chery”) and Changan. In addition, to a lesser extent, we sell automotive parts manufactured at our plants to Mando Korea for resale to global vehicle manufacturers operating outside of the PRC (principally the operations of Hyundai-Kia and General Motors outside the PRC).

The following table presents our total revenue by customer for the periods indicated.

Customer	For the Year Ended December 31,					
	2010		2011		2012	
	Sales	%	Sales	%	Sales	%
	<i>(in millions of RMB, except percentages)</i>					
Beijing Hyundai.....	1,781	40.6%	1,777	33.3%	1,749	27.9%
Dongfeng Kia.....	869	19.8	1,151	21.6	1,461	23.3
Shanghai GM.....	702	16.0	755	14.1	822	13.1
Geely Companies.....	59	1.3	269	5.0	580	9.3
Mando Korea.....	355	8.1	354	6.6	524	8.4
Chery.....	123	2.8	136	2.6	116	1.9
Others ⁽¹⁾	498	11.4	896	16.8	1,007	16.1
Total.....	<u>4,388</u>	<u>100.0%</u>	<u>5,339</u>	<u>100.0%</u>	<u>6,259</u>	<u>100.0%</u>

(1) Includes Changan, Hafei and SAIC-GM-Wuling Automotive Co., Ltd., among others.

RAW MATERIALS, COMPONENTS AND SUPPLIERS

We purchase various manufactured components and raw materials for use in our manufacturing processes. In general, we do not carry inventories of raw materials in excess of those reasonably required to meet production and shipping schedules. Components and raw materials, which we source mainly from PRC suppliers and, to a lesser extent, from overseas suppliers (primarily for knock-down components) including Mando Korea, accounted for 88.9% of our cost of sales in 2010, 89.2% in 2011 and 88.5% in 2012. Key components and raw materials we purchase include metal parts, petroleum-based products, molded plastic components and various electronic and mechanical components. We source key components and raw materials from a limited group of suppliers in order to ensure timely supply and consistent quality. For the years ended December 31, 2010, 2011 and 2012, our purchases from our five largest suppliers, on a consolidated basis, represented approximately 38.9%, 33.7% and 32.5%, respectively, of our total purchases of raw materials and components.

SUMMARY

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2010, 2011 and 2012, derived from the Accountant's Report set out in Appendix I to this prospectus.

Key Consolidated Statement of Comprehensive Income Information

The following table sets forth, for the periods indicated, a summary of our consolidated statement of comprehensive income information.

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Revenue	4,388	5,339	6,259
Gross profit	1,028	1,205	1,315
Profit for the year	503	497	496

Our adjusted profit for the year (calculated by adding back to total comprehensive income an amount equal to the effect of applicable deferred income tax on the distributable profits of the PRC Subsidiaries for the applicable year, which was RMB 24 million in 2010, RMB 29 million in 2011 and RMB 4 million in 2012, respectively) amounted to RMB 527 million in 2010, RMB 526 million in 2011 and RMB 500 million in 2012. See "Financial Information — Description of Line Items of the Consolidated Statements of Comprehensive Income — Income Tax Expense."

Key Consolidated Statement of Financial Position Information

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Assets			
Current assets.....	1,832	2,710	3,278
Non-current assets.....	1,173	1,606	2,213
Total assets	<u>3,005</u>	<u>4,316</u>	<u>5,491</u>
Liabilities			
Current liabilities.....	1,081	1,648	2,042
Non-current liabilities.....	63	340	549
Total liabilities	<u>1,144</u>	<u>1,988</u>	<u>2,591</u>
Equity			
Equity attributable to the equity holder of the Company	1,838	2,221	2,730
Non-controlling interest	23	107	170
Total equity	<u>1,861</u>	<u>2,328</u>	<u>2,900</u>
Total liabilities and equity	<u>3,005</u>	<u>4,316</u>	<u>5,491</u>

SUMMARY

Key Consolidated Statement of Cash Flows Information

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Net cash generated from operating activities	534	383	605
Net cash used in investing activities	(94)	(560)	(826)
Net cash (used in)/generated from financing activities....	(365)	318	327
Net increase in cash and cash equivalents	75	141	106
Cash and cash equivalents at the beginning of the year	292	362	496
Exchange (loss)/gain on cash and cash equivalents	(5)	(7)	2
Cash and cash equivalents at the end of the year.....	362	496	604

OTHER KEY OPERATIONAL DATA

The following table sets forth, for the years indicated, a breakdown of our revenue by product type.

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(in millions of RMB)</i>		
Revenue			
Brake products.....	1,986	2,447	2,694
Electronic ⁽¹⁾	864	975	911
Conventional ⁽²⁾	1,122	1,472	1,783
Steering products.....	1,310	1,534	2,038
Electronic ⁽³⁾	—	118	533
Conventional ⁽⁴⁾	1,310	1,416	1,505
Suspension products ⁽⁵⁾	933	1,184	1,376
Others ⁽⁶⁾	158	175	151
Total	<u>4,388</u>	<u>5,339</u>	<u>6,259</u>

(1) Includes sales of anti-lock brake systems, electronic parking brakes and electronic stability control systems.

(2) Includes sales of master cylinders and boosters, caliper brakes, drum brakes and brake corner modules.

(3) Includes sales of electric power steering systems.

(4) Includes sales of steering columns and rack and pinion steering gear boxes.

(5) Includes sales of shock absorbers, suspension struts and damper spring modules.

(6) Includes iron casting sales.

RELATIONSHIP WITH MANDO KOREA

Mando Korea Group is a major global supplier for chassis-related automotive parts, primarily brake, steering and suspension components and systems. Mando Korea Group has a substantial global presence with a network of manufacturing facilities, research and development centers, subsidiaries and joint ventures located in various regions around the world. We are currently a direct wholly-owned subsidiary of Mando Korea and will remain a subsidiary of Mando Korea upon Listing.

SUMMARY

Operational Independence

During the Track Record Period, with the exception of certain services, parts and components and technology and intellectual property provided by, and sales of certain products by us to, Mando Korea (each as described in “Connected Transactions”), our business operated independently as an autonomous business unit. The following table sets forth, for the periods indicated, historical amounts for each category of connected transactions between us and Mando Korea Group.

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(in millions of RMB, except percentages)</i>		
Sales of automotive parts to Mando Korea Group	385	394	586
(% of the Group's revenue)	(8.8%)	(7.4%)	(9.4%)
Procurement of raw materials, components, automotive parts, advisory services, information technology support, intellectual property, logistics and ancillary services from Mando Korea Group	753	881	1,165 ⁽¹⁾
(% of the Group's cost of sales)	(22.4%)	(21.3%)	(23.6%)
Purchase of new manufacturing equipment from Mando Korea Group	83	338	335
(% of the Group's capital expenditures)	(87.4%)	(60.0%)	(42.9%)

(1) Includes RMB 70 million used in the acquisition of joint ownership in certain registered patents previously owned solely by Mando Korea Group. See “Business — Intellectual Property — Patents.”

Our business will, upon Listing, continue to be independent of and separate from the business of Mando Korea Group. The Directors believe that our Group is operationally independent from the Mando Korea Group, despite the significant amount and number of connected transactions, based on certain factors as particularly described in “Relationship with Mando Korea.”

Management Independence

Although Mando Korea will retain a controlling interest in us upon completion of the Listing, the day-to-day management and operations of the business of the Group will be the responsibility of the Directors. The Board has eight Directors comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. Upon completion of the Listing, five of our eight Directors, Mr. Shim, Sang Deok, Mr. Kim, Hoon Tae, Mr. Choi, Sang Tai, Mr. Rhee, Nam Uh and Mr. Lim, Sang Soo, will be independent of Mando Korea.

In 2002, Mr. Chung, Mong Won, the chairman of Mando Korea, was convicted by a Korean court of criminal offences involving breach of fiduciary duties and embezzlement, all of which took place against the backdrop of the Asian financial crisis beginning in 1997. On January 1, 2008, the then-current President of Korea, Mr. Roh, Moo Hyun, granted a special pardon and reinstatement of qualifications to Mr. Chung, Mong Won pursuant to the Amnesty Act of Korea. As a result, the sentence imposed on Mr. Chung, Mong Won was invalidated and his civil rights that were suspended were also reinstated. Mr. Chung, Mong Won has provided an undertaking to the Hong Kong Stock Exchange that, for such period during which the securities of the Company are listed on the Main Board of the Hong Kong Stock Exchange, he shall not, directly or indirectly, exert any control or influence over our Board or the management and operation of our Group other than in accordance with the applicable laws and

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regulations of Korea and Hong Kong (including, for the avoidance of doubt, actions as the chairman and director and shareholder of Mando Korea in accordance with the applicable laws and regulations of Korea), and each of our Directors has provided a related undertaking to the Hong Kong Stock Exchange to carry out his duties free from such control or influence. See “Relationship with Mando Korea — Management Independence.”

Based on certain factors as particularly described in “Relationship with Mando Korea,” the Directors are satisfied that they are able to perform their roles in our Company independently, and the Directors are of the view that we are capable of managing our business independent from Mando Korea after the Listing.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK\$6.80	Based on an Offer Price of HK\$8.60
Number of Shares expected to be offered and sold in the Global Offering (including 182,550,000 Sale Shares offered by the Selling Shareholder)	243,400,000	243,400,000
Approximate percentage of issued share capital expected to be offered and sold in the Global Offering (including 182,550,000 Sale Shares offered by the Selling Shareholder) ⁽¹⁾	30.0%	30.0%
Estimated net proceeds of the Global Offering receivable by the Company	HK\$387 million	HK\$497 million
Estimated net proceeds of the Global Offering receivable by the Selling Shareholder	HK\$1,104 million	HK\$1,433 million
Market capitalization of our Shares ⁽¹⁾	HK\$5,514 million	HK\$6,973 million
Unaudited pro forma adjusted net tangible asset value per Share ⁽²⁾	HK\$4.41	HK\$4.55

(1) Based on 810,850,000 Shares expected to be in issue immediately following completion of the Global Offering.

(2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” in Appendix II to this prospectus. The unaudited pro forma adjusted net tangible asset value per Share is converted into Hong Kong dollars at the rate of RMB 1.00 = HK\$1.233. No adjustment has been made to the unaudited pro forma adjusted net tangible assets of our Group to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2012.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$7.70 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$442 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

We intend to use the net proceeds of the Global Offering for the following purposes:

- capacity expansion and related investments;

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- approximately 30.0% of the net proceeds, or HK\$133 million, will be used for the expansion and upgrade of our brake product manufacturing capacity;
- approximately 25.0% of the net proceeds, or HK\$111 million, will be used for the expansion and upgrade of our steering product manufacturing capacity; and
- approximately 15.0% of the net proceeds, or HK\$66 million, will be used for the expansion and upgrade of our suspension product manufacturing capacity
- approximately 20.0% of the net proceeds, or HK\$88 million, will be used for research and development activities; and
- the remaining amount of approximately HK\$44 million, representing approximately 10.0% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholder in the Global Offering. The Selling Shareholder estimates that the net proceeds of the Global Offering which it will receive, assuming an Offer Price of HK\$7.70 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$1,268 million, after deduction of underwriting fees and commissions and estimated expenses payable by it in connection with the Global Offering.

DIVIDEND POLICY

After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Incorporation and the Korean Commercial Code, including the approval of our Shareholders. In addition, our controlling shareholder, Mando Korea, will be able to influence the approval by our Shareholders in a general meeting for any payment of dividends. See “Risk Factors — Risks Relating to Our Company Structure and Korea — As a substantial Shareholder, Mando Korea exercises significant control over the direction of our business, and the concentrated ownership of our issued Shares and certain governance arrangements will prevent you and other Shareholders from influencing significant decisions.”

Cash dividends on our Shares, if any, will be paid in Korean Won, except that we will make arrangements to effect payment in Hong Kong dollars of any cash dividends payable to shareholders resident in Hong Kong. Other distributions, if any, will be paid to our Shareholders by any means which our Directors deem legal, fair and practicable. Dividends paid on our Shares will be subject to Korean withholding tax and other distributions (including a distribution of free Shares) may also be subject to Korean withholding tax. Korea has entered into a number of income tax treaties with other countries, which reduce Korean withholding tax on dividend income. However, Korea has not entered into any income tax treaty with Hong Kong as of the Latest Practicable Date that would benefit Shareholders who are Hong Kong tax residents. We will generally apply the highest possible withholding tax rate of 22.0% (including local income surtax) to all Shareholders whose names appear on our register of Shareholders as of the relevant record date. However, if any registered Shareholder believes he is entitled to a reduced

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withholding tax rate under the tax treaty between Korea and the country in which he resides, he may apply for a reduced withholding tax rate through us. In addition, due to the inherent characteristics of CCASS, we are not able to ascertain the identity, and consequently the tax residence, of the beneficial owners of our Shares who hold their investments through CCASS. We are therefore not able to apply a rate of withholding tax on an individual basis to beneficial owners of our Shares who hold through CCASS. Accordingly, we will apply a Korean withholding tax on the amount of any dividends on our Shares that are paid to HKSCC Nominees for the benefit of such beneficial owners, at the highest possible rate of 22.0% (including local income surtax). If any beneficial owner of our Shares who holds his investments through CCASS believes he is entitled to a reduced withholding tax rate under the tax treaty between Korea and the country in which he resides, he may claim a refund of taxes withheld in excess of the applicable withholding tax rate from the relevant tax authority in Korea. See “Risk Factors — Risks Relating to the Global Offering — You will be subject to taxes in respect of our Shares, including Korean withholding tax on dividends,” “General Korea-related Investment Considerations — Korean Withholding Tax For Dividend Payments” and “Taxation — Korean Taxation — Taxation of Dividends on the Shares” in Appendix IV to this prospectus.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require our subsidiaries in the PRC to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our operating subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or our subsidiaries may enter into in the future. See “Risk Factors — Risks Relating to Our Company Structure and Korea — We rely principally on dividends and other distributions paid by our subsidiaries, and limitations on their ability to pay dividends to us could have a material adverse effect on our business, results of operations and financial condition.”

Our PRC Subsidiaries declared and paid dividends and associated tax in an aggregate amount of RMB 41 million, RMB 307 million and RMB 170 million for the years ended December 31, 2010, 2011 and 2012, respectively, to Mando Korea and other shareholders. You should note that such historical dividend distributions are not indicative of our future dividend distribution policy.

KOREAN CAPITAL GAINS TAX AND SECURITIES TRANSACTION TAX

Under Korean law, capital gains earned by non-residents upon transfer of shares issued by a Korean corporation are generally subject to withholding of Korean capital gains tax at the lower of (i) 11% (including local income surtax) of the gross proceeds realized, or (ii) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs relating to such shares, 22% (including local income surtax) of the net realized gain (“**Korean Capital Gains Tax**”), unless exempt from Korean income taxation under the applicable Korean tax treaty with the non-resident’s country of tax residence. However, capital gains earned by non-residents from the transfer of such shares outside Korea are exempt from Korean Capital Gains Tax if the shares are acquired through a “qualified foreign stock exchange” (or, if not through such an exchange, the shares are acquired through a public sale or offering in order to meet the applicable requirements for a distribution of shares under the listing regulations of such an exchange) and transferred on such exchange. In addition, under Korean law, securities transaction tax is imposed on the transfer of shares issued by a Korean corporation or rights to subscribe for such shares, generally at the rate of 0.5% of the sales price. However, securities transaction tax is not applicable if (i) the shares or the right to subscribe for shares are listed on a “designated foreign stock exchange” and the sale of the shares takes place on such exchange, or (ii) the shares are transferred to the underwriters in order to list the shares on such exchange. The Hong Kong

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Stock Exchange falls under the definition of a “qualified foreign stock exchange,” and the Korean tax authority has interpreted in its ruling that the Hong Kong Stock Exchange falls under the definition of a “designated foreign stock exchange.” Therefore, capital gains earned from shares acquired through and transferred on the Hong Kong Stock Exchange are not subject to Korean Capital Gains Tax, and the transfer of shares or rights to subscribe for shares on the Hong Kong Stock Exchange is not subject to Korean securities transaction tax.

However, capital gains earned from an off-exchange transfer of shares involving a change in beneficial ownership may be subject to Korean Capital Gains Tax, unless exempt under an applicable tax treaty. As applied to transactions involving our Shares after the completion of the Global Offering, off-exchange transactions are defined under Korean law to encompass all transactions which are not traded through the AMS on the Hong Kong Stock Exchange and would include, without limitation, transfers of Shares in physical certificate form and through CCASS by way of Settlement Instructions and Investor Settlement Instructions as defined in the General Rules of CCASS and CCASS Operational Procedures. Furthermore, it is unclear whether off-exchange transactions are subject to securities transaction tax under Korean law. In light of the foregoing, we strongly advise (and the physical Share certificates bear notice advising) that **potential investors not conduct any off-exchange transactions**. Due to such potential for Korean Capital Gains Tax and/or securities transaction tax to be imposed on transfers of Shares by registered holders, we further strongly advise (and the physical Share certificates bear notice) that **potential investors consult professional advisors if they are in doubt as to the relevant tax implications**. As of the date of this prospectus, tax residents of the following countries are exempt from Korean Capital Gains Tax under the tax treaty between their respective countries and Korea: Greece, South Africa, Denmark, Laos, Russia, Romania, Malaysia (other than tax residents in Labuan), Belgium, Belarus, Bulgaria, Sri Lanka, Slovakia, Algeria, Oman, Uzbekistan, Egypt, Indonesia, the Czech Republic, Kuwait, Croatia, Tunisia, Papua New Guinea, Portugal, Poland, Fiji and Hungary. However, tax residents of these countries may no longer be exempt if there is a change or expiration of the respective tax treaty with Korea in the future. Tax residents in countries other than these exempt countries may be taxed in Korea depending on the shareholding ratio, holding period, or asset composition of the issuer and, therefore, should consult their tax advisors when conducting off-exchange transfers. Unless exempt under an applicable tax treaty or Korean tax law, the transferor of shares is obligated to file an income tax return and pay income tax on capital gains realized from the transfer of shares outside of Korea to non-residents or foreign companies without having permanent establishments in Korea; provided, that, the transferor will be exempt from such obligation to file an income tax return and pay income tax on capital gains if the purchaser or, in case of a sale of shares through an investment dealer or investment broker defined under the Financial Investment Services and Capital Market Act, the investment dealer or investment broker, withholds and remits tax on such capital gains. HKSCC, HKSCC Nominees or any market intermediaries (for example, the Hong Kong Stock Exchange and CCASS Participants) will not be subject to any obligation or liability with respect to the filing of such income tax returns and payment of such capital gains tax. Securities transaction tax, if applicable, must be paid by the transferor of the shares or rights, in principle. Where the transfer is effected by a non-resident shareholder not having a permanent establishment in Korea, the transferee is required to withhold the securities transaction tax for payment to the Korean tax authority. Any transfers arising from deposits into and withdrawals from CCASS will not be subject to Korean Capital Gains Tax and securities transactions tax as long as such transfers do not give rise to a change in beneficial ownership of the underlying shares under Korean law. For a summary of certain potential tax consequences under the tax laws of Korea, the PRC and Hong Kong of an investment in our Shares, see “General Korea-related Investment Considerations — Korean Withholding Tax for Dividend Payments” and “General Korea-related Investment Considerations — Korean Capital Gains Tax and Securities Transaction Tax” as well as “Taxation” in Appendix IV to this prospectus. Such information pertaining to potential tax consequences under the tax laws of Korea will also be available on our website (www.mandochina.com) and, following the Listing, in our annual and interim reports.

SUMMARY

LATEST MARKET DEVELOPMENT

Over the past year, escalating tensions between the PRC and Japan in respect of territorial rights over the Diaoyu (or Senkaku) Islands have resulted in a rise in anti-Japanese sentiment in the PRC, which in turn has adversely affected consumer perception of Japanese brands and companies and demand for related products in the PRC. As a result, according to available market data, sales of Japanese brand automotive vehicles in the PRC were negatively impacted in 2012. Given that the proportion of our revenue from the PRC operations of Japanese vehicle manufacturers is relatively insignificant, the Directors do not expect such development to have a material adverse impact on our results of operations.

The following table sets forth a summary derived from our unaudited consolidated financial information for the three months ended March 31, 2012 and 2013, which has been reviewed by our auditors, Samil PricewaterhouseCoopers, with reference to the principles set out in ISRE 2410. We do not intend to report our results of operations or financial condition on a quarterly basis after Listing except as described under “Financial Information — Recent Developments — Quarterly Reporting of Mando Korea.”

	<u>For the Three Months Ended March 31,</u>	
	<u>2012</u>	<u>2013</u>
	<i>(In millions of RMB)</i>	
Revenue.....	1,479	1,756
Gross profit	305	382
EBITDA.....	215	281
Operating profit.....	172	215
Profit for the period.....	121	155

Our adjusted profit for the period (calculated by adding back to total comprehensive income an amount equal to the effect of applicable deferred income tax on the distributable profits of the PRC Subsidiaries for the applicable period, which was RMB 6 million for the three months ended March 31, 2012 and RMB 2 million for the three months ended March 31, 2013, respectively) amounted to RMB 127 million for the three months ended March 31, 2012 and RMB 157 million for the three months ended March 31, 2013.

The results for the first three months of 2013 may not be indicative of results for the full year, and our profitability for the full year may be materially and adversely affected by, among other factors, a decrease in our sales reflecting cyclical and volatile market conditions and/or adverse changes in our customer and product mix, continuing downward pricing pressures from vehicle manufacturers and decreased availability and/or increased cost of raw materials and components, as well as other risks relating to our conducting business in the PRC. See “Financial Information — Major Factors Affecting Our Results of Operations” and “Risk Factors.”

The Directors confirm that, as of the Latest Practicable Date, there has not been any material adverse change relating to our operations, financial performance, expectations of financial performance or financial condition as a result of recent changes in economic conditions subsequent to the Track Record Period.

THERE ARE CERTAIN RISKS AND UNCERTAINTIES RELATING TO AN INVESTMENT IN OUR SHARES, DETAILS OF WHICH ARE SET OUT IN THE SECTION HEADED “RISK FACTORS” IN THIS PROSPECTUS.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Accountant’s Report”	the report of the Reporting Accountant dated May 20, 2013, the text of which is set out in Appendix I to this prospectus
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AGM Record Date”	a date to be determined by the Board as the record date for our annual general meeting and annual dividend (if any)
“AMS”	the Automatic Order Matching and Execution System as installed and operated by the Hong Kong Stock Exchange for securities trading
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Incorporation”	the articles of incorporation of the Company (as amended from time to time), adopted on August 17, 2012, a summary of which is set out in Appendix V to this prospectus
“Board” or “Board of Directors”	the board of directors of the Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“CAGR”	compounded annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “Mando China”, “we” or “us”	Mando China Holdings Limited, a stock corporation incorporated in Korea with limited liability on August 20, 2012 and, except where the context otherwise requires, all of its subsidiaries; and for periods of time prior to the establishment of the Company on August 20, 2012, the PRC Subsidiaries
“Controlling Shareholder”	Mando Korea
“Director(s)”	the director(s) of the Company
“EBITDA”	earnings before interest, taxes, depreciation of property, plant and equipment, amortization of intangible assets and land use rights, other income and net other gains
“EIT Law”	the PRC Enterprise Income Tax Law, promulgated on March 16, 2007 and effective as of January 1, 2008
“EIT Rules”	the Regulation on the Implementation of the PRC Enterprise Income Tax Law
“Financial Investment Services and Capital Markets Act of Korea”	the Financial Investment Services and Capital Markets Act of Korea, as amended and supplemented from time to time
“Foreign Exchange Transaction Act of Korea”	the Foreign Exchange Transaction Act of Korea, as amended and supplemented from time to time
“GDP”	gross domestic product
“Geely”	Geely Automobile Holdings Limited (formerly known as Guorun Holdings Limited prior to the change of name effected on March 1, 2004), a limited liability company incorporated in the Cayman Islands whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 0175), and a connected person of our Group
“Geely Companies”	Geely Jirun, Geely Automobile, Geely Fulin Guorun, Geely Vision and Geely Research
“Geely Automobile”	Zhejiang Geely Automobile Parts & Components Co., Ltd. (浙江吉利汽車零部件採購有限公司), a company incorporated in the PRC on August 8, 2005 and a related company controlled by the substantial shareholder of Geely, and a connected person of our Group

DEFINITIONS

“Geely Fulin Guorun”	Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd. (浙江福林國潤汽車零部件有限公司), a company incorporated in the PRC on December 22, 2003 and an indirect wholly-owned subsidiary of Geely, and a connected person of our Group
“Geely Jirun”	Zhejiang Jirun Automobile Co., Ltd. (浙江吉潤汽車有限公司), a company incorporated in the PRC on May 27, 2003 and a joint venture partner of our Group that is directly interested in 35% of the equity interest in Mando Ningbo. It is a connected person of our Group and also an indirect 99%-owned subsidiary of Geely
“Geely Vision”	Zhejiang Vision Autoparts Fittings Company Limited (浙江遠景汽配有限公司), a company incorporated in the PRC on October 13, 2008 and an indirect wholly-owned subsidiary of Geely, and a connected person of our Group
“Geely Research”	Zhejiang Geely Automobile Research Institute Limited (浙江吉利汽車研究院有限公司), a company incorporated in the PRC on June 2, 2003 and an indirect wholly-owned subsidiary of Geely, and a connected person of our Group
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Green Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group” or “our Group”	us and our subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the PRC Subsidiaries
“Hafei”	Hafei Motor Automobile Co., Ltd. (哈飛汽車股份有限公司), a company incorporated in the PRC on March 24, 1994. It was previously a joint venture partner of our Group and was directly interested in 20% of the equity interest in Mando Harbin. Approximately 74.81% of the Hafei shares are owned by Harbin Hafei Automobile Industry Group Co., Ltd (哈爾濱哈飛汽車工業集團有限公司), approximately 25.00% by Air China 382 Co., Ltd (中國航空382有限公司), approximately 0.10% by Harbin Dongan Automotive Engine Manufacturing Co., Ltd. (哈爾濱東安發動機(集團)有限公司), approximately 0.06% by China Aero-Technology International Holdings Co., Ltd. (中國航空技術國際控股有限公司) and approximately 0.03% by Shenzhen Shenghang Electronic and Machinery Co., Ltd (深圳深航電子機械有限公司)

DEFINITIONS

“Halla Stackpole”	Halla Stackpole Corporation, a stock corporation incorporated in Korea on March 17, 2008, which is a subsidiary of Mando Korea which owns 70% of its shares and a connected person of our Group. The remaining 30% of shares are owned by Stackpole Investments Ltd., an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 24,340,000 Sale Shares being initially offered by the Selling Shareholder for purchase under the Hong Kong Public Offering, subject to reallocation
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for purchase by the public in Hong Kong
“Hong Kong Share Registrar”	the Hong Kong branch of Mando China Holdings Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated May 16, 2013 relating to the Hong Kong Public Offering and entered into by the Joint Global Coordinators, the Hong Kong Underwriters, us and the Selling Shareholder

DEFINITIONS

“Hyundai Mobis”	Hyundai Mobis and its subsidiaries. Hyundai Mobis is a stock corporation incorporated in Korea on June 25, 1977 under the laws of Korea whose shares are currently listed on the Korea Exchange and is an Independent Third Party. Approximately 16.88% of the Hyundai Mobis shares are owned by Kia Motors Corporation, approximately 7.17% by the National Pension Fund, approximately 6.96% by Mr. Chung, Mong Koo, approximately 5.66% by Hyundai Steel, approximately 5.33% by The Capital Group Companies, Inc. and approximately 0.67% by Hyundai Glovis Co., Ltd. as of April 29, 2013 based on an annual report of Hyundai Mobis filed on April 1, 2013, a shareholding report filed by Kia Motors Corporation on April 19, 2013 and a shareholding report filed by The Capital Group Companies, Inc. on May 6, 2013
“IFRS”	International Financial Reporting Standards, amendments thereto and the related interpretations issued by the International Accounting Standards Board
“Independent Third Party(ies)”	a person(s) or a company(ies) who or which is/are not connected (within the meaning under the Listing Rules) with any Directors, chief executive or substantial shareholders (within the meaning under the Listing Rules) of us or any of our subsidiaries or any of their respective associate(s)
“International Offer Shares”	the 219,060,000 Shares being initially offered in the International Offering (comprising 60,850,000 new Shares being offered by us and 158,210,000 Sale Shares being offered by the Selling Shareholder for subscription or purchase (where relevant) under the International Offering), subject to reallocation
“International Offering”	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs in reliance on Rule 144A
“International Purchase Agreement”	the international purchase agreement relating to the International Offering, which is expected to be entered into by the Joint Global Coordinators, the International Underwriters, us and the Selling Shareholder on or about May 24, 2013
“International Underwriters”	Deutsche Bank AG, Hong Kong Branch and Morgan Stanley & Co. International plc

DEFINITIONS

“Joint Global Coordinators”, “Joint Bookrunners” or “Joint Lead Managers”	Deutsche Bank AG, Hong Kong Branch and Morgan Stanley Asia Limited
“Joint Policy Statement”	the joint policy statement regarding the listing of Overseas Companies dated March 7, 2007 issued by the Hong Kong Stock Exchange and the SFC
“Korea”	the Republic of Korea
“Korea Exchange”	Korea Exchange Inc.
“Korean Commercial Code”	the Commercial Code of Korea
“KRW” or “Korean Won”	Korean Won, the lawful currency of Korea
“Latest Practicable Date”	May 10, 2013, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about May 31, 2013, on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares first commence on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Mando Beijing Chassis”	Mando (Beijing) Automotive Chassis System Co., Ltd. (萬都(北京)汽車底盤系統有限公司), a wholly foreign-owned enterprise incorporated in the PRC on January 14, 2003, which is a wholly-owned subsidiary of the Company
“Mando Beijing R&D”	Mando (Beijing) Automotive Components R&D Center Co., Ltd. (萬都(北京)汽車部件研究開發中心有限公司), a wholly foreign-owned enterprise incorporated in the PRC on June 19, 2003, which is a wholly-owned subsidiary of the Company
“Mando Beijing Trading”	Mando (Beijing) Trading Co., Ltd. (Mando(北京)貿易有限公司), a wholly foreign-owned enterprise incorporated in the PRC on June 13, 2007, which is a wholly-owned subsidiary of the Company

DEFINITIONS

“Mando Harbin”	Mando (Harbin) Automotive Chassis System Co., Ltd. (萬都(哈爾濱)汽車底盤系統有限公司), a wholly foreign-owned enterprise incorporated in the PRC on October 22, 2002, which is a wholly-owned subsidiary of the Company
“Mando-Hella Electronics”	Mando-Hella Electronics Corporation, a stock corporation incorporated in Korea on November 26, 2008 and a company in which Mando Korea owns a 50% equity interest, and a connected person of our Group. The remaining 50% equity interest in Mando-Hella Electronics is held by Hella KGaA Hueck & Co., an Independent Third Party
“Mando Korea”	Mando Corporation, the Controlling Shareholder immediately after Listing, a stock corporation incorporated on November 27, 1999 under the laws of Korea whose shares are currently listed on the Korea Exchange, and approximately 19.99% of the shares of which are owned by Halla Engineering & Construction Company, approximately 9.70% by the National Pension Fund, approximately 9.37% by Truston Asset Management Co., Ltd. and approximately 7.62% by Mr. Chung, Mong Won as of May 10, 2013 based on a shareholding report filed by Truston Asset Management Co., Ltd. on February 8, 2013, a shareholding report filed by the National Pension Fund on April 9, 2013 and a shareholding report filed by Mando Corporation on May 13, 2013
“Mando Korea Group”	Mando Korea and its subsidiaries (other than the Group)
“Mando Ningbo”	Mando (Ningbo) Automotive Parts Co., Ltd. (萬都(寧波)汽車零部件有限公司), a Sino-foreign joint venture enterprise incorporated under the laws of the PRC on March 10, 2011, in which the Company owns a 65% equity interest and Geely Jirun owns the remaining 35% equity interest
“Mando Shenyang”	Mando (Shenyang) Automotive Parts Co., Ltd. (萬都(瀋陽)汽車零部件有限公司), a wholly foreign-owned enterprise incorporated in the PRC on August 14, 2012, which is a wholly-owned subsidiary of the Company
“Mando Suzhou”	Mando Suzhou Chassis System Co., Ltd. (萬都底盤部件(蘇州)有限公司), a wholly foreign-owned enterprise incorporated in the PRC on July 28, 2002, which is a wholly-owned subsidiary of the Company

DEFINITIONS

“Mando Tianjin”	Mando (Tianjin) Automotive Parts Co., Ltd. (萬都(天津)汽車零部件有限公司), a wholly foreign-owned enterprise incorporated in the PRC on December 3, 2004, which is a wholly-owned subsidiary of the Company
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
“MOT”	Ministry of Transport of the PRC (中華人民共和國交通運輸部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC”	National People’s Congress of the PRC (全國人民代表大會)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%)
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC Government” or “State”	the government of the PRC, including the central government and all of its political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Subsidiaries”	Mando Beijing Chassis, Mando Beijing R&D, Mando Beijing Trading, Mando Harbin, Mando Suzhou, Mando Tianjin and, for periods subsequent to its respective date of incorporation, Mando Ningbo and Mando Shenyang
“Price Determination Date”	the date, expected to be on or about May 24, 2013, on which the Offer Price will be determined and, in any event, not later than May 27, 2013
“QIB(s)”	qualified institutional buyer(s) within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization of the Group in preparation of the Listing, details of which are set out in the section headed “Our History and Reorganization — Reorganization” in this prospectus

DEFINITIONS

“Reporting Accountant”	PricewaterhouseCoopers
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“Sale Shares”	the 182,550,000 Shares being made available for purchase by the Selling Shareholder at the Offer Price in the Hong Kong Public Offering and the International Offering
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Selling Shareholder”	Mando Korea
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai GM”	Shanghai General Motors Co., Ltd. (上海通用汽車有限公司), Shanghai GM (Shenyang) Norsom Motors Co., Ltd. (上海通用(瀋陽)北盛汽車有限公司) and Shanghai GM Dong Yue Motors Co., Ltd. (上海通用東岳汽車有限公司), each an Independent Third Party
“Share(s)”	common share(s) in the capital of the Company with par value of KRW 100 each
“Share Repurchase Code”	the Hong Kong Code on Share Repurchases
“Shareholder(s)”	holder(s) of Shares
“Sole Sponsor”	Deutsche Securities Asia Limited
“State Council”	the PRC State Council (中華人民共和國國務院)
“Track Record Period”	the three financial years of the Company ended December 31, 2010, 2011 and 2012
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Purchase Agreement

DEFINITIONS

“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at <u>www.hkeipo.hk</u>
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by us, as specified on the designated website of HK eIPO White Form at <u>www.hkeipo.hk</u>

In this prospectus, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus that relate to our business and the industry in which we operate. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“anti-lock brake system”	prevents the wheels of a vehicle from locking during braking, which allows a driver to maintain steering control under heavy braking conditions and shortens the stopping distance of the vehicle
“brake corner module”	consists of wheel end braking components engineered and pre-assembled into a module that can easily be installed within a vehicle’s suspension and hydraulic systems at the vehicle manufacturer’s assembly plant
“caliper brake”	converts a brake system’s hydraulic pressure into mechanical clamp force, which is applied to the brake lining and rotor
“column-type electric power steering system”	optimizes steering and stability with current-map tuning and stability control and reduces vibration while affording the driver an improved sense of control
“drop shipment”	a supply chain management technique whereby the retailer or supplier of goods does not keep such goods in stock, but instead transfers customer orders and shipment details to either the manufacturer or wholesaler, who then ships the goods directly to the customer
“drum brake”	operates through the action of hydraulic pistons actuated by a master cylinder, so that pressure applied to the brake pedal of a vehicle forces the brake pads to be pressed against the rotating surface of the drum and causes the vehicle to brake
“damper spring module”	consists of dampers, springs, strut bearings, top mounts and other components engineered and pre-assembled into a module that connects the vehicle body and wheels through the upper and lower strut mounts
“electronic parking brake”	a parking brake that engages automatically when the vehicle is stationary and releases automatically when the driver applies pressure to the accelerator pedal
“electronic stability control system”	an extension of anti-lock brake systems, designed to help drivers retain control of their vehicles during high-speed maneuvers or on slippery roads
“intermediate shaft”	connects the end of the steering column to the gear box, and is designed to operate at large angles with low rotational friction

GLOSSARY

“knock down”	a method of supplying the parts needed to assemble a product where the parts are typically manufactured in one country or region then exported to another country or region for final assembly
“master cylinder and booster assemblies”	allows a driver to apply greater pressure to a vehicle’s brakes with less effort when pressing the brake pedal, as the booster utilizes engine vacuum and atmospheric air pressure to provide greater mechanical input to the master cylinder
“rack and pinion steering gear box”	provides directional control by controlling the front wheels of a vehicle through the use of a steering rack and pinion gear, which allows greater steering feedback and responsiveness for the driver, and is commonly used in passenger vehicles.
“rack-type electric power steering system”	provides variable steering power according to vehicle speed, and optimizes steering with current-map tuning and reduces vibration while affording the driver an improved sense of control
“shock absorber”	absorbs shocks from road impact and reduces oscillations of a vehicle’s body through the use of various dampers
“suspension strut”	absorbs spring vibrations and shock according to road conditions and suspends the vehicle weight to improve the riding and handling performance of a vehicle
“Tier 1 supplier”	provides automotive parts products directly to vehicle manufacturers
“Tier 2 supplier” / “Tier 3 supplier”	provides automotive parts products principally to other suppliers for combination into the other suppliers’ own automotive parts product offerings

RISK FACTORS

An investment in our Shares involves various risks. Before investing in us, you should carefully consider all of the information set forth in this prospectus, and in particular, the specific risks set out below. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial condition and results of operations or the trading price of the Shares, and could cause you to lose part or all of your investment. You should pay particular attention to the fact that (i) we are incorporated in Korea and (ii) we conduct substantially all of our business operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Please be cautioned that the risks and uncertainties described below are not exhaustive.

RISKS RELATING TO OUR BUSINESS

We depend on the Hyundai-Kia Automotive Group as a customer, and declines in its level of business with us may materially and adversely affect our results of operations and financial condition.

Hyundai-Kia, which includes among others Beijing Hyundai and Dongfeng Kia, is and has been during the Track Record Period our largest customer. We supply automotive parts to the PRC operations of Hyundai-Kia for use in their manufacture of vehicles in the PRC, and also supply automotive parts to the PRC operations of Hyundai Mobis, the automotive parts manufacturing and sales unit within Hyundai-Kia. In addition, automotive parts manufactured by us are supplied to Mando Korea for re-sale to Hyundai-Kia's vehicle manufacturing operations outside the PRC. Sales of our automotive parts products to Beijing Hyundai and Dongfeng Kia accounted for approximately 40.6% and 19.8% of our total revenue in 2010, 33.3% and 21.6% in 2011 and 27.9% and 23.3% in 2012, respectively. We expect that Beijing Hyundai and Dongfeng Kia will remain our largest and second largest customer, respectively, for the foreseeable future due to forward supply relationships currently in place for vehicle models as well as our strong historical and ongoing relationship with them. Accordingly, any declines in Beijing Hyundai's or Dongfeng Kia's business, market share or vehicle production volume in the PRC may have a significant negative impact on our sales volume and adversely affect our results of operations and financial condition.

Furthermore, there is no guarantee that Beijing Hyundai and Dongfeng Kia will continue to place orders with us in the future at levels comparable to prior periods, or at all. In particular, we compete with Hyundai Mobis in the PRC primarily with respect to the manufacturing and sale of brake components and systems. Sales of such automotive parts from Hyundai Mobis to the vehicle manufacturing operations of Beijing Hyundai and Dongfeng Kia have been increasing in recent years and may continue to increase in the future. To the extent that we do not maintain our existing level of sales to, and business relationship with, Beijing Hyundai and Dongfeng Kia and we are unable to increase our sales to other existing customers or attract new customers, our results of operations and financial condition will be materially and adversely affected.

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General Motors is one of our largest customers, and our sales and profitability may be adversely impacted if General Motors' business or market share in the PRC declines.

General Motors, which includes among others Shanghai GM, is and has been during the Track Record Period one of our largest customers. Sales of our products to Shanghai GM accounted for approximately 16.0%, 14.1% and 13.1% of our total revenue in 2010, 2011 and 2012, respectively. We anticipate that General Motors will remain a key customer for the foreseeable future, including due to forward supply relationships currently in place for vehicle models and our strong ongoing relationship with General Motors in the PRC. Accordingly, significant declines in General Motors' business, market share or vehicle production volume in the PRC may have a significant negative impact on our sales volume and adversely affect our results of operations and financial condition. In recent years, in markets outside the PRC, General Motors has experienced declining market shares, significant issues in its cost and pricing structures and various challenges in its relationships with its unions, large shareholders and bondholders and, in particular, severe liquidity issues and financial distress following the global financial crisis and economic downturn beginning in the second half of 2008. As a result, General Motors received funding support from the U.S. government and subsequently filed for Chapter 11 bankruptcy protection in the first half of 2009, from which it emerged in July 2009. Although the PRC operations of General Motors have continued to experience stable or growing sales volumes (other than temporary decreases in the second half of 2008) despite the difficulties faced by General Motors globally, there can be no assurance that the PRC operations of General Motors will not face financial or operational difficulties in the future. General Motors may decrease its level of business with us in the event that it experiences such difficulties, undergoes restructurings or changes in its management or for other reasons. To the extent that the level of our sales to General Motors decreases and we are unable to increase our sales to other existing customers or attract new customers to offset such decrease, our results of operations and financial condition will be adversely affected.

If our vehicle manufacturer customers decrease or discontinue their offerings of vehicles for which we provide significant parts, our results of operations and financial condition may be materially and adversely affected.

Changes in consumer demand for specific types of vehicles for which we provide significant parts, whether resulting from a general decline in our vehicle manufacturer customers' sales (including a decline in sales resulting from a decrease in brand power due to product recalls or other adverse developments) or particular changes in the mix of vehicle offerings by such vehicle manufacturer customers, may adversely impact our sales of automotive parts products and have a material effect on our business. We generally enter into supply contracts with our customers which provide for the supply, from a specific manufacturing facility at specified prices, of a customer's annual requirements of the relevant product in the PRC for a particular vehicle model, rather than for the purchase of a specific quantity of products. Furthermore, our supply contracts with Beijing Hyundai and Dongfeng Kia can be unilaterally terminated by the vehicle manufacturer prior to the annual automatic renewal of the term, while our supply contracts with Shanghai GM typically confer broad termination rights on Shanghai GM, including unilateral termination by Shanghai GM in the event of a cancellation or modification of the related vehicle model. Under the supply contracts, we receive periodic purchase orders from vehicle manufacturers for specific parts tailored for particular vehicles. These supply relationships typically extend over the life of the related vehicle model, and generally do not require the customer to purchase a minimum quantity. In addition, in exceptional cases involving local PRC vehicle manufacturers whose

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standard supply contracts contain onerous penalty provisions or other terms that we are not willing to accept, we may begin and continue supply relationships on the basis of purchase orders without entering into a master supply contract. In either case, any discontinuation or decrease by our customers in the production volume of particular vehicle models for which we are a significant supplier could reduce our sales and materially and adversely affect our results of operations and financial condition.

Escalating pricing pressures from our customers, through price reductions that may be negotiated annually or set forth in the relevant supply contracts, may adversely affect our business.

Downward pricing pressures from vehicle manufacturers are a characteristic of the automotive parts industry. Vehicle manufacturers historically have had significant bargaining power over their outside suppliers because the automotive parts industry is fragmented and serves a limited number of vehicle manufacturers. Vehicle manufacturers generally select automotive parts suppliers on the basis of a competitive bidding process and we are subject to downward pricing pressures from the initial bidding stage and throughout the term of the supply relationship. Such downward pricing pressure is expected to continue and may escalate in the future if vehicle manufacturers pursue additional cost-cutting or restructuring initiatives in the event of deteriorating conditions in the global automotive markets. For example, most of our customers require step-downs in parts pricing over the period of supply, generally ranging, on average, from 3% to 5% per year during the Track Record Period. Such price reductions are typically negotiated on an annual basis between us and vehicle manufacturers such as Beijing Hyundai, Dongfeng Kia and local PRC vehicle manufacturers (which is in line with the general practice in the PRC automotive industry) or, in the case of vehicle manufacturers which are affiliated with a global vehicle manufacturer based in the United States or Europe such as Shanghai GM, the range of such price reductions may be set forth in the supply contracts for each vehicle program. See “Business — Customers, Sales and Marketing.” Such arrangements expose us to risks, as any price reductions are a result of negotiations and other factors, and we must be able to correspondingly reduce our operating costs in order to maintain profitability. In particular, with respect to price reduction arrangements set forth in vehicle program supply contracts, we are exposed to a greater risk of not being able to reduce our operating costs as anticipated at the time such price reduction arrangements are agreed, since we are required to estimate the impact of various factors which affect our operating costs over a longer time horizon as compared to annually negotiated price reductions. While we have taken and will continue to take various steps to reduce our operating costs to offset customer price reductions, such pricing pressures have historically had an adverse impact on our sales and profit margins and are expected to do so in the future. If we are unable to offset customer price reductions in the future through improved operating efficiencies, new manufacturing processes, sourcing alternatives and other cost reduction initiatives, our results of operations and financial condition may be adversely affected.

We may be adversely affected by price volatility or shortages in raw materials and components used in manufacturing our products, and we are dependent on limited sources of supply (including Mando Korea) for certain key raw materials and components.

We use a broad range of materials and components, including metal parts, petroleum-based products, molded plastic components and various electronic and mechanical components, in our products. A significant disruption in the supply of these materials and components or volatility in their price levels could decrease our production levels or increase our operating costs and adversely affect

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our profit margins. In past years, there have been significant increases in the global prices of steel, aluminum, petroleum-based products, rare earth minerals and other raw materials, which have had an unfavorable impact on our results of operations and financial condition. Volatility or increases in commodity prices, along with any decreases in the availability of these commodities, may adversely impact our business in the future. Our ability to pass on raw material and component cost increases to our customers is substantially limited by competitive and market pressures, including the step-downs in parts pricing generally required by our customers. Moreover, even in instances where we are able to pass price increases through to the customer, there is typically a lapse of time before we can do so. Hence, our profitability may be adversely affected by increases in raw material and component prices to levels significantly higher than historical levels.

In addition, we are dependent on limited sources of supply for certain key components used in manufacturing our products, such as brake caliper housings, steering rack housing sub-assemblies and suspension base assemblies. We source key raw materials and components principally from a limited group of suppliers in the PRC in order to ensure timely supply and consistent quality. We select our suppliers for such raw materials and components based mainly on price, timeliness of delivery, quality and production capacities. We typically source each of our key raw materials and components from two or more suppliers, but we may establish a working relationship with a single supplier if we believe it is advantageous to do so. We also source certain key materials and components through Mando Korea in order to take advantage of economies of scale and to efficiently access Mando Korea's supplier network in Korea. See "Business — Raw Materials, Components and Suppliers" and "Connected Transactions — Continuing Connected Transactions — 5. Framework Agreement on the Supply of Raw Materials, Components and Automotive Parts from Mando Korea." Unexpected increases in demand, capacity limitations or other problems experienced by our suppliers may result in shortages or delays in their supply of raw materials and components. Furthermore, our suppliers may experience financial or operational difficulties due to factors such as increased labor costs, unavailability or higher cost of financing, disruptions in the supply of raw materials used by such suppliers, changes in relevant government policies or other factors. There can be no assurance that financial or operational difficulties faced by our suppliers will not have an impact on our business in the future. If we experience a significant or prolonged shortage of critical raw materials and components from any of our key suppliers and cannot procure them on acceptable terms from other sources, we would be unable to meet our production schedules for some of our key products and to transport such products to our customers in a timely fashion, which would adversely affect our sales, profitability and customer relations. Furthermore, there can be no assurance that surcharges and other cost increases or financial support to our suppliers will not be necessary to ensure the continued financial viability of key suppliers, especially in difficult market conditions, which may reduce our earnings.

Higher labor costs and labor shortages could materially and adversely impact our operations, margins and profitability.

We rely on a significant number of engineers, technicians and skilled workers to support our product development and manufacturing processes. We had 2,548 employees as of December 31, 2012. Direct labor costs represented approximately 2.9%, 3.3% and 3.7% of our total cost of sales and approximately 12.8%, 13.1% and 16.3% of our total selling and administrative expenses in 2010, 2011 and 2012, respectively. In recent years, average labor costs in the PRC have increased due to higher living standards and the PRC Government's recent policies to raise the minimum wage for workers. In

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addition, as the competition for skilled workers is increasingly intense, we may need to enhance our remuneration packages and welfare benefits to our employees in order to recruit and retain staff. The Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the “**Labor Contract Law**”), which became effective on January 1, 2008, also imposes more stringent requirements on employers in relation to entry into written labor contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labor Contract Law, the employer is required to make a severance payment upon the termination of a labor contract in most cases, including termination of a fixed-term labor contract upon its expiry. In general, the amount of the 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, up to a maximum of 12 years. A minimum wage requirement has also been incorporated into the Labor Contract Law. In addition, the employer is required to enter into non-fixed term labor contracts with employees who have worked for the employer for more than 10 years or whose fixed term labor contracts have been concluded for two consecutive terms since January 1, 2008 unless otherwise provided in the Labor Contract Law. Furthermore, 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 worked continuously for more than 12 months are entitled to a paid vacation ranging from five to 15 days, depending on the employees’ length of service. Employees who consent to waive such vacation at the request of employers must be paid an amount equal to three times their normal daily salaries for each vacation day being waived. Furthermore, under the Labor Contract Law, employers may not be able to efficiently terminate non-fixed term labor contracts without cause. These requirements may result in increases in our labor costs and affect our ability to make changes to our workforce cost-effectively or in the manner that we desire.

There can be no assurance that we will be successful in retaining and recruiting suitably qualified workers in sufficient numbers and in time for our existing and future operations at reasonable cost, or at all, and any prolonged shortage of labor could materially and adversely affect our business, relationship with customers, results of operations and financial condition. Any significant increase in labor costs could adversely affect our margins and profitability to the extent we are not able to pass on such cost increases to our customers. Our ability to pass on such increased costs may be limited by competitive pressure in the market. Unless we are able to identify and employ other appropriate means to reduce our cost of production, our profit margin may decrease and our results of operations and financial condition may be materially and adversely affected.

Problems with product quality and defects could result in a loss of customers and sales and increased warranty and product liability claims, which could adversely affect our business and performance.

Our products, including brake, steering and suspension components and systems, form an integral part of automobile vehicles and their quality directly impacts the overall safety and performance quality of the vehicle. While we are committed to manufacturing high quality products which meet the stringent requirements of our vehicle manufacturer customers, our products may contain undetected errors or defects or otherwise fail to perform as expected, especially when new products are first introduced. Such errors or defects could cause us to incur significant repair, replacement or re-designing costs, divert the attention of our technical personnel from new product development efforts and significantly affect our customer relations and business reputation. If we deliver products with errors or defects, or if there is a perception that our products contain errors or defects, our credibility and the market acceptance and sales of our products could be harmed.

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We face an inherent business risk of exposure to warranty claims and product liability in the event that our products fail to perform as expected. While we have not been required to recall any of our products during the Track Record Period, if any of our products are or are alleged to be defective, we may also be required to participate in a recall involving such products. Each vehicle manufacturer has its own practices regarding product recalls and other product liability actions relating to its suppliers. However, vehicle manufacturers generally look to their suppliers for contribution when faced with recalls and product liability claims. A recall claim brought against us, or a product liability claim brought against us in excess of our insurance coverage, may have a material adverse effect on our results of operations and financial condition. Vehicle manufacturers are also increasingly requiring their suppliers to guarantee or warrant their products and bear the costs of repair and replacement of such products under new vehicle warranties. In general, vehicle manufacturers with which we have supply relationships, including Beijing Hyundai, Dongfeng Kia and Shanghai GM, hold us responsible for up to all of the repair or replacement costs of defective products under new vehicle warranties extended by such vehicle manufacturers to consumers, in the event that the product supplied by us does not perform as warranted. We establish warranty reserves to cover future costs of warranty claims by our customers, based on our historical experience and best estimates of amounts necessary to settle future and existing warranty claims. We regularly evaluate the level of these reserves and adjust them when appropriate. As of December 31, 2012, our warranty reserves amounted to RMB 31 million. However, there can be no assurance that the final amounts determined to be payable by us for product warranty claims will not exceed our established warranty reserves and adversely affect our results of operations and financial condition. Furthermore, we do not establish reserves for potential product liability claims outside the warranty period. Accordingly, if a defect in our parts product is ultimately determined to be the cause of a recall or claim outside the warranty period, we may be liable to reimburse our customers for expenses attributable to defects in our products for which no reserves have been established, which could adversely affect our results of operations and financial condition.

We may not be able to keep pace with changes in technology and regulatory standards or adapt to evolving customer needs on a timely basis, which may adversely affect our business.

We believe that our ability to anticipate and keep pace with changes in technology and regulatory or industry standards will be a significant factor in our ability to remain competitive. If we do not anticipate and keep pace with such changes and develop new and enhanced products on a timely and cost-efficient basis, we may not be able to produce products that the automotive parts markets in the PRC and elsewhere demand at competitive prices.

Current and anticipated trends in the automotive industry include greater consumer and regulatory focus on the safety, fuel efficiency and environmental impact of automobiles and increased electronic content and electronics integration in vehicles. Moreover, in order to simplify vehicle design and assembly processes and reduce their costs, vehicle manufacturers increasingly look to their suppliers to provide fully engineered combinations of automotive parts in systems and modules rather than individual components. We have devoted, and plan to continue to devote, substantial resources to research and development and engineering activities focusing on key industry trends in the PRC. However, our research and development activities primarily focus on the application of advanced technologies relating to our products that are developed by Mando Korea and licensed to us to fit the particular demands and needs of vehicle manufacturers in the PRC, and are accordingly heavily reliant on our ability to continue to access such advanced technologies developed by Mando Korea. See “Business — Research and

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Development.” Furthermore, we cannot provide assurance that such efforts will lead to the successful development and launch of new products that meet our customers’ demands, or that we will keep pace with technological changes in the marketplace in the future. We are also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance, delays in product development and failure of products to perform as expected. We have obtained licenses from Mando Korea for patents, trademarks and other intellectual property rights to process and device technologies used in the production of our products, for which we have made and continue to make periodic royalty payments. See “Connected Transactions — Continuing Connected Transactions — 3. Intellectual Property License Agreement.” We cannot provide assurance that we will be able to renew such licenses or obtain new licenses for technology necessary for us to remain competitive on acceptable terms, or at all, from Mando Korea or other third parties in the future.

Failure to adequately protect our intellectual property rights may undermine our competitive position, and our efforts to protect our intellectual property rights may be difficult, costly and time-consuming.

We have access to significant intellectual property, including irrevocable licenses which allow us to use Mando Korea’s patents and trademarks. See “Business — Intellectual Property” and “Connected Transactions — Continuing Connected Transactions — 3. Intellectual Property License Agreement.” Our intellectual property plays an important role in maintaining our competitive position in the PRC, and protection of our intellectual property rights is essential to keep others from copying technology we use in our existing and future products.

We and Mando Korea seek to protect our intellectual property and proprietary rights primarily through intellectual property laws, relying on a combination of patents, trademarks and similar protections, as well as through contractual restrictions in our licensing arrangements. However, steps taken by us and Mando Korea to protect our intellectual property and proprietary rights may not be adequate to prevent misappropriation of our technology, and policing the unauthorized use of our intellectual property may be difficult, expensive and time-consuming. Reverse engineering, unauthorized copying or other misappropriation of our proprietary technologies and manufacturing processes could enable third parties to benefit from our technologies without paying us for doing so. Furthermore, the protection of intellectual property and proprietary rights in the PRC has not been as effective as in Korea or the United States and other developed countries, and our inability to protect our intellectual property rights in the PRC could entail substantial risks to us. We cannot assure you that infringement of our intellectual property rights by other parties does not exist now or that it will not occur in the future.

To protect our intellectual property rights and to maintain our competitive advantage, we may file lawsuits against parties who we believe infringe our intellectual property. Such litigation may be costly and time-consuming and may divert the efforts and attention of our management and technical personnel from our core business. In situations where we bring suits in jurisdictions such as the PRC and other developing countries, we are subject to additional risks as to the result of the proceedings, the amount of damages that we can recover and the enforcement of such judgments, and there can be no guarantee that such litigation would result in an outcome favorable to us. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation.

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In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Developments or assertions against us relating to intellectual property rights could materially impact our business.

Our ability to compete successfully depends on our ability to operate without infringing the proprietary rights of others, and third parties may from time to time assert their patents against us or allege our infringement of their intellectual property rights. Claims that our products or technology infringe on third party intellectual property rights may be costly to defend or settle and may divert the efforts and attention of our management and technical personnel. In addition, many of our supply agreements with vehicle manufacturers require us to indemnify our customers from third party infringement claims, and such claims may also harm our relationship with our customers and deter existing or future customers from doing business with us. In the event any third party is adjudicated to have a valid intellectual property claim against us, we may be further required to:

- refrain from selling the affected products in the PRC or other markets;
- make royalty payments or pay significant monetary damages;
- seek to develop non-infringing technologies, which may not be feasible; and
- seek to acquire licenses to the infringed technology, which may not be available on commercially reasonable terms, if at all.

Any of the foregoing factors could have a material adverse effect on our business, results of operations and financial condition.

We may be exposed to potential disruptions in our operations.

Our operating results are dependent on the continued operation of our production facilities at expected levels of output and efficiency. We may experience problems in achieving acceptable output and efficiency levels and/or product delivery delays at our production facilities as a result of, among other factors, difficulties in upgrading or modifying existing production lines to manufacture new products, difficulties in changing production technologies or delays in equipment, component or raw material deliveries. In addition, our operations are subject to hazards inherent to manufacturing industries, including fires, floods or other natural disasters or calamities, unexpected degradation, mechanical failure or misuse, power outages, unscheduled downtimes, transportation interruptions and industrial accidents, as well as the possibility of disruption due to acts of terrorism or war.

While we have not experienced any material operational disruptions at our production facilities during the Track Record Period, there can be no assurance that such disruptions will not occur at our facilities in the future. Any occurrence of such operational disruptions may materially reduce our productivity and profitability, interrupt our operations, cause personal injury and loss of life, damage to or

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destruction of property and equipment and environmental damage and result in legal and regulatory liabilities and the imposition of civil or criminal penalties. Furthermore, interruptions at our production facilities could result in our inability to meet our customers' requirements and materially and adversely affect our business, results of operations and financial condition.

Our business may be adversely affected if we lose our key senior management and employees or if we are unable to hire and retain qualified personnel.

Our future business and results of operations depend to a significant extent on the continued services of our senior management and key research and development, engineering and other specialized personnel, and on our ability to continue to attract, retain and motivate such key employees. Turnover in our senior management or loss of key personnel could impair our operations, result in the loss of major customers or a decrease in our level of business with such customers or otherwise harm our business. We do not carry key personnel insurance for any of our employees, and our employees are not bound by non-competition agreements. There is substantial competition within the automotive parts industry for highly qualified personnel. Although we have not had difficulty in attracting and retaining qualified key personnel in the past, we cannot assure you that this will continue to be the case. If we are unable to continue to attract and retain qualified personnel, our business may be materially and adversely affected.

We are subject to strict environmental, health and safety regulations and we may be subject to fines or restrictions that could cause our operations to be interrupted or result in significant compliance expenses.

Our manufacturing operations generate a variety of chemicals, gases and other emissions and wastes, and we are subject to certain regulations in the PRC relating to the use, storage, discharge and disposal of such chemicals and gases and other emissions and wastes. While we believe that we have adopted anti-pollution measures for the effective maintenance of environmental protection standards consistent with the practice of the automotive parts industry in the PRC, there is no guarantee that we will not be subject to environmental, health or safety liabilities or litigation that could result in an assessment of damages, imposition of fines, suspension of production or cessation of operations. In addition, changes in environmental, health or safety regulations could require us to acquire costly equipment, modify our operations or to incur other significant compliance expenses that may materially and negatively affect our results of operations and financial condition.

We may require additional funding in the future and may not be able to secure such funding on favorable terms, if at all.

Our business is capital intensive. We made capital expenditures of approximately RMB 95 million, RMB 563 million and RMB 780 million in 2010, 2011 and 2012, respectively, primarily for the expansion of, and upgrades to, our manufacturing facilities and purchase of tools and machinery. We plan to continue to expand our existing production facilities and construct new plants and R&D facilities as needed, subject to market conditions. See "Business — Strategies — Continue to strengthen manufacturing capabilities and expand and upgrade production capacity" and "Business — Production Facilities." Apart from the proceeds from the Global Offering, we also depend on cash generated from our operations as well as access to external financing to operate and expand our business. Our future

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funding requirements will depend, to a large extent, on our working capital requirements and the nature of our capital expenditures, our business performance, market conditions and other factors which may be beyond the control of our management. We will also need substantial capital expenditures to maintain and continually upgrade and expand our production facilities and design and development functions to keep pace with the competitive landscape and changing requirements in our industry. Furthermore, we may require additional cash to repay existing debt obligations or due to changing business conditions or other future developments.

We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. Our ability to obtain financing through bank borrowings, or debt or equity financing, will depend on our financial condition and results of operations, the performance of our industry and political and economic conditions in the PRC as well as conditions in the global financial markets. In recent years, disruptions and volatility in the global financial markets have resulted in increases in credit spreads and limitations on the availability of credit. There can be no assurance that such disruptions and volatility will not recur in the global financial markets, which may negatively impact our ability to meet our funding needs. Any failure by us to obtain sufficient funding on terms acceptable to us may restrict our ability to implement our business strategy or plan for, and react effectively to, changing market conditions, which could materially and adversely affect our business, results of operations and financial condition.

We face challenges in expanding and upgrading our production capacity and ramping up our production at an appropriate pace.

In expanding and upgrading the production capacity of our manufacturing facilities, and in establishing new manufacturing facilities in line with our general strategy of establishing our manufacturing facilities in close proximity to major customers, we may experience unexpected delays, cost overruns and other challenges due to various factors (such as difficulties in obtaining required permits and approvals from relevant government authorities, increases in prices of equipment, materials and utilities and problems arising with contractors or construction firms), many of which may be beyond our control. Such challenges may result in capacity constraints and longer-than-expected ramp up times for our expanded or new production facilities. We cannot guarantee that we will be able to increase manufacturing capacity to a level that meets demand for our products, which could prevent us from meeting increased customer demand and could harm our business.

Furthermore, we plan to increase production capacity across all product categories in 2013. Even if we are successful in increasing our production capacity as planned, there can be no assurance that future demand will be sufficient to utilize such production capacity effectively. If we overestimate our demand and overbuild our capacity, we may have significantly underutilized assets and may experience reduced margins. Accurately forecasting demand and our expected volumes and appropriately adjusting our production capacity have been, and will continue to be, important factors in determining our results of operations. If we are not able to accurately align our manufacturing capabilities with demand, our business and growth may be materially and adversely affected.

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Our results of operations are subject to exchange rate fluctuations.

There has been volatility in foreign exchange rates in recent years, including rates between the Renminbi and the U.S. dollar, the Euro and other major foreign currencies. To the extent that we incur costs in one currency and generate sales in another, our profit margins may be affected by changes in the exchange rates between the two currencies. While both our sales of products and our purchases of raw materials, components and equipment are denominated mainly in Renminbi, a portion of our sales and purchases are denominated in other currencies, including U.S. dollars and Euros. In 2012, 13.4% of our total revenue and 3.0% of our total purchases of raw materials, components and equipment were denominated in currencies other than the Renminbi. Accordingly, fluctuations in exchange rates, in particular between the U.S. dollar and the Renminbi, may adversely affect our profit margins and our operating and pre-tax income.

In recent years, the value of the Renminbi relative to the U.S. dollar (and, to a lesser extent, the Euro) has generally increased. An appreciation of the Renminbi against a foreign currency decreases the cost in Renminbi terms of imported raw materials, components and equipment which are denominated in such foreign currency, as well as our cost in Renminbi of servicing debt denominated in such foreign currency, but on the other hand causes our export products to be less competitive by raising our prices in terms of such foreign currency and reduces the Renminbi value of our export sales. Because our overseas sales and accounts receivable denominated in U.S. dollars or Euros outweigh our raw material, component and equipment purchases and accounts payable in such currencies, an appreciation of the Renminbi against the U.S. dollar or the Euro generally has a net negative impact on our results of operations while a depreciation of the Renminbi against such currencies generally has the opposite effect. It is difficult to predict how the Renminbi exchange rates will change in the future. In the event that the Renminbi's appreciation against the U.S. dollar or other major foreign currencies continues or becomes more pronounced as a result of pressure from the PRC's trading partners such as the United States or otherwise, such developments may adversely affect our results of operations.

We generally do not use forward contracts or other derivative instruments to hedge our exchange rate exposures, as we have historically had limited exposures and the impact of exchange rate fluctuations on our results of operation has in the past been partially mitigated by the natural offset of our foreign currency receivables with our foreign currency payables. However, there is no guarantee that such offsets will be able to reduce the impact of such fluctuations in the future.

A disruption in our information technology systems could adversely affect our operations.

Our business activities rely to a significant degree on the efficient and uninterrupted operation of our various computer and communications systems and those of third parties. We rely on these systems to make a variety of day-to-day business decisions as well as to track transactions, billings, payments and inventory. Although we take protective measures and endeavor to modify them as circumstances warrant, including through the use of dedicated communication lines and redundancy systems that are backed up periodically, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious programs and other events. In addition, any significant breakdown of plant or equipment, accidents such as a serious flood or fire or other significant disruption to the operations of these facilities could affect our ability to manage our information technology systems, which in turn could adversely affect our business.

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We cannot assure you that we will be able to maintain and upgrade our information technology systems in a manner that will avoid interruptions or disruptions of such systems. A failure or inability to maintain and upgrade our information technology systems may have an adverse effect on our business.

We have not obtained valid titles or rights, including land use right certificates and building ownership certificates, with respect to some of the land and buildings we use to operate our business.

The properties occupied by us in the PRC primarily comprise manufacturing and testing facilities, as well as certain ancillary buildings and storage facilities. As of the Latest Practicable Date, we did not have valid titles or rights to certain properties that we occupied. In respect of some of these properties, we are of the view that there is no material legal impediment in, and are in the process of, obtaining the land use right certificates and building certificates although we cannot assure you that we will be able to obtain all such certificates. See “Business — Properties.”

If our title or rights to any of our properties are challenged by third parties or not renewed by our landlords upon expiration, we may need to seek alternative premises and incur relocation costs. Based on the information currently available, we estimate that the total costs and expenses for relocating our businesses which are located on properties with defective titles or rights should be approximately RMB 15 million. Any such relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. In addition, we may be required by the relevant governmental authorities in the PRC to pay penalties and fines in respect of certain defective properties which we occupy, and we currently estimate that the maximum aggregate amount of such penalties and fines that may be imposed by the relevant authorities would not exceed RMB 33 million. Furthermore, there can be no assurance that the PRC Government will not amend or revise existing property laws or regulations to require additional approvals, licenses or permits, or impose stricter requirements to obtain or maintain title certificates, with respect to the properties occupied by us.

In respect of our potential liabilities arising from all defects in the title or rights to properties currently occupied by us, we have obtained an indemnity from Mando Korea pursuant to which it has agreed to generally indemnify us against any costs, expenses and losses that we may suffer arising from any dispute regarding our rights to occupy, lease and use the relevant properties in the PRC. For details of such indemnity, see “Statutory and General Information — D. Other Information — 2. Indemnities” in Appendix VI to this prospectus.

RISKS RELATING TO OUR INDUSTRY

The cyclical nature of automotive sales and production may result in volatility in our results of operations and adversely affect our business.

Automotive sales and production are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences as well as changes in interest rate levels, consumer confidence, fuel costs and the availability of consumer financing. In particular, our results of operations are affected by general market conditions in the PRC automotive market. Automotive sales and production in the PRC and elsewhere are also significantly impacted by government policies, regulations and initiatives. These conditions and factors may change suddenly and

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dramatically. In addition, our sales are affected by vehicle inventory levels, and it is often difficult for us to predict with any degree of certainty when our vehicle manufacturer customers will decide to either build or reduce inventory levels or whether new inventory levels will approximate historical inventory levels. This may result in volatility in our results of operations and financial condition. Uncertainty regarding production and inventory levels, and the resulting volatility in our results of operations, may be exacerbated by favorable consumer financing programs initiated by vehicle manufacturers in periods of low consumer demand, which may have the effect of accelerating vehicle sales that otherwise would occur in future periods. Our sales would also decline in the event of any scheduled shutdowns of production facilities by our vehicle manufacturer customers or shutdowns resulting from unforeseen events. If we were to experience any significant decline in our sales and production, we would be forced to take actions in order to reduce costs. However, our high levels of fixed costs may make it difficult to adjust our cost base to the extent necessary or to make such adjustments on a timely basis. As a result, our results of operations and financial condition may be adversely affected during any prolonged periods of low or declining vehicle production, and uncertainty or significant fluctuations in demand in the automotive industry in the PRC could have a material adverse effect on our business.

The automotive parts industry in the PRC is highly competitive, and there is no guarantee that we will be able to continue to compete successfully.

The automotive parts industry in the PRC is highly competitive, with a significant number of other manufacturers capable of producing products that are competitive with ours. Vehicle manufacturers operating in the PRC, including the PRC operations of global vehicle manufacturers as well as local PRC vehicle manufacturers, rigorously evaluate us and other suppliers based on a diverse set of criteria such as quality, cost competitiveness, system and product performance, reliability and timeliness of delivery, technology, flexibility in operations, customer service and overall management capability. Some of our principal competitors are more diversified in terms of product range, have lower operating costs and/or have greater market share or financial, technological or other capabilities and resources than we do, and may be better positioned to withstand cyclical downturns in the automotive industry. Vehicle manufacturers may also prefer awarding bids to suppliers that are larger than us or which have a longer track record than ours, particularly in light of the increased focus of vehicle manufacturers on the financial strength and viability of their supply base following the global economic downturn in recent years. Moreover, such scrutiny of suppliers may accelerate a general contraction in the supply base and consolidation of suppliers in the automotive parts industry, and some of the automotive parts suppliers resulting from this consolidation may, by virtue of their increased size and resources, provide greater competition for us.

In addition, the automotive industry in the PRC is experiencing, and may continue to experience, substantial production overcapacity relative to market demand due to aggressive capacity expansions in recent years by local PRC automotive companies, including established manufacturers as well as new market entrants, and there can be no assurance that such trends will not negatively affect the automotive parts industry in the PRC. Increased competition, continuing consolidation and overcapacity may lead to price erosion and decreased margins and negatively impact our ability to gain or hold market share, resulting in a material adverse impact on our future profitability.

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Our ability to compete successfully depends on factors both within and outside our control, including product pricing, performance and reliability, successful and timely investment and product development, the effectiveness of our customers in marketing their brands and products, component and raw material supply costs and general economic and industry conditions. We cannot provide assurance that we will be able to compete successfully with our competitors on these fronts or that we will be able to sustain or improve our current market position.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in economic, political and social conditions and government policies in the PRC could have a material adverse effect on our business, financial condition, results of operations and prospects.

Substantially all of our business, operations and assets are located in the PRC. As a result, we are subject to political, economic, legal and regulatory risks specific to the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. A substantial portion of productive assets in the PRC is still owned by the PRC Government, and the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC Government also exercises significant control over PRC economic growth through allocation of resources, restrictions on payment of foreign currency-denominated obligations, the setting of monetary policy and provision of preferential treatment to particular industries or companies. In recent years, sales of automotive vehicles in the PRC have benefited from favorable policies regarding the automobile industry that were implemented by the PRC Government, as well as overall strong economic growth in the PRC.

While the PRC economy has experienced significant growth over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial results may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. The PRC Government in the past implemented certain measures, including interest rate increases, in an attempt to control the rate of economic growth. However, the PRC economy has begun to show signs of a potential slowdown in recent months, including decreased growth domestic product growth rates in 2012 and falling real estate price levels in certain urban areas. In response, the PRC Government has announced stimulus measures, including a decrease in the benchmark interest rate for deposits and loans as announced by the People's Bank of China in June 2012. The overall impact of such stimulus measures is uncertain, and they may not have the intended effects.

Furthermore, the PRC economy relies significantly on exports and is accordingly closely tied to, and is affected by developments in, the global economy. Liquidity and credit concerns and volatility in the global financial markets in recent years and persistent concerns regarding a potentially long-term and widespread recession have contributed to reduced consumer confidence and spending and diminished expectations for economic growth around the world. In particular, there has been increased uncertainty and volatility as a result of the financial difficulties affecting European countries including Greece, Spain,

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Portugal and Italy, as well as recent signs of economic slowdown in large developing economies such as India and Brazil, and any of these and other developments could potentially trigger another financial crisis or global economic downturn. Accordingly, the overall prospects for the PRC and global economies in 2013 and beyond remain uncertain.

Any future deterioration of the PRC and global economies or the adoption by the PRC Government of policies detrimental to the automobile industry could materially and adversely affect our business, results of operations and financial condition.

The preferential PRC tax treatment enjoyed by certain of our subsidiaries may be changed or discontinued, which could adversely affect our financial condition and results of operations.

Our subsidiaries Mando Harbin, Mando Tianjin and Mando Beijing R&D have enjoyed over all or a part of the Track Record Period, preferential treatment with respect to PRC enterprise income tax. Mando Harbin and Mando Tianjin, as foreign-invested manufacturing enterprises established in special economic zones, were entitled to exemption from PRC enterprise income tax in 2008 and 2009 and a 50% reduction in applicable PRC enterprise income tax rates in 2010, 2011 and 2012, in each case pursuant to the applicable PRC laws and regulations and with the approval of the relevant PRC tax authorities. The preferential PRC tax treatment enjoyed by Mando Harbin and Mando Tianjin expired at the end of 2012 and cannot be further extended. Mando Beijing R&D, which obtained a “high and new technology enterprise” status for three years beginning in October 2011, is accordingly entitled to a reduced PRC enterprise income tax rate of 15% during such three-year period subject to an annual examination of qualifications by tax authorities, and may be entitled to further extensions of such preferential tax treatment if it obtains a renewal of its high and new technology enterprise status upon the expiration of such three-year period.

There can be no assurance that Mando Beijing R&D will continue to receive the preferential PRC tax treatment described above, whether as a result of the expiration of the preferential tax treatment period, a failure to maintain or renew its required status, the withdrawal of the PRC tax authorities’ approval, change in relevant PRC laws and regulations or otherwise. Any adverse change to or discontinuation of the preferential tax treatment currently enjoyed by Mando Beijing R&D, or further changes to the PRC tax laws and regulations which adversely affect us, could increase our enterprise income tax liabilities and have a material adverse effect on our financial condition and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

While we are incorporated in Korea, substantially all of our business and operations are conducted in the PRC and governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. Since the late 1970s, the PRC Government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. However, the PRC has not yet developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations may involve

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uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention. Moreover, there can be no assurance that the PRC Government will not amend or revise existing laws, rules or regulations, or promulgate new laws, rules or regulations, in a manner which materially and adversely affects our business, results of operations or prospects. For example, the PRC Government may require additional approvals, licenses or permits for our business and operations, or impose stricter requirements or conditions for the maintenance or renewal of approvals, licenses or permits required for our business and operations. Any loss of or failure to obtain, maintain or renew our approvals, licenses or permits could disrupt our operations or subject us to fines or penalties imposed by the PRC Government. See “Regulatory Overview — PRC Regulatory Overview.”

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

In utilizing the proceeds from the Global Offering, we (as an offshore holding company of our PRC subsidiaries) may make loans or additional capital contributions to our PRC subsidiaries. Any such loans or additional capital contributions to our subsidiaries in the PRC are subject to PRC regulations and approvals. For example, loans made by us to our PRC subsidiaries cannot exceed statutory limits and must be registered with the SAFE or its local branch. We may also determine to finance our PRC subsidiaries by means of capital contributions, which must be approved by MOFCOM or its local counterpart. However, because our operating entities are domestic PRC enterprises, financing their activities by means of capital contributions may give rise to regulatory issues relating to foreign investment in domestic PRC enterprises, as well as licensing and other regulatory issues. We cannot assure you that we will be able to obtain the required registrations or approvals from the PRC Government with respect to such loans or capital contributions by us to our PRC subsidiaries on a timely basis, or at all. If we fail to obtain such registrations or approvals, our ability to use the proceeds from the Global Offering to fund our operations in the PRC would be negatively affected, which would adversely and materially affect our liquidity and ability to expand our business.

Government control over currency conversion may affect the value of our Shares and limit our ability to utilize our cash effectively.

A substantial majority of our sales are denominated in Renminbi. The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

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Under our current corporate structure, our cash flows at the holding company level are primarily derived from dividend payments from our PRC subsidiaries. See “Risk Factors — Risks Relating to Our Company Structure and Korea — We rely principally on dividends and other distributions paid by our subsidiaries, and limitations on their ability to pay dividends to us could have a material adverse effect on our business, results of operations and financial condition.” Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or make other payments to us or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a substantial majority of our future cash flow from operations is likely to continue to be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies.

RISKS RELATING TO OUR COMPANY STRUCTURE AND KOREA

We rely principally on dividends and other distributions paid by our subsidiaries, and limitations on their ability to pay dividends to us could have a material adverse effect on our business, results of operations and financial condition.

We are a holding company incorporated in Korea, and substantially all of our business operations are conducted through our PRC subsidiaries. We will rely on dividends and other distributions paid by our PRC subsidiaries for our future cash needs which cannot be provided for by equity issuances or borrowings outside of the PRC, including the funds necessary to pay dividends to our Shareholders, to service any debt we may incur and to pay our operating expenses.

As entities established in the PRC, our PRC subsidiaries are subject to limitations with respect to dividend payments. Regulations in the PRC currently permit payment of dividends by PRC subsidiaries only out of accumulated profits as determined in accordance with generally accepted accounting principles in the PRC. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to maintain a general reserve fund into which 10% of its after-tax profit (based on generally accepted accounting principles in the PRC) should be contributed until the amount of such fund reaches 50% of the registered capital of such PRC subsidiary. Our PRC subsidiaries, as foreign invested enterprises, may also be required to set aside individual funds for staff welfare, bonuses and development, at the discretion of such PRC subsidiaries and as stipulated in their articles of association. These reserves or funds are not distributable as dividends. Contributions to such reserves or funds are made from each of our PRC subsidiaries' net profit after taxation. In addition, if any of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, each of our PRC subsidiaries is restricted in its ability to distribute dividends to us as a holding company. Furthermore, the boards of directors of each of Mando Beijing Chassis and Mando Suzhou, our two principal operating subsidiaries, have adopted policies that limit distributions from distributable profits for 2012 and future periods to 20% of such distributable profits. If our PRC subsidiaries cannot pay dividends due to PRC Government policies or regulations, or because they cannot generate sufficient cash flow, we may not be able to pay dividends on the Shares, service our debt or pay our expenses, which may have a material adverse effect on our results of operations and financial condition and the price of the Shares.

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Because substantially all of our assets are and will be held by our PRC subsidiaries, the claims of our Shareholders will be structurally subordinate to all existing and future liabilities and obligations (whether or not for borrowed money) of our PRC subsidiaries. Accordingly, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our subsidiaries will be available to satisfy the claims of our Shareholders only after all our liabilities and obligations and those of our PRC subsidiaries have been paid in full.

As a substantial Shareholder, Mando Korea exercises significant control over the direction of our business, and the concentrated ownership of our issued Shares and certain governance arrangements will prevent you and other Shareholders from influencing significant decisions.

After the completion of the Global Offering, Mando Korea will own approximately 70.0% of our issued Shares. Mando Korea is not subject to any obligation to maintain its share ownership in us other than the six month lock-up period and requirement to maintain its controlling share ownership in us for an additional six month period following the expiration of such lock-up period as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules.” However, as long as Mando Korea owns a majority of our voting power, Mando Korea will be able to control corporate actions that require a Shareholder vote (other than actions that require an independent Shareholder vote under the Listing Rules) irrespective of the vote of, and without prior notice to, any other Shareholder. As a result, Mando Korea will have the ability to control significant corporate actions, including:

- the nomination and election of our board of directors and, through our board of directors, decision-making with respect to our business direction and policies, including the appointment and removal of our officers;
- acquisitions or dispositions of businesses or assets, mergers or other business combinations;
- our capital structure; and
- payment of dividends.

Moreover, even if the ownership interest of Mando Korea is reduced to less than a majority of our outstanding Shares, so long as Mando Korea retains a significant portion of our voting power, Mando Korea will have the ability to substantially influence these significant corporate actions.

This voting control and influence may discourage transactions involving a change of control of our company, including transactions in which you as a Shareholder might otherwise receive a premium for your Shares. Furthermore, after the expiration of the six month lock-up period and subject to the requirement to maintain its controlling share ownership in us for an additional six month period following the expiration of such lock-up period, Mando Korea will generally have the right, at any time, to dispose of or otherwise deal in our Shares in such a way that transfers a controlling interest in us to a third party, in either case without your approval and without providing for a purchase of your Shares.

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The interests of Mando Korea (or any third party who becomes our controlling Shareholder upon acquiring the Shares held by Mando Korea) could conflict with the interests of our other Shareholders, which could cause the price of our Shares to decline and adversely affect your investment in us.

We are incorporated in Korea and our corporate governance practices are principally governed by Korean laws and regulations.

We are incorporated in Korea and our Shares will be listed on the Hong Kong Stock Exchange. Our corporate governance practices are primarily governed by and subject to Korean laws and regulations. For further details, please see “Summary of our Articles of Incorporation and the Korean Commercial Code” in Appendix V to this prospectus.

Korean laws and regulations differ in a number of respects from comparable laws and regulations in Hong Kong. For example, unlike under Hong Kong law, the Korean Commercial Code does not (a) require a court approval or confirmation for a capital reduction (which can be approved through a special resolution); (b) expressly provide shareholders of the concerned class with a right to petition the court to cancel class rights variation; and (c) have any express provision prohibiting financial assistance. Pursuant to our Articles of Incorporation, the record date for all general meetings is to be determined by the Board. Such record date will be used to determine the list of Shareholders who will be entitled to attend the general meeting, receive any form of distribution made by us (including annual dividends) and cast their votes in relation to matters that are put forth for voting at the general meeting, including but not limited to approving entitlements of Shareholders (including annual dividends), appointment or re-appointment of directors, general mandate to issue Shares and any other matters or corporate actions that may be put forth for Shareholders’ approval. In particular, the Board will cause the AGM Record Date to fall on a date between the publication of our full year financial results and the date of the relevant annual general meeting. In practice, this means that, unlike the majority of other listed companies in Hong Kong, our record date for determining which shareholders are entitled to receive annual dividends and have the right to attend the annual general meeting will fall on a date before the annual general meeting and only those Shareholders whose names appear on our register of Shareholders as of the AGM Record Date will be entitled to attend and vote at the annual general meeting and receive any annual dividend (if any such annual dividend is declared) in respect of the preceding year. Also, pursuant to our Articles of Incorporation, the record date for the payment of any interim dividends (for which approval from our Shareholders is not required under Korean law) has been fixed as September 5 of each year. This means that only those Shareholders whose names appear on our register of Shareholders as of September 5 will be entitled to receive interim dividends, if any such interim dividend is declared. For further details, see “Waivers” and “General Korea-related Investment Considerations.”

We have applied for, and have been granted, waivers or exemptions by the Hong Kong Stock Exchange from certain requirements under the Listing Rules. Our Shareholders will not have the benefit of those requirements under the Listing Rules for which we have applied for, and have been granted, waivers or exemptions by the Hong Kong Stock Exchange. Conversely, if any of these waivers or exemptions were to be revoked in circumstances including our non-compliance with applicable undertakings for any reason, we may become subject to additional legal and compliance obligations which would be costly and time consuming and could result in issues of conflicts in inter-jurisdictional compliance requirements, which could adversely affect us and our Shareholders.

RISK FACTORS

Our historical financial information may not be representative of the results we would have achieved as a stand-alone public company and may not be a reliable indicator of our future results.

The historical financial information that we have included in this prospectus may not necessarily reflect what our financial position, results of operations or cash flows would have been had we been an independent entity during the Track Record Period or the position and results that we will achieve in the future as an independent entity. The costs and expenses reflected in our historical financial information include an allocation for certain managerial, technical and operational functions historically provided by Mando Korea (including production line design, equipment procurement and quality assurance activities as well as new business planning and development functions), that may be different from the comparable expenses that we would have incurred had we operated as a stand-alone company. We have not adjusted our historical financial information to reflect changes that will occur in our cost structure, financing and operations as a result of our transition to becoming a stand-alone public company, including potential increased costs associated with reduced economies of scale and increased costs associated with compliance with the Listing Rules and other requirements. Therefore, our historical financial information may not necessarily be indicative of what our financial position, results of operations or cash flows will be in the future.

Foreign investors may find it difficult to enforce foreign judgments obtained against us or our Directors or members of our senior management.

We are a holding company incorporated in Korea with business operations conducted through our subsidiaries in the PRC. Substantially all of our consolidated assets are located in the PRC. In addition, most of our Directors and all of our senior management reside within Korea or the PRC. As a result, it may not be possible for investors to effect service of process upon us or our Directors and senior management within the investor's country of residence or to enforce judgments obtained against us in courts of the investor's country of residence (including, in the case of the United States, judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the securities laws of any state or territory within the United States). Moreover, a judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC only if the jurisdiction has a treaty with the PRC or if the jurisdiction has been otherwise deemed by the PRC courts to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, the PRC is not a party to treaties providing for the reciprocal enforcement of judgments of courts with foreign countries such as the United States, the United Kingdom, Japan and Korea, and enforcement in the PRC of judgments of a court in these jurisdictions may consequently be difficult or impossible.

RISK FACTORS

There are special risks involved with investing in securities of Korean companies, including the possibility of restrictions being imposed by the Korean government in connection with Korean fair trade and tax regulations or under emergency circumstances.

As we are a company established in Korea, there are risks associated with investing in our Shares that are not typical for investments in securities of companies in other jurisdictions.

Our business operations and transactions with our subsidiaries and affiliates are subject to ongoing scrutiny by the Korean Fair Trade Commission, as to, among other things, whether such transactions constitute undue financial support among companies of the same business group. Any determinations by the Korean Fair Trade Commission that we have engaged in transactions that violated the relevant Korean laws and Korean Fair Trade Commission regulations may have a material adverse effect on the price of the Shares. In addition, under Korean tax law, there is an inherent risk that our transactions with related parties (or any person or company that is related to us) may be challenged by the Korean tax authorities if such transactions are viewed as having been made on terms that were not on an arm's-length basis. If the Korean tax authorities determine that certain of our transactions with related parties were not made on an arm's-length basis, we would not be permitted to deduct the amount equivalent to such undue financial support as expenses.

Furthermore, under the Korean Foreign Exchange Transaction Law, if the Korean government deems that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of Strategy and Finance of Korea for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other transactions involving foreign exchange.

Escalations in tensions with North Korea could have an adverse effect on us.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of future events. In particular, since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political and economic stability in the region. Although Kim Jong-il's third son, Kim Jong-eun, has assumed power as his father's designated successor, the long-term outcome of such leadership transition remains uncertain.

In addition, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and long-range missile programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- In late March 2013, North Korea stated that it had entered "a state of war" with Korea, declaring the 1953 armistice invalid, and put its artillery at the highest level of combat readiness to protest the Korea-United States allies' military drills and additional sanctions imposed on North Korea for its missile and nuclear tests;

RISK FACTORS

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three nuclear tests between October 2006 and February 2013, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council unanimously passed resolutions that condemned North Korea for the nuclear tests, and expanded sanctions against North Korea, most recently in March 2013;
- In December 2012, North Korea launched a satellite into orbit using a long-range rocket, despite concerns in the international community that such a launch would be in violation of the agreement with the United States as well as United Nations Security Council resolutions that prohibit North Korea from conducting launches that use ballistic missile technology;
- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Korean government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Korean government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges. For example, in November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. In tandem with the currency redenomination, the North Korean government banned the use or possession of foreign currency by its residents and closed down privately run markets, which led to severe inflation and food shortages. Such developments may further aggravate social and political tensions within North Korea.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tension, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on us and the market value of our Shares.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior market for our Shares and the market price of our Shares may decrease after the Global Offering.

Before the Global Offering, there was no public market for our Shares. While we have applied to list our Shares on the Hong Kong Stock Exchange, we cannot provide any assurance that an active public market for our Shares will develop or be sustained.

RISK FACTORS

The Offer Price for our Shares will be determined through negotiations between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us, and it may not necessarily be indicative of the market price for the Shares after the Global Offering is completed. The price and trading volume of our Shares after the Global Offering will be determined by the marketplace and may be highly volatile, as they may be influenced by many factors including:

- our financial results;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future sales and cost structures;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- any volatility in the Hong Kong and international securities markets.

You may be unable to resell your Shares at or above the Offer Price and, as a result, you may lose all or part of your investment.

Future sales or issuances of Shares (or securities related to the Shares) could adversely affect the market prices of our Shares.

We cannot predict the effect, if any, that market sales of Shares (or securities related to the Shares) or their availability for sale will have on the market price prevailing from time to time. The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities related to our Shares in the public market or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate. In addition, our Shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

Certain amounts of our Shares currently outstanding are and/or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. For example, Mando Korea is subject to a six month lock-up period with respect to its holding of our Shares and also subject to the requirement to maintain a controlling share ownership in us for an additional six month period following the expiration of such lock-up period. See “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules.”

Any future sales or issuances of a significant number of Shares or securities related to Shares by us or any of our Shareholders (including those subject to a lock-up, at any time after the end of the applicable lock-up periods) or the perception that these events may occur could cause the trading price of our Shares to decrease or to be lower than it might be in the absence of these events or perceptions.

RISK FACTORS

You will experience an immediate and substantial dilution in the book value of your investment.

The Offer Price of our Shares is substantially higher than the net tangible book value per Share immediately after the Global Offering. Net tangible book value per Share represents the amount of our total tangible assets reduced by our total liabilities, divided by the number of Shares outstanding. If you purchase our Shares in the Global Offering, you will incur immediate dilution of approximately HK\$3.22 in the net tangible book value per Share from the price you pay for our Shares, assuming an Offer Price of HK\$7.70 per Share (being the mid-point of the Offer Price range of HK\$6.80 to HK\$8.60 per Share).

Due to a gap of approximately five business days between the pricing and the commencement of trading of our Shares on the Hong Kong Stock Exchange, the initial trading price of our Shares could be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, our Shares will not commence trading on the Hong Kong Stock Exchange until the Listing Date, which is generally expected to be approximately five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during such period, and thus are subject to the risk that the market price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments occurring during this period.

We may not be able to pay any dividends on our Shares.

We cannot guarantee when, if or in what form dividends will be paid on our Shares following the Global Offering. A declaration of dividends must be proposed by our Board and will be based on, and limited by, various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient profits to make dividend distributions to Shareholders in the future, even if our financial statements prepared under IFRS indicate that our operations have been profitable, including among other reasons due to limitations on our PRC subsidiaries' ability to make dividend payments to us. See "Risk Factors — Risks Relating to Our Company Structure and Korea — We rely principally on dividends and other distributions paid by our subsidiaries, and limitations on their ability to pay dividends to us could have a material adverse effect on our business, results of operations and financial condition." For further details on our dividend policy, see "Financial Information — Dividend Policy."

You will be subject to taxes in respect of our Shares, including Korean withholding tax on dividends.

We will generally deduct Korean withholding tax from dividends (whether in cash or in shares) paid to our Shareholders (including HKSCC Nominees, which will hold our Shares on behalf of the beneficial owners within CCASS) at a rate of 22.0% (including local income surtax). If we distribute to you free Shares representing a transfer of certain capital reserves or asset revaluation reserves into paid-in capital, such distribution may also be subject to Korean withholding tax.

RISK FACTORS

If you are a qualified resident in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. However, as of the Latest Practicable Date, Korea has not entered into any tax treaty with Hong Kong that would benefit Shareholders who are Hong Kong tax residents. In addition, due to the inherent characteristics of CCASS, we are not able to ascertain the identity, and consequently the tax residence, of the beneficial owners of our Shares who hold their investments through CCASS. We are therefore not able to apply a rate of withholding tax on an individual basis to beneficial owners of our Shares who hold through CCASS. In addition, CCASS does not have the capacity to attribute to each CCASS Participant (and, accordingly, to each beneficial owner of our Shares) its respective share of distributed profits with the purpose of enabling us to apply a reduced withholding tax rate under the relevant tax treaty (if any) between Korea and the country in which the beneficial owner of our Shares resides. Accordingly, we will apply a Korean withholding tax on the amount of any dividends on our Shares that are paid to HKSCC Nominees for the benefit of such beneficial owners, at the rate of 22.0% (including local income surtax).

Furthermore, in the event that our Shares are transferred in an off-exchange transaction involving a change in beneficial ownership, such transfer may be subject to Korean Capital Gains Tax and/or securities transaction tax. As applied to transactions involving our Shares after the completion of the Global Offering, off-exchange transactions are defined under Korean law to encompass all transactions which are not traded through the AMS on the Hong Kong Stock Exchange and would include, without limitation, transfers of Shares in physical certificate form and through CCASS by way of Settlement Instructions and Investor Settlement Instructions as defined in the General Rules of CCASS and CCASS Operational Procedures. Accordingly, you are strongly recommended not to conduct any off-exchange transactions in the Shares.

In addition, under applicable PRC tax laws, there is a possibility that we will be deemed a “PRC resident enterprise” for PRC tax purposes. In such case, dividends paid to you on our Shares, or capital gains you realize upon transfer of our Shares, may be treated as income derived from sources within the PRC and be subject to PRC income tax at a rate of 10.0% (if you are a non-resident enterprise) or 20.0% (if you are a non-resident individual).

For a summary of certain tax laws and relevant interpretations thereof in effect as of the date of this prospectus as well as potential tax consequences under the tax laws of Korea, the PRC and Hong Kong of an investment in our Shares, see “Taxation” in Appendix IV to this prospectus. Such information pertaining to potential tax consequences under the tax laws of Korea will also be available on our website (www.mandochina.com) and, following the Listing, in our annual and interim reports. The tax laws of these and other relevant jurisdictions are complex, and you are urged to consult your own tax advisors regarding the potential tax consequences of an investment in our Shares.

RISK FACTORS

Investors should not place undue reliance on industry and market information and statistics derived from third party sources contained in this prospectus.

This prospectus contains information and statistics relating to the automotive parts industry and market. While we have exercised reasonable care in compiling and reproducing the information and statistics derived from various governmental or official sources and publications and commissioned reports, such information and statistics have not been independently verified by us or any of our affiliates or advisors, nor by the Underwriters or any other parties involved in the Global Offering or their respective affiliates or advisors. Such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Furthermore, we cannot assure you that such information and statistics are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other countries. None of us, the Underwriters or any other parties involved in the Global Offering makes any representation as to the accuracy or completeness of such information or statistics. Prospective investors should not place undue reliance on any such information and statistics contained in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- declines in consumer confidence;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

WAIVERS

In preparation for the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

PERMISSION TO LIST PURSUANT TO RULE 8.05(3) AND WAIVER UNDER RULE 8.05A OF THE LISTING RULES

Rule 8.05 of the Listing Rules provides that an issuer must satisfy either the profit test in Rule 8.05(1) or the market capitalization/revenue/cash flow test in Rule 8.05(2) of the Listing Rules or the market capitalization/revenue test in Rule 8.05(3) of the Listing Rules.

Rule 8.05A of the Listing Rules provides that in the case of the market capitalization/revenue test, the Hong Kong Stock Exchange will accept a shorter trading record period under substantially the same management as required under Rule 8.05(3)(b) of the Listing Rules if the new applicant is able to demonstrate to the satisfaction of the Hong Kong Stock Exchange the following:

- (a) the directors and management of the new applicant have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant. Details of such experience must be disclosed in the listing document of the new applicant; and
- (b) management continuity for the most recent audited financial year.

We are applying for listing using the market capitalization/revenue test in Rule 8.05(3) of the Listing Rules. We can satisfy each of the criteria set out in Rule 8.05(3) of the Listing Rules except for the three-year management continuity requirement set out in Rule 8.05(3)(b) of the Listing Rules. The primary reason for this is that certain members of our Group's management were transferred from Mando Korea Group at different times before the Reorganization and therefore not all members of our Group's management had continuously served the Group for the entire three preceding financial years. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with Rule 8.05(3)(b) of the Listing Rules pursuant to Rule 8.05A of the Listing Rules, for the following reasons:

- (a) we have had substantially the same management for the most recent audited financial year, namely the year ended December 31, 2012;
- (b) the majority of the current directors and senior management of the Group actively participated in the management of the Group's business and held key management positions in the Group throughout 2012;
- (c) the majority of our Directors (excluding independent non-executive Directors) and senior management have sufficient and satisfactory experience of at least three years in our line of business and industry; and
- (d) we meet the Rule 8.05(3) requirements of the Listing Rules, namely the requirement for a trading record of at least three financial years, the ownership continuity and control requirement, the market capitalization requirement and the revenue requirement.

WAIVERS

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Substantially all of the business operations of the Group are located in the PRC. Due to the business requirements of the Group, none of the executive Directors has been, is or will be based in Hong Kong.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Hong Kong Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Hong Kong Stock Exchange and us:

- (a) we have appointed three authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The authorized representatives are Mr. Kim, Hoon Tae, Mr. Park, Seong Ryong and Ms. Pau, Lai Mei;
- (b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;
- (c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Hong Kong Stock Exchange upon reasonable notice;
- (d) Quam Capital Limited, our compliance advisor, will act as an additional channel of communication with the Hong Kong Stock Exchange; and
- (e) each Director has provided their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the Hong Kong Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, an issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that an issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a company secretary.

We have appointed Mr. Park, Seong Ryong and Ms. Pau, Lai Mei as joint company secretaries. Ms. Pau is a fellow member of The Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

WAIVERS

Mr. Park joined the Group in October 2012 and has over 10 years of experience in the automotive parts industry. In particular, Mr. Park held various positions as an employee of Mando Machinery Corporation, the predecessor of Mando Korea, from 1995 to 1999. Accordingly, he is familiar with the Group's operations and business. Mr. Park does not possess the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules.

We believe that Mr. Park, by virtue of his knowledge and past experience and his familiarity with the industry in which the Group operates, is a suitable person to act as a company secretary. Further, we believe that it would be in the best interests of us and our corporate governance, given that we are incorporated in Korea, to have a person such as Mr. Park who possesses the relevant experience to act as our company secretary. Accordingly, since Mr. Park does not possess the formal qualifications required of a company secretary under Note 1 to Rule 3.28 of the Listing Rules, we have sought and obtained from the Hong Kong Stock Exchange a waiver from strict compliance with the requirements under Rule 8.17 such that Mr. Park may be appointed as our company secretary. The waiver was granted for a 3-year period on the condition that we engage Ms. Pau as a company secretary to assist Mr. Park in the discharge of his duties as a company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules. Such waiver will be revoked immediately if and when Ms. Pau ceases to provide such assistance. At the end of the 3-year period, we must liaise with the Hong Kong Stock Exchange which will re-visit the situation in the expectation that we should then be able to demonstrate to the satisfaction of the Hong Kong Stock Exchange that Mr. Park, having had the benefit of Ms. Pau's assistance for three years, would have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

CLOSURE OF BOOKS AND RECORD DATE

Rule 13.66(2) of the Listing Rules provides that an issuer must ensure the last day for trading in the securities with entitlements falls at least one business day after the general meeting, if the entitlements require the approval of shareholders in the general meeting or are contingent on a transaction that is subject to the approval of shareholders in the general meeting.

Pursuant to Note 3 to Rule 13.66(2) of the Listing Rules, the record date (when there is no book closure) or the last registration date (where there is a book closure) must be at least three business days after the general meeting.

Under Korean law, a Korean corporation may (i) fix in its articles of incorporation a specific date, or a date to be determined by its board of directors, as the record date for general meetings (which shall be no earlier than three months before any general meeting) or (ii) close the register of shareholders with the last registration date not being earlier than three months before a general meeting, in order to determine the list of shareholders who are entitled to attend and vote at the general meeting for approving any matters (whether or not they relate to entitlements of shareholders). Pursuant to our Articles of Incorporation, the record date for all general meetings is determined by the Board. Such record date will be used to determine the list of Shareholders who will be entitled to attend a general meeting, receive any form of distribution made by us (including annual dividends) and cast their votes in relation to matters that are put forth for voting at the general meeting, including but not limited to approving entitlements of Shareholders (including annual dividends). Accordingly, our Shareholders who

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wish to attend an upcoming general meeting for approving any resolutions relating to entitlements of Shareholders must be a Shareholder on the record date determined by the Board, which should fall no earlier than three months before the general meeting. In particular, the Board will cause the AGM Record Date to fall on a date between the publication of the full year financial results and the relevant annual general meeting. We will announce the record date in accordance with the Korean Commercial Code and the Listing Rules and remind our Shareholders and potential investors that, unlike the majority of other listed companies in Hong Kong, the AGM Record Date for determining which Shareholders are entitled to receive dividends and have the right to attend and vote at the annual general meeting will fall on a date before the relevant annual general meeting following the completion of the Global Offering. We believe that the rights of our Shareholders will not be jeopardized by our compliance with the foregoing record date requirement under Korean law.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with Rule 13.66(2) and Note 3 to Rule 13.66(2) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which constitute continuing connected transactions for us under the Listing Rules, four of which are non-exempt continuing connected transactions for the purposes of the Listing Rules. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.42(3) of the Listing Rules for such non-exempt continuing connected transactions. See "Connected Transactions — Continuing Connected Transactions."

ARTICLES OF INCORPORATION

Appendix 3 to the Listing Rules states that the articles of association or equivalent document of an issuer must conform with the provisions set out in that appendix (the "**Articles Requirements**"). Our Articles do not comply with some of the Articles Requirements. In many cases, an Articles Requirement may not strictly be met but is covered by a broadly commensurate provision in our Articles or under Korean law. We have not applied for a waiver from strict compliance in these cases.

We have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the following Articles Requirements:

As regards definitive certificates

Paragraph 2(1) of Appendix 3 to the Listing Rules requires that all certificates for capital shall be under seal, which shall only be affixed with the authority of the directors. Under Korean law, the name and the seal of a representative director of a Korean company shall be affixed to each share certificate. Hence, it would be inconsistent with Korean law for us to adopt Paragraph 2(1) of Appendix 3 to the Listing Rules. Further, we believe the Korean law has substantially similar effect and our Articles provide sufficient level of shareholder protection.

WAIVERS

Paragraph 2(2) of Appendix 3 to the Listing Rules states that, where power is taken to issue share warrants to bearer, no new share warrant shall be issued to replace one that has been lost unless the issuer is satisfied beyond reasonable doubt that the original has been destroyed. Under Korean law, a bearer holder of share warrants who has lost his share warrants may not request that a Korean company re-issue them unless the person has obtained a judgment of nullification of such share warrants from the Korean court. Our Korean legal advisor, Shin & Kim, advised us that Korean law has more stringent requirements than required by Paragraph 2(2) of Appendix 3 to the Listing Rules, and that it has a substantially similar effect.

As regards dividends

Paragraph 3(2) of Appendix 3 to the Listing Rules requires that where power is taken to forfeit unclaimed dividends, such power shall not be exercised until six years or more after the date of declaration of the dividend. Under Korean law, a claim for payment of dividend will be legally extinguished if it is not exercised for five years, and such mandatory period may not be extended by the articles of incorporation of a Korean company. Accordingly, the requirement to reflect this paragraph in our Articles would contravene the applicable Korean law. We believe the Korean law has a substantially similar effect and our Articles provide sufficient level of shareholder protection.

As regards directors

Paragraph 4(2) of Appendix 3 to the Listing Rules requires that any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the next following annual general meeting of shareholders of the issuer, and shall then be eligible for re-election. Under Korean law, the board of directors does not have the authority to appoint a director to fill a casual vacancy on or as an addition to the board of directors of a Korean company as the power to appoint directors only rests with the shareholders. Our Korean legal advisor, Shin & Kim, advised us that the requirement to reflect this paragraph in our Articles would be inconsistent with Korean corporate practice and may contravene Korean law.

Paragraph 4(3) of Appendix 3 to the Listing Rules states that, where not otherwise provided by law, the issuer in general meeting shall have power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office. Under Hong Kong law, an ordinary resolution for approving the removal of a director at a general meeting can be passed if it is approved by the majority of those who attend and vote (in person or by proxy), provided that a quorum is formed. However, under Korean law, a director can only be removed through a shareholder resolution passed with affirmative votes of no less than two-thirds of the voting shares present or represented at a general meeting provided that the affirmative votes (i.e., votes cast in favor of the resolution proposed at the general meeting) also represent at least one-third of the total voting shares then issued and outstanding at the general meeting. Accordingly, our Korean legal advisor, Shin & Kim, is of the view that the Korean law requirement is more stringent than that of Hong Kong and therefore the removal of a director using the Hong Kong standard will contravene Korean law. We believe such difference between Hong Kong and Korean law should not be considered a material deficiency in the protection of our Shareholders and that the interests of the Shareholders will not be materially prejudiced.

WAIVERS

As regards redeemable shares

Paragraph 8 of Appendix 3 to the Listing Rules states that where the issuer has the power to purchase for redemption a redeemable share (a) purchases not made through the market or by tender shall be limited to a maximum price; and (b) if purchases are by tender, tenders shall be available to all shareholders alike. Under Korean law, the right to redeem shares must be set forth in the articles of incorporation of a Korean company. Our Articles do not contain such redemption right and therefore it is not appropriate to adopt Paragraph 8 of Appendix 3 to the Listing Rules. We have undertaken to the Hong Kong Stock Exchange that we will comply with paragraph 8 of Appendix 3 to the Listing Rules if and when we amend our Articles to allow for the issuance of redeemable shares.

As regards untraceable members

Paragraph 13(2) of Appendix 3 to the Listing Rules states that where power is taken to sell the shares of a member who is untraceable it will not be exercised unless (a) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by such member; and (b) on expiry of such 12 year period the issuer gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Hong Kong Stock Exchange of such intention. Under Korean law, even when a shareholder is untraceable for a substantial period of time, a Korean company is not permitted to sell the shares owned by such shareholder. We believe Korean law has a more stringent requirement which have substantially similar effect and provide a high level of shareholder protection.

For further details, please see “Summary of our Articles of Incorporation and the Korean Commercial Code” in Appendix V to this prospectus.

INFORMATION ABOUT THE GLOBAL OFFERING

INFORMATION ON THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” and in the relevant Application Forms.

UNDERWRITING

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price. An International Purchase Agreement relating to the International Offering is expected to be entered into on or about May 24, 2013, subject to the Offer Price being agreed. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed among us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed. For full information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue (including Shares issued in connection with our Reorganization) and to be issued pursuant to the Global Offering.

No part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on Friday, May 31, 2013. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 1356.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational

INFORMATION ABOUT THE GLOBAL OFFERING

Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

REGISTER OF SHAREHOLDERS AND STAMP DUTY

We will maintain our register of Shareholders following the completion of the Global Offering at our registered head office in Korea (the “**Korean Register**”) and at our Hong Kong branch (the “**Hong Kong Register**”). Our Hong Kong branch is our principal place of business in Hong Kong and a member of Federation of Share Registrars Limited (the “**Federation**”). The Korean Register and the Hong Kong Register are effectively identical with each other and any changes made to either register would have the legal effect of creating the same changes on the other register. Recording of entitlement and ownership of Shares and any valid changes to such entitlement and ownership in the Hong Kong Register and the Korean Register is synchronized.

Dealings in our Shares registered on our Hong Kong Register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the *ad valorem* rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

The sale and purchase of the Sale Shares in the Global Offering is subject to stamp duty in Hong Kong. However, no stamp duty (including fixed duty) will be payable by any applicant in the Global Offering, since the Selling Shareholder will bear all stamp duty (including fixed duty) arising from the sale and purchase of the Sale Shares in the Global Offering. See “Taxation — Hong Kong Taxation” in Appendix IV to this prospectus.

A non-Korean-resident investor acquiring Sale Shares in the Global Offering will not be subject to securities transaction tax or documentary, stamp or similar transfer taxes payable to Korean tax authorities in connection with such acquisition of Sale Shares.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality	Date of Appointment
<i>Executive Directors</i>			
Shim, Sang Deok	Room 903, Building 605 No. 33 Courtyard Guangshunbei Road Chaoyang District Beijing China	Korea	August 17, 2012
Kim, Hoon Tae	306-4-1203 Wang Jing Yuan Chaoyang District Beijing China	Korea	August 17, 2012
<i>Non-Executive Directors</i>			
Shin, Sahyeon	102-1405 Seocho Xi Apt. Seocho-dong, Seocho-gu Seoul, Korea 137-910	Korea	August 17, 2012
Chung, Frank Kun	105-402 West Pangyo Worlden Hills SanunMaeul Apt. Unjung-dong, Bundang-gu Seongnam-si, Gyeonggi-do Korea 463-440	U.S.A.	August 17, 2012
Jeong, Dae Jong	26-2-901, Zone 2 Dongsihuan beilu 6 Chaoyang District Beijing China	Korea	August 17, 2012
<i>Independent Non-Executive Directors</i>			
Choi, Sang Tai	30-9 Yongsang-gil Cheonbuk-myeon, Gyeongju-si Gyeongsangbuk-do Korea	Korea	August 17, 2012
Rhee, Nam Uh	44 Lakeshore View Singapore 098437	Singapore	August 17, 2012
Lim, Sang Soo	102-304 Hangang Town Apt. Gayang-dong, Gangseo-gu Seoul, Korea 157-200	Korea	April 8, 2013

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Deutsche Securities Asia Limited
Level 52
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**Joint Global Coordinators, Joint
Bookrunners and Joint Lead Managers**

Deutsche Bank AG, Hong Kong Branch
Level 52
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley Asia Limited
Level 46
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Legal Advisors to the Company

As to Hong Kong and U.S. laws:
Cleary Gottlieb Steen & Hamilton (Hong Kong)
39/F Bank of China Tower
1 Garden Road
Central
Hong Kong

As to PRC law:
Haiwen & Partners
21/F, Beijing Silver Tower
No. 2 Dong San Huan North Road
Chaoyang District
Beijing 100027
China

As to Korean law:
Shin & Kim
8th Floor
State Tower Namsan
100 Toegye ro, Jung gu
Seoul 100 052
Korea

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisors to the Joint Global Coordinators and the Underwriters	<p><i>As to Hong Kong and U.S. laws:</i> Simpson Thacher & Bartlett ICBC Tower, 35th Floor 3 Garden Road Central Hong Kong</p> <p><i>As to PRC law:</i> Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Beijing 100022 PRC</p> <p><i>As to Korean law:</i> Kim & Chang Seyang Building 223 Naeja-dong Jongno-Gu Seoul 110-720 Korea</p>
Reporting Accountant	<p>PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F Prince's Building Central Hong Kong</p>
Property Valuer and Consultant	<p>Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F Three Pacific Place 1 Queen's Road East Hong Kong</p>
Receiving Banker	<p>Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Kowloon Hong Kong</p>
Selling Shareholder	<p>Mando Corporation 343-1 Manho-ri, Poseung-eup Pyeongtaek-si, Gyeonggi-do Korea</p>

CORPORATE INFORMATION

Principal Place of Business, Head Office in the PRC and Headquarters	Xitong Road Economic Development Zone C District Miyun County Beijing China
Registered Head Office	32 Hamanho-gil, Poseung-eup Pyeongtaek-si, Gyeonggi-do 451-821 Korea
Principal Place of Business in Hong Kong	Level 28, Three Pacific Place 1 Queen's Road East Hong Kong
Company's Website	www.mandochina.com <i>(The information on the website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. Park, Seong Ryong Ms. Pau, Lai Mei, Chartered Secretary
Authorized Representatives	Mr. Kim, Hoon Tae 306-4-1203 Wang Jing Yuan Chaoyang District Beijing China Mr. Park, Seong Ryong LG Village 1-cha Apt. 117-1804 86 Seongbok 2-ro, Suji-gu Yongin-si, Gyeonggi-do Korea Ms. Pau, Lai Mei Level 28, Three Pacific Place 1 Queen's Road East Hong Kong
Audit Committee	Mr. Choi, Sang Tai (<i>chair</i>) Mr. Rhee, Nam Uh Mr. Chung, Frank Kun
Remuneration Committee	Mr. Rhee, Nam Uh (<i>chair</i>) Mr. Lim, Sang Soo Mr. Shim, Sang Deok

CORPORATE INFORMATION

Nomination Committee

Mr. Shim, Sang Deok (*chair*)
Mr. Choi, Sang Tai
Mr. Lim, Sang Soo

Hong Kong Share Registrar

Mando China Holdings Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Compliance Advisor

Quam Capital Limited
18th-19th Floors, Aon China Building
29 Queen's Road Central
Hong Kong

Principal Bankers

Bank of China Suzhou High & New Tech
Industrial Development Zone Sub-Branch
99, Shi Shan Road
Suzhou
China

Citibank (China) Co., Ltd. Beijing Branch
Floor 17 Excel Center
No. 6 Wudinghou Street
Xi Cheng District
Beijing
China

GENERAL KOREA-RELATED INVESTMENT CONSIDERATIONS

This summary aims to give you an overview of information contained in this prospectus relating to our status as a Korean corporation and certain key investment considerations which may arise from such status, for your ease of reference, and is not meant to be an exhaustive list of all Korea-related considerations. You are reminded to review this prospectus in full, including the Korea-related risks set out in the section headed “Risk Factors” of this prospectus, before you decide to invest in the Offer Shares.

CONFIRMATION OF KOREA AS AN ACCEPTABLE JURISDICTION

Under Rule 19.05(1)(b) of the Listing Rules, the Hong Kong Stock Exchange may refuse a listing of securities by an issuer if the Hong Kong Stock Exchange is not satisfied that the overseas issuer is incorporated or otherwise established in a jurisdiction where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. The Joint Policy Statement states that for the purpose of determining whether an overseas company demonstrates acceptable shareholder protection standards, the Hong Kong Stock Exchange ordinarily expects an overseas applicant to demonstrate appropriate shareholder protection standards in the various shareholder protection items that are set out in the attachment to the Joint Policy Statement.

Mando Korea, on our behalf, applied for confirmation, and the Hong Kong Stock Exchange has confirmed, that Korea, the jurisdiction in which we are incorporated, is acceptable as an approved jurisdiction for the purpose of the Listing.

We were incorporated in Korea as a stock corporation by Mando Korea on August 20, 2012. We were established under and are governed by the Korean Commercial Code and are primarily subject to Korean laws, regulations and accounting standards. The laws of Hong Kong differ in certain material respects from the laws of Korea. This section is a summary of certain aspects of Korean law which we believe are material to our Shareholders as the relevant requirements under Korean law and Hong Kong law may be different. We will submit to the non-exclusive jurisdiction of Hong Kong upon Listing. **Prospective investors are advised to consult with your licensed securities dealer, registered securities institution, solicitor, professional accountant or other professional advisor if you have any doubt as to your rights and obligations as a Shareholder.**

REGISTER OF SHAREHOLDERS

In Hong Kong, any company seeking a primary listing of its securities on the Main Board of the Hong Kong Stock Exchange must be an “approved share registrar” or employ an “approved share registrar” to maintain its register of shareholders locally. According to the Hong Kong Listing Rules, “approved share registrar” means a share registrar who is a member of an association of persons approved under section 12 of the Securities and Futures (Stock Market Listing) Rules (“**Qualified Association**”). Federation of Share Registrars Limited (the “**Federation**”) is a Qualified Association and therefore all members of the Federation are considered as “approved share registrars” under the Listing Rules.

GENERAL KOREA-RELATED INVESTMENT CONSIDERATIONS

Under Korean law, the register of shareholders of a Korean company must be kept at its principal office (i.e., registered head office) in Korea, and additional registers of shareholders may be kept at (i) its registered office outside of Korea; and/or (ii) the business office of a transfer agent which is duly registered under Korean law.

There are only three transfer agents which are authorized by the relevant Korean regulators to carry out share registrar and transfer agent services for Korean companies. However, none of these authorized transfer agents maintains a suitable business office in Hong Kong. Accordingly, we applied to the Federation for admission as a member of the Federation for the purpose of us becoming an “approved share registrar.” The formal approval from the Federation was granted to us on October 18, 2012 and therefore we are an “approved share registrar” for the purpose of the Listing Rules.

Maintenance of Our Register of Shareholders

We will maintain our register of Shareholders following the completion of the Global Offering at our registered head office in Korea and at our Hong Kong branch. The Korean Register and the Hong Kong Register are effectively identical with each other and any changes made to either register would have the legal effect of creating the same changes on the other register. Recording of entitlement and ownership of Shares and any valid changes to such entitlement and ownership in the Hong Kong Register and the Korean Register is synchronized.

Arrangements with Tricor Investor Services Limited (“Tricor”)

Our Korean legal advisor, Shin & Kim, advised us that it would be illegal under Korean law for us to delegate our authority to Tricor (an unauthorized transfer agent under Korean law), to (i) keep our register of Shareholders at our principal office in Korea or registered office in Hong Kong; or (ii) maintain such register of Shareholders and carry out any matters relating to ownership of Shares and entitlement as our Shareholder (together, the “**Restricted Functions**”). However, Shin & Kim also advised us that Korean law does not restrict Tricor (i) from providing supporting services to us outside the Restricted Functions; or (ii) from supporting us in our discharge of the Restricted Functions, so long as the Restricted Functions are discharged in our name and there is no delegation of share registrar functions to Tricor.

We have entered into the following agreements (the “**Tricor Arrangements**”) with Tricor which will allow us to comply with the relevant requirements under Korean law but at the same time allow us, in conjunction with Tricor, to discharge all aspects of services typically expected of a share registrar in the context of an initial public offering in Hong Kong:

- (1) IPO Services and Share Registration Facilities License Agreement (the “**Service & License Agreement**”); and
- (2) Engagement Letter for the appointment of two part-time employees from Tricor Services Limited, the parent company of Tricor (“**Tricor Services Limited**”) (the “**Employment Agreements**”).

GENERAL KOREA-RELATED INVESTMENT CONSIDERATIONS

The effect of the Tricor Arrangements is that, through the Service & License Agreement and the Employment Agreements, we would have the appropriate in-house capability to formally monitor and discharge the Restricted Functions while at the same time engaging Tricor to provide assistance to us in relation to the non-Restricted Functions and receiving assistance from Tricor in relation to the Restricted Functions (for which we will remain primarily responsible).

(a) ***IPO Functions***

The scope of share registrar services to be carried out collectively by us and Tricor in connection with the Global Offering (the “**IPO Services**”) will be identical to that required of other share registrars in a typical Hong Kong initial public offering.

With the exception of those services which relate to the Restricted Functions, all of our share registrar functions in connection with the Global Offering will be carried out exclusively by Tricor. In the context of the Listing, only the following services are considered as relating to the Restricted Functions:

- keeping of our register of Shareholders;
- updating our register of Shareholders (to reflect allocation of Shares in the Global Offering); and
- issuance of Share certificates to successful IPO applicants.

The above services will primarily be discharged by our two part-time employees (who are also employees of Tricor Services Limited) together with assistance rendered by Tricor at the address of our Hong Kong branch, which space is licensed from Tricor. In practice, this would mean that our two part-time employees will carry out the above duties in our name at the address of our Hong Kong branch, together with all necessary assistance, such as the leasing of share registration facilities and equipment to maintain the register of Shareholders and issue of Share certificates.

(b) ***Post-IPO Functions***

Similarly, all share registrar functions after the Listing (the “**Post-IPO Functions**”) will be carried out by Tricor other than those related to the Restricted Functions, which will be legally discharged by us. In connection with our discharging the Post-IPO Functions, pursuant to the Service & License Agreement, Tricor agreed to grant a non-exclusive license to us to use all share registration facilities and equipment of Tricor in Hong Kong including public counters, office space and desktops, computer facilities, a call center and other supporting equipment through our two part-time employees from Tricor Services Limited. Our two-part time employees will be stationed at our Hong Kong branch to perform the following Restricted Functions in our name:

- keeping of our register of Shareholders;
- updating our register of Shareholders;

GENERAL KOREA-RELATED INVESTMENT CONSIDERATIONS

- issuance of Share certificates or re-issuance of lost certificates;
- cancellation of Share certificates;
- issuance of dividends and other Shareholder entitlements; and
- deduction and payment of withholding tax from dividend.

We have received confirmation from Tricor that (i) all share registrar services in connection with the Global Offering to be carried out collectively by us and Tricor will be identical to those required of other share registrars in a typical initial public offering of shares in Hong Kong, except for the Restricted Functions which will be discharged in our name, and (ii) all of our share registrar functions following the completion of the Global Offering are, for all intents and purposes, identical to the share registrar functions that Tricor will perform for other issuers listed on the Main Board of the Hong Kong Stock Exchange, except in that the performance of such share registrar functions will entail (a) Tricor providing a non-exclusive license to us to use all share registration facilities and equipment of Tricor in Hong Kong as necessary for us to perform share registrar functions after the Listing and (b) our employment of two persons from Tricor Services Limited as our part-time employees to perform the Restricted Functions after the Listing.

Our Directors believe, as advised by our Hong Kong legal advisor, that our share registrar arrangements (including the Tricor Arrangements) set out above comply with Hong Kong laws and regulations. Our Korean legal advisor, Shin & Kim, has advised us that our share registrar arrangements (including the Tricor Arrangements) are compliant with Korean law.

RECORD DATE REQUIREMENTS

Under the Korean Commercial Code, a Korean stock company may (i) fix in its articles of incorporation a specific date, or a date to be determined by its board of directors, as the record date for general meetings (which shall be no earlier than three months before any general meeting) or (ii) close the register of shareholders with the last registration date not being earlier than three months before a general meeting, in order to determine the list of shareholders who are entitled to attend and vote at the general meeting for approving any matters (whether or not they relate to entitlements of shareholders). Furthermore, a Korean stock company must give at least two weeks' prior public notice of such record date and/or such suspension of entry of alterations on its register of shareholders.

Pursuant to our Articles of Incorporation, the record date for all general meetings is to be determined by the Board. Such record date will be used to determine the list of Shareholders who will be entitled to attend the general meeting, receive any form of distribution made by us (including annual dividends) and cast their votes in relation to matters that are put forth for voting at the general meeting, including but not limited to approving entitlements of Shareholders (including annual dividends), appointment or re-appointment of directors, general mandate to issue Shares and any other matters or corporate actions that may be put forth for Shareholders' approval.

GENERAL KOREA-RELATED INVESTMENT CONSIDERATIONS

Annual General Meeting and Annual Dividend

In particular, the Board will cause the AGM Record Date to fall on a date between the publication of our full year financial results and the date of the relevant annual general meeting. We will announce the AGM Record Date in accordance with the Korean Commercial Code and the Listing Rules.

In practice, this means that, unlike the majority of other listed companies in Hong Kong, our record date for annual distributions will fall on a date before the annual general meeting, and **only those Shareholders whose names appear on our register of Shareholders as of the AGM Record Date will be entitled to attend the annual general meeting or receive any annual dividend (if any such annual dividend is declared) in respect of the preceding year.** For the avoidance of doubt, any investor who is a Shareholder as of September 5 (the record date fixed for distribution of interim dividends as further explained below) will be entitled to receive interim dividends in respect of the preceding interim period, if any such interim dividend is declared.

Interim Dividend

Under Korean law, the distribution of interim dividends does not require shareholders' approval. Pursuant to our Articles of Incorporation, the record date for the payment of any interim dividends has been fixed as September 5 of each financial year. This means that only those Shareholders whose names appear on our register of Shareholders as of September 5 will be entitled to receive interim dividends, if any such interim dividend is declared. Such declaration of an interim dividend requires a resolution of the Board, which must be made within 45 days following the September 5 record date. For the avoidance of doubt, any investor who is Shareholder as of the next AGM Record Date will be entitled to attend and vote at the next annual general meeting and be entitled to receive annual dividends, if any such annual dividend is declared.

Other Corporate Actions

Any record date for other corporate actions of our Company, including but not limited to any corporate financing plans or any mergers and acquisitions or other transactions that would require Shareholders' approval under the Listing Rules or the Korean Commercial Code but are not considered at an annual general meeting, will be determined by the Board to be a day which shall be no earlier than three months before the Shareholder's approval of such corporate actions, and we will give at least two weeks' prior public notice of such record date.

SHARE CERTIFICATES

Our Share Certificate Arrangements

We will issue Share certificates to our registered Shareholders only and therefore beneficial owners of our Shares who hold their investments through CCASS will not receive Share certificates representing their beneficial ownership of our Shares. Accordingly, the following procedures are not applicable to beneficial owners of our Shares who hold their investments through CCASS.

GENERAL KOREA-RELATED INVESTMENT CONSIDERATIONS

Lost Share Certificates

(a) *General procedures for applying for a lost Share certificate*

The process for applying for a lost Share certificate in Korea is broadly similar to Hong Kong except that it involves the Korean courts. Shareholders who have lost their Share certificates may petition the Korean court for issue of public summons by submitting to the Korean court:

- (1) either a certified copy of the original Share certificate or other evidence sufficiently establishing the existence of the original Share certificate and the relevant details which are of material importance; and
- (2) any evidence substantiating the fact that the original Share certificate was stolen, lost or destroyed, and other relevant details which are of material importance.

A Shareholder may make a written application to us at our registered head office in Korea or our Hong Kong branch to provide assistance in obtaining the documents necessary for the Korean court application, subject to our satisfaction that the Shareholder is our Shareholder as appears on our register of Shareholders as at the date of the application and no transfer of the Shares has taken place thereafter.

Subject to the approval by the Korean court, the public summons will be issued for inviting any genuine holder of the original Share certificate to substantiate his ownership of the relevant Shares by submitting his original Share certificate together with a report to the Korean court, no later than the end of the period of the public summons.

If there is no report filed during the period of public summons, the Korean court will issue a judgment of nullification of the original Share certificate. It will generally take approximately four to five months to complete the procedures for a Shareholder to recover a lost Share certificate. Upon being presented with the judgment of nullification, we will then re-issue the Share certificate replacing the old Share certificate.

However, if any report is filed during the period of public summons, the Korean court may either suspend the procedures for a public summons or issue a judgment of nullification by reserving the reported right, until a trial on such a right becomes final and conclusive.

Furthermore, if a Shareholder who has lost his share certificate dies or becomes legally incompetent pursuant to the laws of his home jurisdiction, his heir (as determined by the laws of his home jurisdiction as of the time of his death) or his parent (in a case where the Shareholder is a minor) or his guardian as determined by the laws of his home jurisdiction may submit the aforementioned court application under Korean law.

Shareholders who have lost their Share certificates are advised to seek independent Korean legal advice for filing any application to the Korean court as outlined above.

GENERAL KOREA-RELATED INVESTMENT CONSIDERATIONS

(b) ***Recovery of lost Share certificates***

If the applicant of a lost Share certificate has recovered the lost Share certificate before the judgment of nullification of such Share certificate is granted by the Korean court, he may withdraw the court application previously submitted by filing an application to the Korean court or by failing to attend the relevant hearings twice.

(c) ***Distributions during the public summons***

Any distributions to be declared by us during the period of the public summons will be distributed to the Shareholders whose names appear on our register of Shareholders as of the record date for such distributions pursuant to our Articles of Incorporation.

OWNERSHIP OF SHARES

Holding Your Investments Through CCASS

Potential investors wishing to hold their investments through CCASS should apply by completing the **YELLOW** Application Form or by giving electronic application instructions to HKSCC via CCASS, in which case no Share certificate will be issued or delivered to them. Instead, Share certificates will be issued in the name of, and delivered to, HKSCC Nominees. Beneficial owners of our Shares who hold their investments through CCASS will not physically possess the Share certificates.

Beneficial owners of our Shares who hold their investments through CCASS will not be recognized as Shareholders under the Korean Commercial Code and the entitlement of the economic benefits and Shareholders' rights associated with their investments will depend on their respective arrangements with CCASS and/or their respective securities brokers, as well as the procedures and operational rules of CCASS.

TRANSFER OF SHARES

Shares in our Company are freely transferable. Transfers of our Shares are free from any restriction or limitations such as Board or Shareholder approval under our Articles of Incorporation.

Under Korean law, all transfers of shares must be supported by a share transfer agreement entered into between the transferor and the transferee and the delivery of a physical share certificate from the transferor to the transferee. Although the transfer of Shares is effected by delivery of share certificates, the transferee must have its name and address registered on our register of Shareholders in order to assert Shareholders' rights against us. See "Summary of our Articles of Incorporation and the Korean Commercial Code — Summary of Key Korean Corporate Law and our Articles of Incorporation — Transfer of Shares" in Appendix V to this prospectus.

GENERAL KOREA-RELATED INVESTMENT CONSIDERATIONS

SHAREHOLDERS HOLDING IN THEIR OWN NAMES AND OUTSIDE CCASS

Applying Through Our Hong Kong Branch

We encourage any person who seeks to be registered as a Shareholder in our register of Shareholders to apply through our Hong Kong branch. Applicants shall present the following documents to our Hong Kong branch:

- Share certificate;
- duly executed and stamped transfer agreement or standard transfer form or transfer form at the back of the share certificate and/or contract note as required under the Stamp Duty Ordinance; and
- specimen signature, if necessary.

A share transfer agreement or a standard transfer form or the transfer form at the back of the share certificate and/or contract note must be signed by the applicant (as transferee) and the record Shareholder, whose name appears on the relevant Share certificate and our Share register (as transferor).

Applications are accepted at our Hong Kong branch during normal business hours in Hong Kong.

Applying Through Our Registered Head Office in Korea After Completion of the Global Offering

Investors will not be permitted to apply for registration on our register of Shareholders during the Global Offering. After the completion of the Global Offering, any person who applies to be registered as a Shareholder in our register of Shareholders through our registered head office in Korea shall present the following documents to us:

- Share certificate;
- duly executed and stamped share transfer agreement or standard transfer form or transfer form at the back of the share certificate and/or contract note as required under the Stamp Duty Ordinance; and
- specimen signature, if necessary.

All instruments of transfer and/or contract notes must be signed by the applicant (as transferee) and the record Shareholder whose name appears on the relevant Share certificate and our Share register (as transferor) as required under the Stamp Duty Ordinance. See “— Stamp Duty Ordinance Requirements.”

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It is the responsibility of the applicant to contact the record Shareholder to obtain the requisite signature(s) before making an application to us. If an applicant cannot locate the record Shareholder to sign on the relevant instrument of transfer and/or contract note, or if the record Shareholder refuses to sign on the same, we will not process the application. For multiple transfers, a separate instrument of transfer and/or contract is required for each transfer.

Applications for registration are also accepted at our registered head office in Korea during normal business hours in Korea. Applications must be made in person.

Beneficial Owners of Our Shares Who Hold Their Investments Through CCASS

Transfers of Shares deposited into CCASS are handled electronically by CCASS Participants. Beneficial owners of our Shares who hold their investments through CCASS should contact their respective securities brokers if they wish to transfer or dispose of their interests holding through CCASS.

Stamp Duty Ordinance Requirements

All our Shares will be considered as Hong Kong stock under the Stamp Duty Ordinance and the transfer of such Shares will be subject to the relevant stamping and documentary requirements.

Any person who effects any sale and purchase of our Shares as principal or agent shall, in general:

- (i) make and execute a contract note and cause the same to be stamped by, and the corresponding stamp duty be paid to, the Inland Revenue Department; and
- (ii) cause an endorsement to be made on the instrument of transfer of the Shares in our Company, or cause a stamp certificate to be issued in respect of such instrument, to the effect that the stamp duty has been paid on the contract note in (i) above.

These general requirements are subject to certain exceptions under the Stamp Duty Ordinance under limited circumstances. In particular, where a party to a transaction involving the Shares is not a resident in Hong Kong, the transferee (or its agent) will be solely liable for stamp duty payment and the relevant instrument (instead of the contract note) would be the only document required to be stamped. Potential investors are advised to consult their own professional advisers if in doubt.

KOREAN WITHHOLDING TAX FOR DIVIDEND PAYMENTS

Korea has entered into a number of income tax treaties with other countries, which reduce Korean withholding tax on dividend income. Since Korea has not entered into any income tax treaty with Hong Kong as of the Latest Practicable Date, we will apply the highest possible withholding tax rate of 22.0% (including local income surtax) to all Shareholders whose names appear on our register of Shareholders as of the relevant record date. However, if any registered Shareholder believes he is entitled to a reduced withholding tax rate under the tax treaty between Korea and the country in which he resides, he may apply for a reduced withholding tax rate to the relevant tax authority in Korea through us. In addition, due to the inherent characteristics of CCASS, we are not able to ascertain the identity, and consequently the tax residence, of beneficial owners of our Shares who hold their investments through CCASS. We are

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therefore not able to apply withholding tax on an individual basis to beneficial owners of our Shares who hold their investments through CCASS. Accordingly, we will apply the highest possible withholding tax rate under Korean law of 22.0% (including local income surtax) on the amount of any dividends payable to HKSCC Nominees for the benefit of beneficial owners of our Shares who hold their investments through CCASS.

If any beneficial owner of our Shares who holds his investments through CCASS believes he is entitled to a reduced withholding tax rate under the tax treaty between Korea and the country in which he resides, he may claim a refund of taxes withheld in excess of the applicable withholding tax rate from the relevant tax authority in Korea. Alternatively, he may transfer his Shares out of CCASS and register his Shares in his own name before the relevant record date and apply for a reduced withholding tax rate in the capacity of a registered Shareholder.

Summarized below are the procedures for applying for reduced withholding tax by a registered Shareholder, or a beneficial owner holding his investments through CCASS, who resides in a tax treaty country:

Registered Shareholders

If any registered Shareholder believes he is entitled to a reduced withholding tax rate under the tax treaty between Korea and the country in which he resides, he may submit an application (together with a certificate of his tax residency issued by a competent authority of his country of tax residency) to us through our Hong Kong branch or principal office in Korea, prior to the dividend payment date, to establish his eligibility for a reduced withholding tax rate. Upon our review of the application, we may apply the reduced withholding tax in respect of such registered Shareholder, without further submission of the application to the relevant tax authority in Korea. Such application is generally valid for a period of three years and the applicant is not required to resubmit such application provided there is no change in the required information, such as the nationality or qualifying status of the applicant. Application must be made using the application form named "Application for Entitlement to Reduced Tax Rate on Domestic Source Income." Such application form is available in Korean and English on the website of Korea's National Tax Service at: http://www.nts.go.kr/info/info_04_04.asp?type=V&minfoKey=MINF7420080211211649&mbsinfoKey=MBS20120620181750690

Application forms in Korean and English, together with an unofficial Chinese translation of the instructions for completing the application form, will be made available at our Hong Kong branch prior to the record date on which Shareholders are determined to be eligible for dividend payments. We will make an announcement to our Shareholders on each occasion these application forms become available.

Beneficial Owners of Our Shares Who Hold Their Investments Through CCASS

If any beneficial owner of our Shares who holds his investments through CCASS believes he is entitled to a reduced withholding tax rate under the tax treaty between Korea and the country in which he resides, he may claim a refund of taxes withheld in excess of the applicable withholding tax rate from the relevant tax authority in Korea within three years from the end of the month in which the withholding

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is made, together with the supporting documents proving that such beneficial owner of our Shares holds his investments through CCASS. Applications must be made using the application form named “Request for Tax Refund by Application of Reduced Tax Rate.” Such application form is available in Korean and English on the website of Korea’s National Tax Service at: http://www.nts.go.kr/info/info_04_04.asp?type=V&minfoKey=MINF7420080211211649&mbsinfoKey=MBS20120620181750690

In addition, application forms in Korean and English, together with an unofficial Chinese translation of the instructions for completing the application form, will be made available to our Shareholders and beneficial owners of our Shares who hold their investments through CCASS at our Hong Kong branch and registered head office in Korea. We will make an announcement to our Shareholders on each occasion these application forms become available.

KOREAN CAPITAL GAINS TAX AND SECURITIES TRANSACTION TAX

Capital Gains Tax

As a general rule, capital gains earned by non-residents upon transfer of the Shares are subject to withholding of Korean capital gains tax at the lower of (i) 11% (including local income surtax) of the gross proceeds realized, or (ii) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs relating to the Shares, 22% (including local income surtax) of the net realized gain (“**Korean Capital Gains Tax**”), unless exempt from Korean income taxation under the applicable Korean tax treaty with the non-resident’s country of tax residence. Even if you do not qualify for an exemption under a tax treaty, you will not be subject to Korean Capital Gains Tax on capital gains if you qualify under the relevant Korean domestic tax law exemptions discussed below.

Capital gains earned by you from the transfer of the Shares outside Korea are exempt from Korean Capital Gains Tax by virtue of the Special Tax Treatment Control Law of Korea (the “**STTCL**”), provided that the Shares are acquired through a “qualified foreign stock exchange” as defined in the Enforcement Rules of the STTCL (or, if not through a qualified foreign stock exchange, the Shares are acquired through a public sale or offering in order to meet the applicable requirements for a distribution of shares under the listing regulations of a qualified foreign stock exchange) and transferred on such foreign exchange under the STTCL. The Hong Kong Stock Exchange falls under the definition of a “qualified foreign stock exchange.” Therefore, capital gains earned from Shares acquired through and transferred on the Hong Kong Stock Exchange are not subject to Korean Capital Gains Tax. Any transfers arising from deposits into and withdrawals from CCASS will not be subject to Korean Capital Gains Tax as long as such transfers do not give rise to a change in beneficial ownership of the underlying Shares under Korean law. However, capital gains earned from an off-exchange transfer of Shares involving a change in beneficial ownership may be subject to Korean Capital Gains Tax, unless exempt under an applicable tax treaty. As applied to transactions involving our Shares after the completion of the Global Offering, off-exchange transactions are defined under Korean law to encompass all transactions which are not traded through the AMS on the Hong Kong Stock Exchange and would include, without limitation, transfers of Shares in physical certificate form and through CCASS by way of Settlement Instructions and Investor Settlement Instructions as defined in the General Rules of CCASS and CCASS Operational Procedures. Accordingly, **potential investors are strongly recommended not to conduct any off-exchange transactions.** As of the date of this prospectus, tax residents of the following countries are exempt from Korean Capital Gains Tax under the tax treaty between their respective countries and

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Korea: Greece, South Africa, Denmark, Laos, Russia, Romania, Malaysia (other than tax residents in Labuan), Belgium, Belarus, Bulgaria, Sri Lanka, Slovakia, Algeria, Oman, Uzbekistan, Egypt, Indonesia, the Czech Republic, Kuwait, Croatia, Tunisia, Papua New Guinea, Portugal, Poland, Fiji and Hungary. However, tax residents of these countries may no longer be exempt if there is a change or expiration of the respective tax treaty with Korea in the future. Tax residents in countries other than these exempt countries may be taxed in Korea depending on the shareholding ratio, holding period, or asset composition of the issuer and, therefore, should consult their tax advisors when conducting off-exchange transfers.

Unless you are exempt under an applicable tax treaty or Korean tax law, you are obligated to file an income tax return and pay income tax on capital gains realized from the transfer of the Shares outside of Korea to non-residents or foreign companies without having permanent establishments in Korea; provided, that, you will be exempt from such obligation to file an income tax return and pay income tax on capital gains if the purchaser or, in case of a sale of our Shares through an investment dealer or investment broker defined under the Financial Investment Services and Capital Market Act, the investment dealer or investment broker, withholds and remits tax on such capital gains. For further information, see “Taxation — Korean Taxation — Taxation of Capital Gains from Transfer of the Shares” in Appendix IV to this prospectus.

Securities Transaction Tax

Securities transaction tax is imposed on the transfer of shares issued by a Korean corporation or rights to subscribe for such shares, generally at the rate of 0.5% of the sales price.

Securities transaction tax is not applicable if (i) the shares or the right to subscribe for shares are listed on a “designated foreign stock exchange” and the sale of the shares takes place on such exchange, or (ii) the shares are transferred to the underwriters in order to list the shares on such exchange. The Korean tax authority has interpreted in its ruling that the Hong Kong Stock Exchange falls under the definition of a “designated foreign stock exchange” and therefore the transfer of shares or rights to subscribe for shares on the Hong Kong Stock Exchange is not subject to Korean securities transaction tax. Furthermore, any transfers arising from deposits into and withdrawals from CCASS will not be subject to securities transaction tax as long as such transfers do not give rise to a change in beneficial ownership of the underlying shares under Korean law. However, it is unclear whether off-exchange transactions are subject to securities transaction tax under Korean law. As applied to transactions involving our Shares after the completion of the Global Offering, off-exchange transactions are defined under Korean law to encompass all transactions which are not traded through the AMS on the Hong Kong Stock Exchange and would include, without limitation, transfers of Shares in physical certificate form and through CCASS by way of Settlement Instructions and Investor Settlement Instructions as defined in the General Rules of CCASS and CCASS Operational Procedures. In light of such uncertainty, **potential investors are strongly recommended not to conduct any off-exchange transactions.**

Securities transaction tax, if applicable, must be paid by the transferor of the shares or rights, in principle. Where the transfer is effected by a non-resident shareholder not having a permanent establishment in Korea, the transferee is required to withhold the securities transaction tax for payment to the Korean tax authority.

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A non-Korean-resident investor acquiring Sale Shares in the Global Offering will not be subject to securities transaction tax or documentary, stamp or similar transfer taxes payable to Korean tax authorities in connection with such acquisition of Sale Shares.

OTHER SHAREHOLDER RIGHTS AND OBLIGATIONS

Voting Threshold for Special Resolution

Under Hong Kong law, certain matters are required to be approved by a special resolution at a general meeting of a Hong Kong company. In Hong Kong, a special resolution refers to a resolution passed by a majority of not less than three quarters of such members as are entitled to, and do, vote in person, or by proxy, at a general meeting. Such matters include the following:

- any change in the constitutive documents;
- variation to share class rights; and
- voluntary liquidation of the company.

Under Korean law, a special resolution is also required to be passed for approving the above matters. However, the voting threshold for a special resolution in Korea is different. A special resolution in Korea refers to a resolution passed by at least a two-thirds majority of the voting shares present at a general meeting, where the affirmative votes must also represent at least one third of the total outstanding voting shares. Furthermore, an “affirmative vote” refers to a vote cast in favor of the resolution proposed at a general meeting under Korean law.

Variation of Class Rights

Under Korean law, when a Korean company has issued two or more classes of shares and a certain class of shareholders is prejudiced by an amendment to the articles of incorporation, a special resolution is required to be passed at a general meeting of such specific class of shareholders in addition to that of a general meeting of shareholders. Such special resolution of such class of shareholders can be passed by affirmative votes of no less than two thirds of the shares of that class present or represented at a general meeting, where the affirmative votes also represent at least one third of the total shares of that class then issued and outstanding. Even though Korean law does not expressly provide the shareholders of the concerned class with a right to petition Korean courts to cancel the class rights variation, Korean law gives them a general right to contest a resolution of a general meeting if it is in violation of laws and regulations or the Articles of Incorporation.

Notice of Convening a General Meeting

Under Hong Kong law, the notice period for a meeting approving a special resolution of a Hong Kong company must be at least 21 days, and for any other shareholders’ meeting, at least 14 days. Under Korean law, the notice for convening a general meeting shall be sent in writing to each shareholder at least two weeks prior to the date of the general meeting. Our Articles of Incorporation specifically require 21 days’ notice for all general meetings of Shareholders, including annual general meetings and general meetings for passing special resolutions.

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Notice of Intention to Move a Resolution Involving the Interests of Directors

Under Hong Kong law, when a Hong Kong company proposes to put a resolution to a general meeting of the company or a meeting of a class of members, the notice must be accompanied by a statement that provides the members with such information as is reasonably necessary to indicate the purpose of the resolution, including the particulars of the relevant interests of any directors in the matter to be dealt with by such resolution. Under Korean law, the summary of the agenda of a general meeting must be specified in the notice of convening a general meeting. Our Articles of Incorporation specifically require that a notice convening a general meeting with the intention to move a resolution at such general meeting must include the particulars of the relevant interests of Directors in the matter to be dealt with by the resolution to explicitly reflect the position under Hong Kong law.

Place of a General Meeting

Under Korean law, a general meeting of shareholders must be held at a place of the head office of the company or any place adjacent thereto. However, it is not permitted to convene a general meeting of shareholders outside Korea.

Shareholder's Proposal

Under Hong Kong law, members representing not less than 2.5% of the total voting rights of all members who at the date of the requisition have a right to vote at the general meeting to which the requisition relates or not less than 50 members holding shares in the company on which there has been paid up average sum, per member, of not less than HK\$ 2,000 may require the company to deal with certain resolutions or business at the general meeting in writing (i) not less than six weeks before the date of the general meeting, in case of a requisition requiring notice of a resolution and (ii) not less than one week before the date of the general meeting in case of any other requisition. Under Korean law, shareholders who hold no less than 3/100 of the total issued and outstanding shares (other than non-voting shares) may make a proposal at the general meeting to the directors in writing or by an electronic document at least six weeks prior to the date of the general meeting (in case of the annual general meeting, the date of the annual general meeting held in the previous fiscal year). We believe that except for the slight difference in the threshold ratio required for a shareholder's proposal, there are no material differences between Hong Kong law and Korean law and accordingly, the protection level in Hong Kong and Korea is comparable in this area.

Proxies

Although Korean law does not provide explicitly that (i) any person other than a shareholder may become a proxy, (ii) a shareholder may appoint one or more proxies, (iii) a corporate shareholder may appoint a proxy by its duly authorized officer and (iv) a proxy has the same rights as the shareholder including the right to speak, make a question and vote at a general meeting, our Articles of Incorporation will reflect such matters in order to satisfy the terms required of a Hong Kong incorporated public company under Hong Kong law.

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In addition, under Hong Kong law, where provision is made in the articles of association as to the form of proxy, this must be so worded as not to preclude the use of the two-way form. Our Articles of Incorporation specifically permit the use of a two-way form of proxy to reflect the position under Hong Kong law.

Voting

Under the Listing Rules, where any shareholder is required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted. Our Articles of Incorporation provide that any votes cast by or on behalf of any Shareholder in contravention of the aforementioned requirements under the Listing Rules shall not be counted.

Right to Demand a Poll

Even though there is no directly equivalent provision under Korean law regarding the right of a shareholder to demand a poll, all votes of a Korean company are taken by poll (by reason that one share counts for one vote pursuant to Korean law) and not by show of hands. Therefore, it is not necessary and in fact not appropriate for our Articles of Incorporation to provide for a shareholder's right to demand a poll, as voting by poll is mandatory under Korean law.

Closure of Books

Under Hong Kong law, the register of shareholders can be closed for inspection for up to 30 days whereas the register of shareholders of a Korean company can be closed for inspection for a period of up to 3 months. Our Articles of Incorporation specifically limit the period for the closure of our register of shareholders to 30 days in any fiscal year to reflect the position under Hong Kong law.

Affixation of Directors' Seal on Share Certificates

Pursuant to paragraph 2(1) of Appendix 3 to the Listing Rules, all certificates of capital shall be under seal, which shall only be affixed with the authority of directors. However, under Korean law, the name and the seal of the representative director must be affixed to each share certificate. We have obtained a waiver from strict compliance with paragraph 2(1) of Appendix 3 to the Listing Rules. See "Waivers."

Replacement of Share Warrants

Pursuant to paragraph 2(2) of Appendix 3 to the Listing Rules, where power is taken to issue share warrants to bearer, no new share warrant shall be issued to replace one that has been lost, unless the issuer is satisfied beyond a reasonable doubt that the original has been destroyed. However, under Korean law, a bearer holder of share warrants who has lost his/her share warrants may not request the issuer to re-issue them, unless the person has obtained a judgment of nullification of such share warrants from a Korean court. We have obtained a waiver from strict compliance with paragraph 2(2) of Appendix 3 to the Listing Rules. See "Waivers."

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Dividends

We distribute dividends to our Shareholders in proportion to the number of Shares owned by each Shareholder. Dividend payments on the Shares are non-cumulative.

We may distribute annual dividends in cash or in newly issued Shares. The dividend in newly issued Shares may not exceed one-half of the annual dividends. Such new Shares will be issued at par value. Annual dividends, if any, on our Shares must be recommended by our Board of Directors and must be approved at the annual general meeting of Shareholders, which is held within four months after the end of the fiscal year. The annual dividend is paid shortly thereafter to the Shareholders or registered pledgees of record as of the AGM Record Date that is set by our Board of Directors. We may pay interim dividends in cash once a year by a resolution of the Board of Directors to Shareholders or registered pledgees who are registered in the register of Shareholders as of September 5, as specified in our Articles of Incorporation. We have no obligation to pay any annual cash dividend unclaimed for five years from the payment date, at which time rights to such dividends lapse and such unclaimed cash dividends revert to us. In addition, where we pay dividends to any Shareholder by sending a cheque by post, we may cease to send such cheque if such cheque has been left uncashed on two consecutive occasions. We may also cease to send such a cheque once such a cheque is returned undelivered.

Under the Korean Commercial Code, we may pay an annual dividend only out of the excess of our net assets, on a non-consolidated basis, over the sum of (1) our stated capital, (2) the total amount of our capital surplus reserve and earned surplus reserve which have accumulated up to the end of the previous fiscal year, (3) our earned surplus required to be accumulated for the then current fiscal year and (4) the net assets stated in our balance sheet as being increased as a result of the evaluation of our assets and liabilities in accordance with our accounting principles without being set off against any unrealized losses. We may not pay any dividend unless we have set aside as a legal reserve an amount equal to 10% of the cash portion of the annual dividend or unless we have accumulated a legal reserve of not less than one half of our stated capital. We may not use our legal reserve to pay cash dividends but may transfer amounts from our legal reserve to our capital stock or use our legal reserve to reduce an accumulated deficit.

Distribution of Free Shares

In addition to paying dividends in Shares out of our retained or current earnings, we may also distribute to our Shareholders an amount transferred from our capital surplus or legal reserve to our stated capital in the form of free Shares. We must distribute such free Shares to all of our Shareholders in proportion to their existing shareholdings.

Forfeiture of Unclaimed Dividends

Pursuant to paragraph 3(2) of Appendix 3 to the Listing Rules, where power is taken to forfeit unclaimed dividends, such power shall not be exercised until six years or more after the date of declaration of the dividend. However, under Korean law, the claim for payment of dividend will be legally extinguished if it is not exercised for five years, and such mandatory five year period may not be extended by the Articles of Incorporation of a Korean company. We have obtained a waiver from strict compliance with paragraph 3(2) of Appendix 3 to the Listing Rules. See "Waivers."

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Appointment of Directors Required to be Voted on Individually

Under Hong Kong law, a company other than a private company or a company not having share capital is prohibited from appointing two or more directors by the passing of a single resolution at a general meeting unless such a resolution has been unanimously approved. Under Korean law, there is no explicit equivalent provision. Our Articles of Incorporation specifically prohibit the appointment of two or more Directors by the passing of a single resolution to reflect the position under Hong Kong law.

Term of Office of Directors Appointed by Directors

Pursuant to paragraph 4(2) of Appendix 3 to the Listing Rules, any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the next following annual general meeting of shareholders, and shall then be eligible for re-election. However, under Korean law, the board of directors does not have the authority to appoint a director to fill a casual vacancy on or as an addition to the board. We have obtained a waiver from strict compliance with paragraph 4(2) of Appendix 3 to the Listing Rules. See “Waivers.”

Removal of Director

Pursuant to paragraph 4(3) of Appendix 3 to the Listing Rules, shareholders may by ordinary resolution remove any director before the expiration of his period of office. However, under Korean law, a director can only be removed through a shareholder resolution approved by the affirmative vote of no less than two thirds of the voting shares present or represented at a general meeting provided that the affirmative votes also represent at least one third of the total outstanding voting shares at a general meeting. We have obtained a waiver from strict compliance with paragraph 4(3) of Appendix 3 to the Listing Rules. See “Waivers.”

Declaration of Interest by Directors

Under Hong Kong law, a director must declare any material interest in any contract with the company at the earliest meeting of directors that is practicable, notwithstanding that the question of entering into the contract is not taken into consideration at that meeting. There is no equivalent requirement under Korean law. Accordingly, our Articles of Incorporation specifically require every Director to disclose his material interest in a contract or a proposed contract with us at the earliest meeting of the Board that is practicable to reflect the position under Hong Kong law.

Sale of Shares of Untraceable Member

Pursuant to paragraph 13(2) of Appendix 3 to the Listing Rules, where power is taken to sell the shares of a member who is untraceable, it will not be exercised until (i) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed and (ii) on expiration of the 12 years the issuer gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Hong Kong

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Stock Exchange of such intention. However, under Korean law, even when a shareholder is untraceable for a substantial period of time, a Korean company is not permitted to sell the shares owned by such shareholder. We have obtained a waiver from strict compliance with paragraph 13(2) of Appendix 3 to the Listing Rules. See “Waivers.”

Reduction of Share Capital

Under Hong Kong law, any reduction of share capital must be subject to confirmation by a court and be approved by special resolution at a general meeting. There is no equivalent requirement under Korean law. However, shareholders of a Korean company have a general right to contest the resolution of a general meeting if it is in violation of law or the articles of incorporation.

Redemption of Redeemable Shares

Under Hong Kong law, redeemable shares may only be redeemed out of distributable profits of the company or out of the proceeds of a new issue of shares made for the purposes of the redemption. Under Korean law, a Korean company may issue a class of shares which can be redeemable only if the Articles of Incorporation of the company provide the terms of such class of shares and the redemption of such shares can be made only out of profits (but not the proceeds of a new issue of shares). Our Articles of Incorporation currently do not permit the issuance of redeemable shares.

Share Repurchase

Under Korean law, we may acquire our own Shares through (i) purchases on a stock exchange (including the Hong Kong Stock Exchange) or (ii) purchases in an off-market transaction if such Shares are repurchased on a pro-rata basis as approved by the affirmative votes of a majority of the voting rights of Shareholders present at the general meeting and representing at least one fourth of the total issued and outstanding Shares provided a notice or public notice of such repurchase is sent to all Shareholders or a tender offer for such repurchase is made. The aggregate amount of the acquisition price may not exceed the excess of our net assets, on a non-consolidated basis, over the sum of (a) our stated capital, (b) the total amount of our capital surplus reserve and earned surplus reserve which have accumulated up to the end of the previous fiscal year, (c) our earned surplus required to be accumulated for the then current fiscal year and (d) our net assets stated in the balance sheet as being increased as a result of the evaluation of the assets and liabilities in accordance with our accounting principles without being set off against any unrealized losses. In addition, under Korean law, we may not acquire our own Shares if our net assets fall short of the aggregate amount of items (a) to (d) above, on a non-consolidated basis, as of the end of the relevant fiscal year.

In addition, under our Articles of Incorporation, acquisitions by us of our Shares must be made in accordance with the laws and regulations of Hong Kong, the Listing Rules and the SFC’s Codes on Takeovers and Mergers and Share Repurchases.

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In order to acquire our own Shares, the following matters will be determined at our general meeting:

- (1) the class and number of the Shares to be acquired by us;
- (2) the maximum limit to the aggregate amount of the acquisition price; and
- (3) the period during which we may acquire our own Shares not exceeding one year.

We may not engage in a Share acquisition set out in item (i) above following the announcement of a Share acquisition set out in item (ii) above up to and including the date a Share acquisition set out in item (ii) above closes, lapses or is withdrawn, as the case may be.

As explained further below, under our Articles of Incorporation, all Shares acquired by us will be cancelled upon acquisition by the resolution of the Board.

Corporate entities in which we own a 50% or greater equity interest may not acquire our Shares.

Cancellation of Shares Acquired by Us

Under the Listing Rules, shares repurchased by the issuer are to be cancelled upon repurchase. Under Korean law, there is no provision that requires us to cancel the shares acquired by us upon repurchase. Our Articles of Incorporation specifically require the cancellation of the Shares acquired by us upon repurchase to reflect the position under the Listing Rules.

Distribution of Assets

Under Hong Kong law, a Hong Kong company may not make a distribution except out of realized profits available for that purpose. Under Korean law, a Korean company may distribute dividends only out of the excess of its net assets, on a non-consolidated basis, over the sum of (i) our stated capital, (ii) the total amount of its capital surplus reserve and earned surplus reserve which have accumulated up to the end of the previous fiscal year, (iii) the earned surplus required to be accumulated for the then current fiscal year and (iv) the net assets stated in the balance sheet as being increased as a result of the evaluation of the assets and liabilities in accordance with its accounting principles without being set off against any unrealized losses.

Loan to Directors

Under Hong Kong law, a public company incorporated in Hong Kong is prohibited from directly or indirectly (i) making a loan to, quasi-loan to, or entering into a credit transaction with a director of the company or director of its holding company and (ii) entering into a guarantee or providing any security in connection with a loan, quasi-loan or a credit transaction made, or entered into, by any person to such a director. Where a director also holds a controlling interest in another company, the foregoing prohibition extends to making loans, quasi-loans and credit transactions and security granted in connection with such transactions, to or for that other company. Under Korean law, there is no prohibition on giving financial assistance to directors. Our Articles of Incorporation specifically include prohibitions on financial assistance to Directors equivalent to those under Hong Kong law.

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Financial Assistance for Acquisition of Shares

Under Hong Kong law, it is not lawful to give financial assistance directly or indirectly for the purposes of the acquisition of shares in a Hong Kong company before or at the same time as the acquisition takes place. Under Korean law, there is no prohibition on giving financial assistance for the acquisition of our Shares. Our Articles of Incorporation specifically include prohibitions on financial assistance for the acquisition of our Shares equivalent to those under Hong Kong law.

Approval and Public Notice of Financial Statements

Under Korean law, the financial statements, including the balance sheet and income statement, of a Korean company are required to be approved by shareholders at the annual general meeting. Under our Articles of Incorporation, upon obtaining such approval, our representative Director is required to promptly issue a public notice of our balance sheet (on a separate basis) on our website (www.mandochina.com). It is a Korean requirement that such balance sheet to be included in the public notice be prepared under IFRS as adopted by Korea (“**Korean IFRS**”). As Korean IFRS is not an acceptable accounting standard recognized by the Hong Kong Stock Exchange, following the successful completion of the Global Offering we will present our Group’s consolidated financial statements under IFRS in compliance with the Listing Rules as well as our Company’s separate financial statements and our Group’s consolidated financial statements under Korean IFRS to our Shareholders for approval at the annual general meeting as required by Korean law and our Articles of Incorporation. Please also see the section headed “Summary of our Articles of Incorporation and the Korean Commercial Code — Summary of Key Korean Corporate Law and our Articles of Incorporation — Approval and Public Notice of Financial Statements” in Appendix V to this prospectus.

ENFORCEMENT OF JUDGMENTS

For a discussion of the enforcement of judgments against us, our Directors and our major Shareholder, see “Summary of our Articles of Incorporation and the Korean Commercial Code — Enforcement of Judgments against Us, Our Directors and Our Major Shareholder” in Appendix V to this prospectus.

KOREAN FOREIGN EXCHANGE REGULATIONS

For a discussion of Korean foreign exchange regulations, see “Summary of Our Articles of Incorporation and the Korean Commercial Code — Korean Foreign Exchange Regulations” in Appendix V to this prospectus.

INDUSTRY OVERVIEW

Certain facts, statistics and data presented in this section and elsewhere in this prospectus are derived from various publications issued by PRC Government entities and other third parties. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted which would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis of the automotive parts supplier market in the PRC. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. We have included certain information from the report prepared by Frost & Sullivan in connection with such detailed analysis (the “**Frost & Sullivan Report**”) in this prospectus because we believe such information facilitates an understanding of this market for potential investors. In preparing the Frost & Sullivan Report, Frost & Sullivan adopted a methodology of both primary and secondary research to obtain information on the PRC automotive vehicle and parts industries from various sources within the PRC. Primary research involved interviews with leading industry participants at automotive vehicle manufacturers and automotive parts suppliers and related industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research database. The information contained in this section has been obtained from sources Frost & Sullivan believes to be reliable, but there can be no assurance as to the accuracy or completeness of the included information. We paid a total of RMB 960,000 in fees for the preparation of the Frost & Sullivan Report.

Frost & Sullivan has developed its forecast on the following bases and assumptions:

- That the social, economic and political environments of the PRC will remain stable during the forecast period, which ensures the sustained and steady development of the PRC automotive market;
- That the PRC automotive market is expected to grow at a rate in line with the PRC’s overall economic growth over the forecast period; and
- The market share of each automotive vehicle manufacturer group is expected to develop in line with the product plan of such manufacturer group and the product features and performance of each vehicle group.

INDUSTRY OVERVIEW

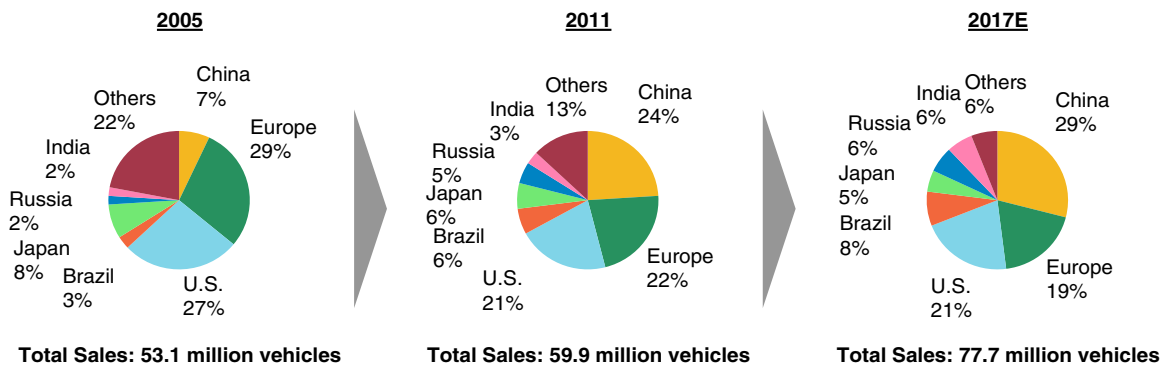
In preparing the Frost & Sullivan Report, Frost & Sullivan arrived at certain conclusions pertaining to the Group’s market share and position, diversity of product offerings, distribution channels and brand awareness within the PRC automotive parts supplier market using the following methodologies:

- The Group’s position as one of the leading independent brake, steering and suspension products providers in the PRC passenger vehicle market was determined as a result of a multi-factor analysis which considered the Group’s capabilities along the value chain; its position as one of the largest automotive parts suppliers for brake, steering and suspension products as measured by sales volume; and its diversified product offerings compared with other providers.
- The Group’s position among PRC automotive parts suppliers in terms of diversity of product offerings was determined through a combination of research of reliable public information such as interviews with other automotive parts suppliers or passenger vehicle manufacturers and data from Frost & Sullivan’s own research database.
- The Group’s position among automotive parts suppliers for brake, steering and suspension products in terms of geographic reach and market penetration of its sales and marketing network in the PRC was determined through a combination of research of company reports, interviews with industry experts, distributors and sales departments of other automotive parts suppliers and data from Frost & Sullivan’s own research database.

PRC PASSENGER VEHICLE MARKET

The PRC is the largest automotive market globally, and the automotive industry is becoming increasingly significant in terms of the economy of the PRC. The sector is experiencing significant growth in vehicle production, due to the general economic growth in and a shift in automotive production to the PRC.

Passenger Vehicle Sales — Development Over Time



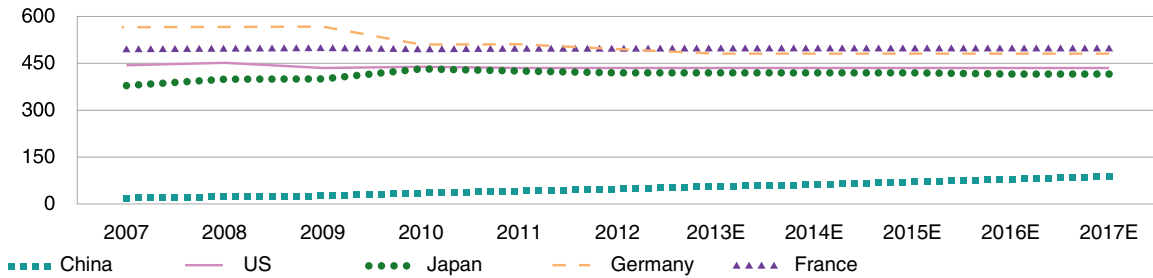
Source: Frost & Sullivan, Chinese Association of Automobile Manufacturers

INDUSTRY OVERVIEW

Significant growth potential remains, given that car density remains significantly lower than in mature markets. The chart below illustrates how the PRC's passenger vehicle density is a fraction of that of mature markets, such as the United States, Japan, France or Germany.

Global Passenger Vehicle Density

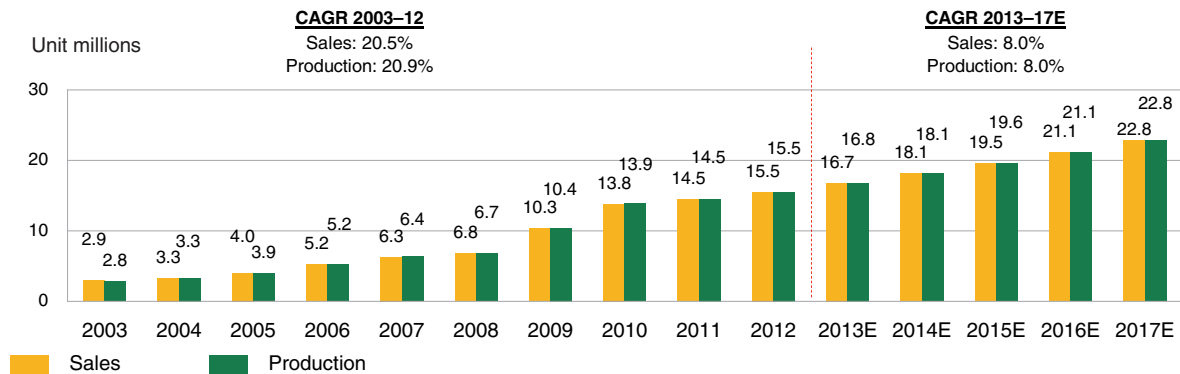
Units per thousand persons



Source: Frost & Sullivan, China Association of Automobile Manufacturers

As shown in the chart below, the PRC passenger vehicle market (measured in terms of annual vehicle sales) has grown at a CAGR of approximately 20.5% from 2003 to 2012 and is expected to grow at a CAGR of approximately 8.0% from 2013 to 2017. The PRC passenger vehicle market is expected to continue to grow, albeit at a lower pace, as the demand for cars remains strong. However, factors impeding the growth rate include urban congestion, slower GDP growth and restrictions on purchasing.

PRC Passenger Vehicle¹ Sales & Production Volume Forecast



Source: Frost & Sullivan, China Association of Automobile Manufacturers

¹ Passenger vehicles include basic passenger vehicles, sports utility vehicles ("SUVs"), multi-purpose vehicles ("MPVs") and mini-buses.

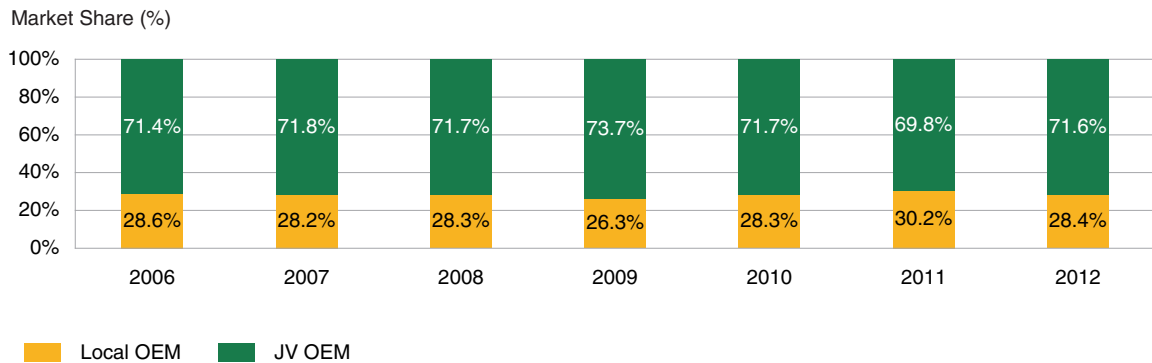
INDUSTRY OVERVIEW

Since 2006, the sale of local brands as a proportion of total passenger vehicle sales has been flat overall.

The PRC Government has been actively supporting local brands through direct and indirect support such as the “cars go country” subsidy program, fuel efficiency subsidy and lower tax rates.

However, as shown in the charts below, despite the direct and indirect policy support for local brands, the split between foreign and local brand vehicle sales has not changed dramatically over the past few years and is expected to remain relatively stable in the near future. This is primarily due to the local brands’ relatively weaker brand image and lower product quality. In addition, there is also a consumer shift taking place in third and fourth tier cities in the PRC, which have traditionally been local brand dominated markets, from local branded vehicles to foreign branded vehicles.

Local Brand vs. Foreign Brand Joint Venture Market Share



Source: Frost & Sullivan, China Association of Automobile Manufacturers

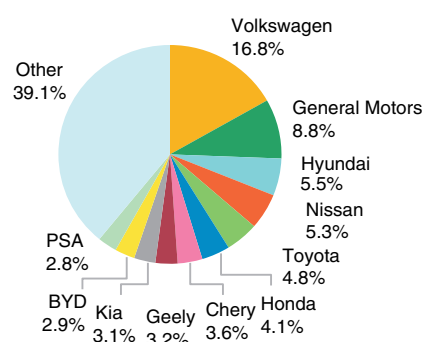
INDUSTRY OVERVIEW

HYUNDAI-KIA PRC OPERATIONS SUMMARY

Hyundai-Kia has two joint ventures in the PRC. Hyundai Motors has partnered with Beijing Automotive Group Co., Ltd. and formed Beijing Hyundai to produce Hyundai branded vehicles, while Kia Motor co-founded Dongfeng-Kia with Dongfeng Motor to manufacture Kia branded vehicles.

In 2012, Beijing Hyundai and Dongfeng Kia were among the top passenger vehicle manufacturers in the PRC. The following chart sets forth PRC market share data for passenger vehicle manufacturers in 2012:

PRC Passenger Vehicle Market Share by Manufacturer in 2012¹



Source: Frost & Sullivan, China Association of Automobile Manufacturers

¹ Passenger vehicles include basic passenger vehicles, SUVs, MPVs and mini-buses.

Beijing Hyundai is expected to increase its total production volume to 1.14 million units by 2015 from 0.86 million in 2012, primarily due to the expected introduction of three additional models by 2015. Dongfeng Kia is expected to increase its total production volume to 0.69 million units by 2015 from 0.49 million in 2012, primarily due to the expected introduction of two additional models by 2015.

INDUSTRY OVERVIEW

GENERAL MOTORS PRC OPERATIONS SUMMARY

The General Motors brand vehicle manufacturers comprise the second largest passenger vehicle group in the PRC in terms of unit sales in 2012, with an approximately 8.8% market share, behind Volkswagen Group.

The PRC operations of General Motors, which include Shanghai GM, have continued to grow in sales volume. Shanghai GM is expected to increase its overall vehicle production volume in the coming years, to 1.76 million units by 2015 from 1.34 million in 2012, primarily due to the expected introduction of five additional models by 2015.

GEELY PRC OPERATIONS SUMMARY

Geely is the second largest local brand vehicle manufacturer in the PRC in terms of unit sales in 2012, with an approximately 3.2% market share, behind Chery.

Geely's sales volume has continued to grow. Geely is expected to increase its overall vehicle production volume in the coming years, to 0.73 million by 2015 from 0.49 million in 2012, primarily due to the expected introduction of four additional models by 2015.

OVERVIEW OF THE PRC AUTOMOTIVE PARTS SUPPLIER MARKET

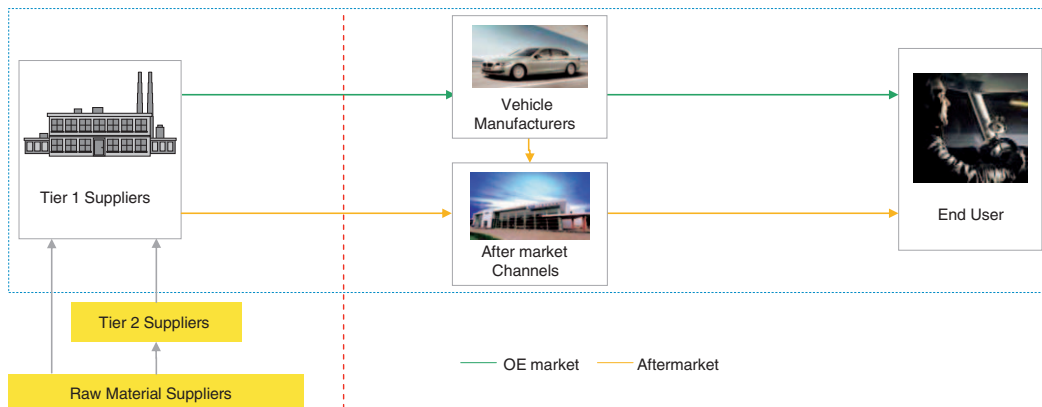
Generally, a supply relationship with a vehicle manufacturer for automotive parts relating to a specific vehicle model begins at the outset of the development of a new vehicle model or upon the redesign of an existing vehicle model by the vehicle manufacturer. Vehicle manufacturers generally initiate the sourcing of automotive parts for vehicle production. Supply contracts with vehicle manufacturers typically relate to a specific vehicle model and may have either a one year term subject to automatic renewal, or a term covering the expected production period for the related vehicle model, which is generally between five to eight years. Although the supply contracts do not require the vehicle manufacturers to purchase a minimum quantity, the long-term nature of the supply contracts and historical volume orders provide some demand predictability to automotive parts suppliers.

In recent years, local PRC automotive vehicle manufacturers have experienced growth in production volumes and most joint venture manufacturers now operate with a greater level of design and procurement rights, rather than being a pure manufacturing business. Furthermore, as a result of cost-cutting initiatives adopted by vehicle manufacturers, there is continuous downward pricing pressure on automotive parts suppliers. As a result, more parts suppliers are localizing their production in the PRC, not only for efficiency but also for cost-cutting purposes. As part of these developments, vehicle manufacturers are expected to outsource more vehicle components to their suppliers, which will result in increased requirements for their suppliers to design and engineer components to the satisfaction of their customers. In addition, due to consumer demand and regulatory measures, vehicle manufacturers focus more on improving the fuel efficiency performance, comfort and safety of vehicles.

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These developments have also led to a more competitive environment for automotive parts suppliers. The automotive parts industry provides components, systems and modules to (i) vehicle manufacturers for the manufacture of new vehicles, as well as (ii) the aftermarket for use as replacement parts in varying quantities to a wide range of wholesalers, retailers and installers. In the automotive industry, parts suppliers are generally divided into tiers: “Tier 1” suppliers, which provide their products directly to vehicle manufacturers, and “Tier 2” suppliers, which sell their products principally to other suppliers for combination into the other suppliers’ own product offerings. The automotive parts industry is generally characterized by high barriers to entry, significant start-up costs, production know-how and long-standing customer relationships. The new vehicle parts supplier market is highly influenced by new vehicle sales volume, while the aftermarket parts supplier market is influenced by the number of passenger vehicles on the road and average vehicle age. The diagram below sets out the general dynamics within the PRC automotive parts supplier market and its participants:

Supply Chain Structure of PRC Automotive Parts Market



Source: Frost & Sullivan

INDUSTRY OVERVIEW

The PRC automotive parts supplier market is characterized by two types of suppliers: captive and independent suppliers. Captive suppliers are those that have a direct relationship with automotive vehicle manufacturers, be it through a joint venture agreement with a vehicle manufacturer or a parent-subsidary relationship. Independent suppliers include both domestic and foreign automotive parts suppliers, and joint ventures between independent domestic and foreign automotive parts suppliers, that do not have a direct relationship with any particular vehicle manufacturer. The table below provides an overview of the different automotive parts supplier groups that operate within the PRC market:

Type and Definition of Automotive Parts Suppliers

Supplier type	Definition	Key Suppliers
Captive Suppliers	Subsidiaries of vehicle manufacturers	Huayu, Fawer, etc.
	Joint ventures between vehicle manufacturers and independent parts suppliers	Yanfeng Visteon, etc.
Independent Suppliers	Chinese domestic independent parts manufacturers	Wanxiang, Huaxiang, etc.
	Foreign independent parts manufacturers	Mando China, Bosch, Continental, etc.
	Joint ventures between foreign and Chinese domestic manufacturers	N/A

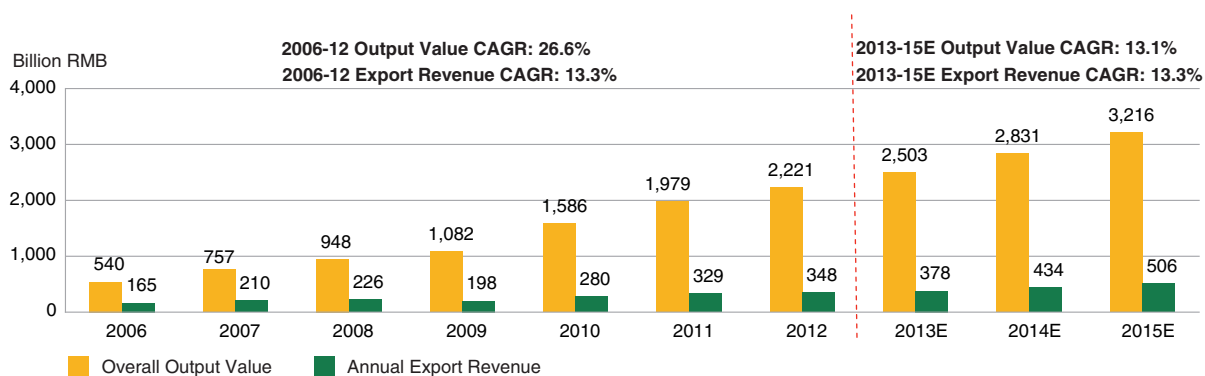
Source: Frost & Sullivan

Demand for automotive parts is generally a function of the number of new vehicles produced, which in turn is a function of prevailing economic conditions and consumer preferences. The primary criteria by which vehicle manufacturers judge automotive parts suppliers include price, quality, service, performance, design and engineering capabilities, innovation, long-term cooperation relationship and timely delivery.

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While the total PRC automotive parts supplier market has grown over four-fold in size from 2006 to 2012, supplying vehicle manufacturers with automotive parts still remains the largest component of the automotive parts supplier market. The chart below provides the historical and projected value of such market for passenger vehicles:

Overall Output Value & Export Revenue of PRC Automotive Parts Industry¹



Source: Frost & Sullivan, China Association of Automobile Manufacturers

¹ The PRC automotive parts industry includes suppliers of passenger vehicle parts, commercial vehicle parts, motorcycle parts and accessories, which roughly represent 35%, 25%, 5% and 35% of overall value, respectively. The exchange rate of annual export revenue is based on the exchange rate in the corresponding year.

The vehicle manufacturer parts supply market is expected to continue to grow in conjunction with increasing annual vehicle production. Additionally, more advanced technologies are being implemented in passenger vehicles, primarily due to increased awareness of driver safety, lower implementation costs and stricter regulatory requirements. Most foreign suppliers are expected to benefit from this trend; also, it is expected that advanced technological products will be localized in the PRC in the future.

As more global parts suppliers are expanding their manufacturing capacity in the PRC, vehicle manufacturers are also increasing their localization rate to reduce costs, including both mechanical and electronic parts costs as well as overhead and research and development expenses.

In addition, the PRC is becoming a global procurement center of global vehicle manufacturers, as the automotive parts industry develops rapidly and exports increase.

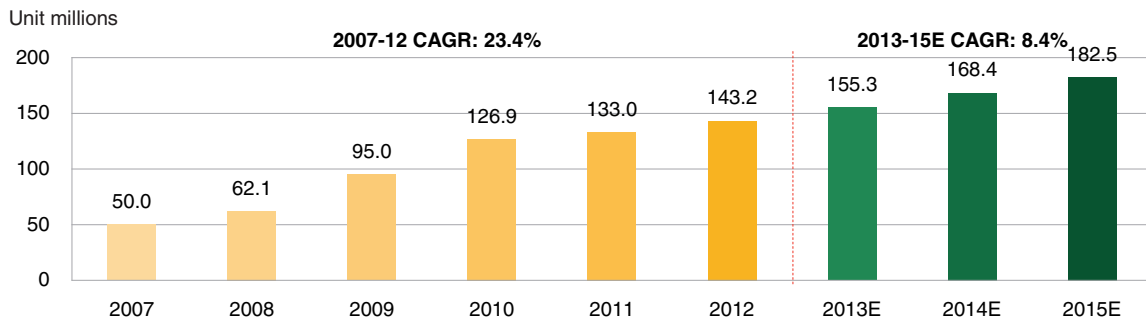
Such trend is expected to expand to more technology-rich components in the future, with more global parts suppliers establishing their research and development centers in the PRC to improve their local technological capability to serve the local market.

INDUSTRY OVERVIEW

OVERVIEW OF THE BRAKE PRODUCTS MARKET IN THE PRC

As shown in the chart below, from 2007 to 2012, the PRC brake products market experienced a high CAGR of 23.4%, driven primarily by high growth in the passenger vehicle market and the introduction of products using new technology such as electronic parking brake products. Going forward, growth is still expected to be at an 8.4% CAGR from 2013 to 2015.

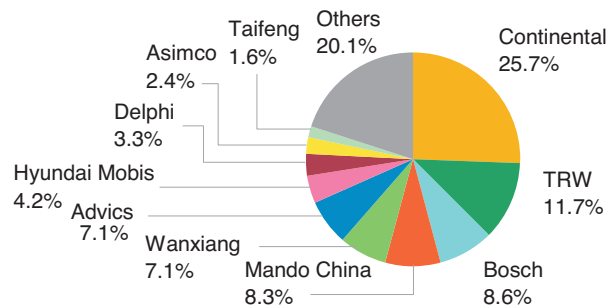
Market Size of PRC Passenger Vehicle Brake Market



Source: Frost & Sullivan, China Association of Automobile Manufacturers

A brake system is generally divided into mechanical parts (like a pedal, caliper and drum/disc) and electrical parts (such as an anti-lock brake system and electronic stability control system). The chart below shows the market shares for brake products in the PRC for 2012:

PRC Brake Products Market Share for 2012¹



Source: Frost & Sullivan

¹ Based on sales volume of key brake parts for vehicles.

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Key suppliers in the PRC's brake products market are Continental, TRW, Bosch, Mando China, Wanxiang, Advics and Hyundai Mobis. Such brake product suppliers are focused on expanding production facilities in the PRC to gain more market share. The table below provides an overview of the different key brake components within a brake system and the key suppliers in the PRC of each component:

Key Brake Component Suppliers

Key Parts	Key Suppliers	Price Range (RMB) ¹
Caliper	Continental, TRW, Mando China, Wangxiang	150-450
Drum brake	Mando China, Continental, BWI, APG, Wangxiang	150-350
Parking brake	Mando China, APG, BWI	200-300
Electronic parking brake	Mando China, TRW, Continental	300-500
Anti-lock brake system	Continental, Mando China, TRW, Hyundai Mobis	380-700
Electronic stability control system	Bosch, Continental, TRW, Mando China, Hyundai Mobis	600-1,000
Master cylinder & booster	Continental, TRW, Bosch, Mando China	200-450

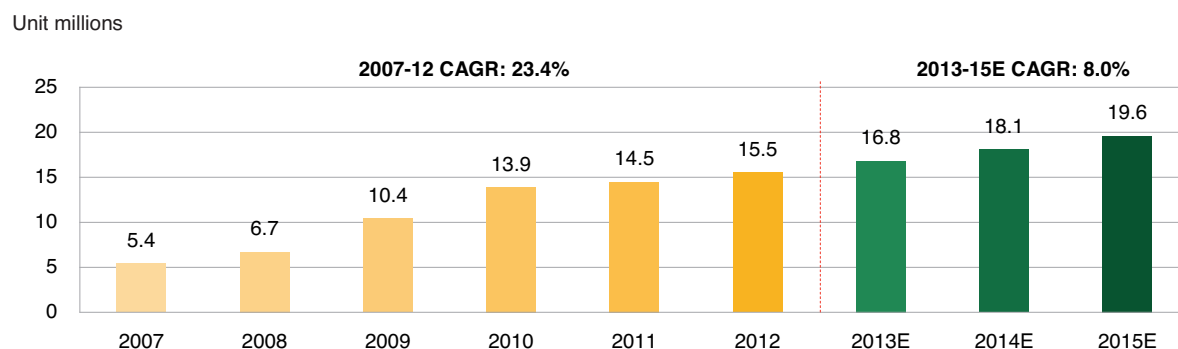
Source: Frost & Sullivan, China Association of Automobile Manufacturers

¹ Assumed an indicative price range commonly observed. Prices fluctuate according to market conditions, product specifications and technology improvements. Price information has been derived by Frost & Sullivan through interviews with leading automotive vehicle manufacturers and suppliers in the PRC.

OVERVIEW OF THE STEERING PRODUCTS MARKET IN THE PRC

As shown in the chart below, the steering products market in the PRC grew at a CAGR of 23.4% from 2007 to 2012. The high rate of growth in the steering products market was driven primarily by the growing vehicle production volume and increasing implementation of electric power steering, which is more expensive but enjoys better steering performance than traditional hydraulic power steering.

Market Size of PRC Passenger Vehicle Steering Products Market



Source: Frost & Sullivan, China Association of Automobile Manufacturers

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Mando China currently enjoys a high market share in the PRC steering products market and also has a solid presence in the PRC electric power steering products market. The table below shows the key suppliers in the PRC for different steering products:

Key Steering Product Suppliers

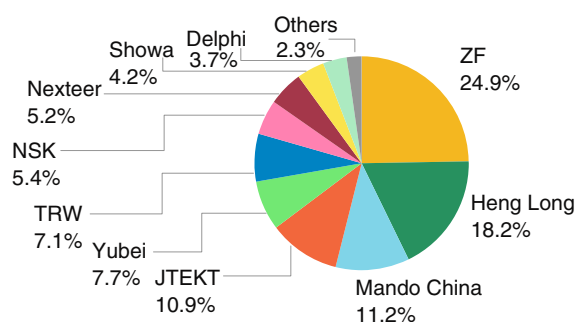
Types of Steering Systems	Key Suppliers	Price Range (RMB) ¹
Electric power steering	ZF, Mando China, JTEKT, TRW, Showa, etc.	1,200-2,400
Hydraulic power steering	Henglong, ZF, Mando China, etc.	380-950
Electro-hydraulic power steering	Mainly supplied by ZF and TRW	2,700-3,500
Manual steering	Henglong, JTEKT, etc.	300-700

Source: Frost & Sullivan, China Association of Automobile Manufacturers

¹ Assumed an indicative price range commonly observed. Prices fluctuate according to market conditions, product specifications and technology improvements. Price information has been derived by Frost & Sullivan through interviews with leading automotive vehicle manufacturers and suppliers in the PRC.

Mando China currently ranks third in the PRC steering products market with an approximately 11.2% overall market share in 2012 (based on sales volume of steering systems for vehicles), primarily supplying Beijing Hyundai, Dongfeng Kia and Shanghai GM. The table below shows the PRC market shares of the key steering product suppliers for 2012:

PRC Steering Products Market Share for 2012¹



Source: Frost & Sullivan

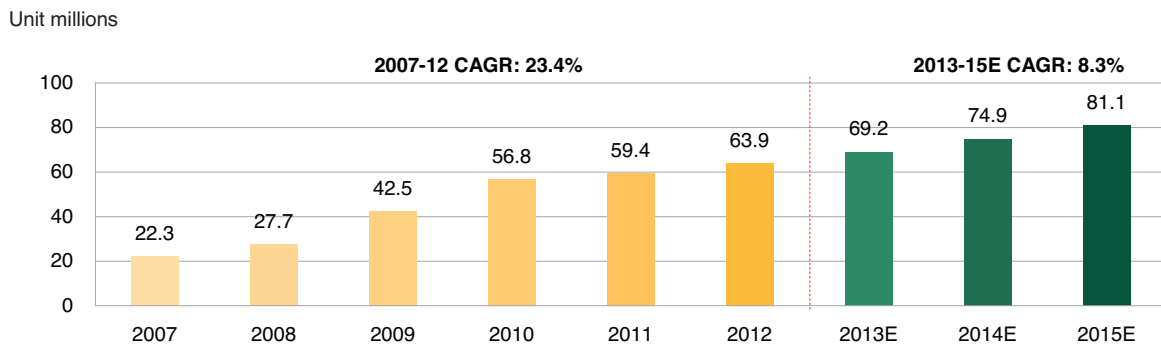
¹ Based on sales volume of steering systems for vehicles.

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OVERVIEW OF THE SUSPENSION PRODUCTS MARKET IN THE PRC

As shown in the chart below, the suspension products market in the PRC grew at a CAGR of 23.4% from 2007 to 2012. The market has primarily been driven by increasing vehicle production volume. In the future, growing implementation of semi-active systems and adaptive suspension systems is also expected to provide some additional growth momentum to the market. The suspension products market in the PRC is expected to grow at a CAGR of 8.3% from 2013 to 2015.

Market Size of PRC Passenger Vehicle Suspension Product Market



Source: Frost & Sullivan, China Association of Automobile Manufacturers

With a higher implementation rate of advanced suspension technologies like adaptive suspension, the suspension system unit price is expected to increase as electronic components (such as sensors) are integrated into the system. This is a future trend in the suspension systems market from which Mando China is expected to benefit. The table below shows the key suppliers in the PRC for suspension products.

Key Suspension Product Suppliers

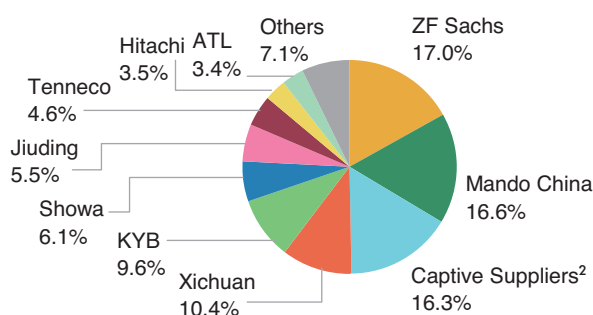
Key Parts	Key Suppliers	Price Range (RMB) ¹
Strut	ZF Sachs, Mando China, Showa, KYB, etc.	100-350
Shock absorber	ZF Sachs, Mando China, KYB, etc.	150-480
Damper spring module for suspension	Independent suppliers like ZF Sachs, Mando China, captive supplier like Huizhong (SAIC)	200-700

¹ Assumed an indicative price range commonly observed. Prices fluctuate according to market conditions, product specifications and technology improvements. Price information has been derived by Frost & Sullivan through interviews with leading automotive vehicle manufacturers and suppliers in the PRC.

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There are two different types of market players in the PRC suspension products market: vehicle manufacturers, captive suppliers and independent suppliers. Huizhong is a key player among captive suppliers and ZF Sachs is the leader among the independent suppliers. Mando China is well positioned as the second largest supplier with an approximately 16.6% market share in 2012 (based on sales volume of suspension systems for vehicles). The chart below shows the market shares in the PRC passenger vehicle suspension products market for 2012:

PRC Passenger Vehicle Suspension Products Market Share for 2012¹



Source: Frost & Sullivan

¹ Based on sales volume of suspension system parts.

² Captive suppliers refer to joint ventures or subsidiaries of vehicle manufacturers, and there are more than 20 captive suppliers in China including Huayu Auto, Huizhong, Fawer, Beijing Monroe and GAC Component.

OVERVIEW OF THE ADVANCED DRIVER ASSISTANCE SYSTEMS MARKET OPPORTUNITY IN THE PRC

As the PRC automotive market has become the largest in the world, the pace of introduction of advanced technology has accelerated under increasingly competitive conditions. Global vehicle manufacturers and parts suppliers are continuously focusing on local research and development investments and transferring their global advanced technologies to the PRC to improve manufacturing quality, provide a more attractive product offering and remain competitive. A higher penetration of advanced technology content within passenger vehicles is anticipated, particularly advanced driver assistance systems (“**ADAS**”) which is experiencing rising penetration in mature markets already. A similar trend is expected in the PRC in coming years, especially for foreign brand and high-end models.

According to Frost & Sullivan, the market size of these advanced technologies in the PRC could reach US\$90 million by 2015. In the near term, it remains to be seen what the exact ADAS strategy of PRC vehicle manufacturers will be. However, Frost & Sullivan believes there will be much market potential for the penetration of ADAS in the PRC, primarily due to tightening safety regulations and an increasing safety awareness among customers.

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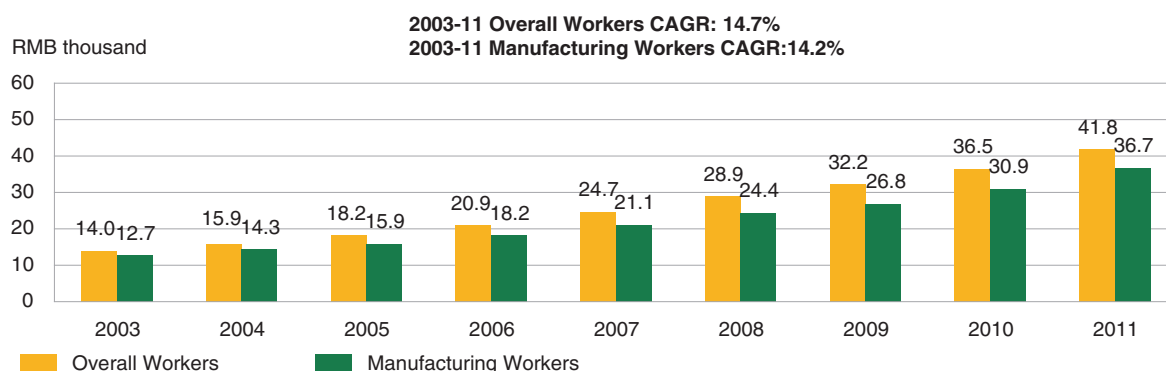
Considering Hyundai-Kia's plans to introduce some ADAS technologies in its future premium models, Mando China (through its access to Mando Korea's advanced technology) is expected to benefit from this trend.

OVERVIEW OF INPUT COSTS FOR AUTOMOTIVE PARTS SUPPLIERS IN THE PRC

The PRC's labor costs have been increasing over the years, from RMB 12,700 per annum of average wages in the manufacturing industry in 2003 to RMB 36,700 in 2011, representing a CAGR of 14.2%.

Furthermore, wages for staff and workers are expected to grow over the near term. The PRC Government recently pledged annual wage gains of 15.0% in its new five-year plan to support domestic consumption. The following chart shows the historical trends in average wages in the PRC manufacturing industry:

Average Wage in Manufacturing Industry

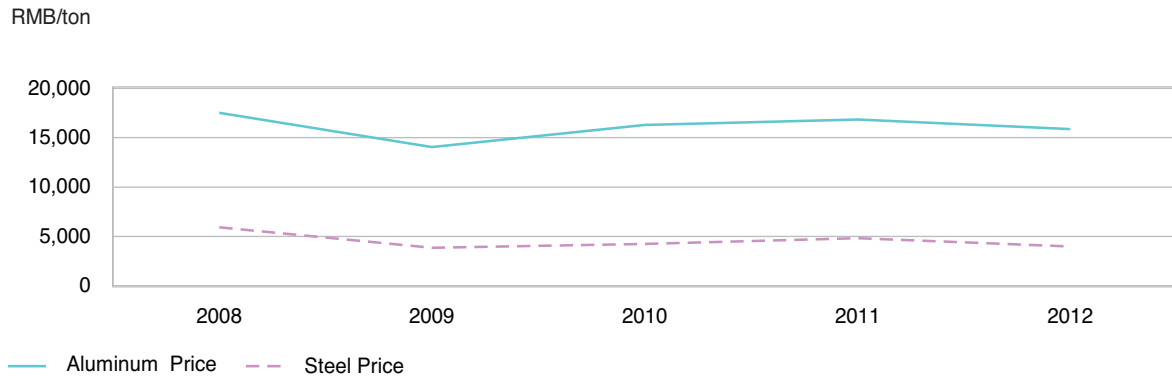


Source: National Bureau of Statistics of China

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Aluminium and steel prices in the PRC have remained relatively stable over the years, driven by regulation of prices by the PRC government. The following chart shows the historical prices in the PRC for aluminium and steel:

Key Raw Material Price Evolution



Source: Shanghai Futures Exchange

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PRC REGULATORY OVERVIEW

We operate our business in the PRC under a legal regime consisting of the laws adopted by the NPC and its Standing Committee, the administrative regulations promulgated by the State Council, the highest administrative body in the PRC and the ministerial decrees adopted by several ministries and agencies directly under the State Council's authority including, among others, the NDRC, the MOT, the MOFCOM, and the SAFE, and local rules promulgated by local governmental authorities at different levels. This section summarizes the material PRC laws and regulations that are relevant to our business.

PRC LAWS AND REGULATIONS RELATING TO THE INDUSTRY

The PRC Government regulates the automotive parts industry primarily through:

- the NDRC;
- the MIIT;
- the State Administration on Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局); and
- the Ministry of Environmental Protection of the PRC (環境保護部).

The above government agencies have different mandates to regulate the PRC automotive parts industry. The NDRC and the MIIT are in charge of making the overall policy and mid- to long-term development plan of the automotive parts industry in the PRC; the State Administration on Quality Supervision, Inspection and Quarantine of the PRC focuses on product quality control; and the Ministry of Environmental Protection of the PRC regulates environmental protection affairs relating to investments in and construction of automotive manufacturing facilities and related manufacturing processes.

In 1994, the National Planning Commission, the predecessor of NDRC, issued the Industrial Policy for the Automobile Industry (汽車工業產業政策) (the “**1994 Industrial Policy**”) as an overall policy guideline for the automobile industry (including the automotive parts industry) in the PRC. Although the 1994 Industrial Policy did not strictly constitute a “law” or “regulation,” it constituted the cornerstone of the overall regulatory regime of the PRC automobile industry. In 2004, NDRC issued the Automobile Industry Development Policy (汽車產業發展政策) to replace the 1994 Industrial Policy for the automotive industry, although certain articles of the Automobile Industry Development Policy have since been terminated by a notice issued jointly by the MIIT and the NDRC in 2009.

The Automobile Industry Development Policy sets forth some guidelines regarding the automotive parts industry with the intention to, among others:

- implement a special development plan for automotive parts, guide and support the production of automotive parts through classification of products, guide public funds in investing in the production of automotive parts, and encourage enterprises with comparative advantages in producing automotive parts to specialize, mass produce and modularize the supply of products;

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- encourage vehicle manufacturers to further specialize in production and to change their internal automotive parts manufacturing units into independent and specialized automotive parts manufacturing enterprises;
- encourage vehicle manufacturers to procure automotive parts from third parties via electronic commerce or internet procurement, on a step-by-step basis;
- support automotive parts manufacturers in establishing research and development institutions and capabilities through tax deductions for investments in the construction of research facilities (provided that such investment complies with the relevant tax provisions on promotion of enterprise technological progress) and support large automotive parts manufacturers in developing advanced automotive parts with proprietary intellectual property; and
- set out filing procedures with the investment administration departments of provincial governments with respect to automotive parts manufacturing-related investment projects.

In March 2009, the General Office of the State Council issued the Restructuring and Rejuvenation Program of the Automobile Industry (汽車產業調整和振興規劃) (the “**Automobile Industry Program**”) as an action plan for omnibus response measures of the PRC automobile industry from 2009 to 2011. The Automobile Industry Program specifies certain objectives, policies and measures in relation to the automotive parts industry as follows:

- boost the restructuring of the automobile industry by encouraging key automotive parts manufacturers to expand their scale of operations through mergers and acquisitions and reorganizations and increase their market share in domestic and overseas markets;
- achieve technological independence for key parts in engines, transmissions, steering systems, braking systems, drivetrain systems, suspension systems and vehicle master control systems and encourage the development of key parts that can improve vehicle performance;
- implement automobile product export strategies and accelerate the construction of national export bases for automobiles and automotive parts;
- improve automobile enterprise reorganization policies and encourage vehicle manufacturing and related automotive manufacturers to jointly develop and manufacture new automobile products and key parts and assemblies; and
- increase investments in technological progress and innovation and develop key parts and assemblies to meet domestic needs, and build platforms for the research and development and testing of common technologies for automobiles and automotive parts.

REGULATORY OVERVIEW

On October 23, 2009, the MOFCOM, the NDRC, the MIIT, the Ministry of Finance of the PRC, the General Administration of Customs of the PRC and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC promulgated the Opinions on Enhancing the Sustainable and Healthy Development of PRC Exports of Automobile Products (關於促進我國汽車產品出口持續健康發展的意見). The Opinion sets forth, among other things, guidelines for promoting PRC automobile product exports and objectives for such export growth, including the shifting of the target market for PRC automotive parts exports from after-service and maintenance markets to the global supply chain for global vehicle manufactures on an original design manufacture and original equipment manufacture basis and accelerating the construction of automotive parts export bases.

The Circular on Further Enhancing the Automobile Sales and Quality Control of Automotive Parts Manufacturing (關於進一步加強汽車銷售行為以及汽車配件質量監管工作的通知) (the “**Quality Control Circular**”) was jointly promulgated by the SAIC, the MOT and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC on July 26, 2010. The Quality Control Circular authorizes local branches of the SAIC, the MOT and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC to jointly establish an automotive parts tracing system to enhance supervision on manufacturing, distribution and usage of automotive parts. Under the Quality Control Circular, local branches of the SAIC are required to enhance their inspection of packaging, branding and quality of automotive parts in the market, in particular, branded automotive parts in distributors’ stores. A penalty may be imposed on an automotive parts distributor if the automotive parts in such distributor’s store does not bear the manufacturer’s information, product name, name of distributor or quality certificate or is not in compliance with the quality standards under applicable laws.

The Law of the PRC on Vehicle and Vessel Tax (中華人民共和國車船稅法) (the “**Law on VVT**”), which was promulgated by the Standing Committee of The National People’s Congress on February 25, 2011, came into effect on January 1, 2012. The Law on VVT replaced the Interim Regulations of the PRC on Vehicle and Vessel Tax (中華人民共和國車船稅暫行條例) and amended the tax rates chart annexed thereto. For vehicles, it divides the vehicle and vessel tax into seven brackets based on the engine capacity of passenger automotive vehicles. In particular, tax on passenger cars with engine capacity (i) of 1.0 liter and below is RMB 60 to RMB 360, (ii) of 1.0 liter to 1.6 liter is RMB 300 to RMB 540, (iii) of 1.6 liter to 2.0 liter is RMB 360 to RMB 660, (iv) of 2.0 liter to 2.5 liter is RMB 660 to RMB 1,200, (v) of 2.5 liter to 3.0 liter is RMB 1,200 to RMB 2,400, (vi) of 3.0 liter to 4.0 liter is RMB 2,400 to RMB 3,600, and (vii) of 4.0 liter and above is RMB 3,600 to RMB 5,400. The Law on VVT further provides that vehicle and vessel tax may be reduced or exempted for vehicles and vessels that contribute to energy conservation or use new energy source. Our Directors believe that the Law on VVT and the Interim Regulations of the PRC on Vehicle and Vessel Tax have not resulted in a material adverse effect on our business and results of operations during the Track Record Period. However, if the PRC Government were to significantly increase the vehicle and vessel tax rates under the Law on VVT in the future, to the extent that such increase in vehicle and vessel tax ultimately reduce end customers’ demand for automotive vehicles in the PRC and our vehicle manufacturer customers correspondingly reduce their production of vehicles, our business and results of operations may be adversely affected. See “Risk Factors — Risks Relating to Our Industry — The cyclical nature of automotive sales and production may result in volatility in our results of operations and adversely affect our business.”

REGULATORY OVERVIEW

Under the Interim Provisions Regulating the Number of Passenger Cars in Beijing (北京市小客車數量調控暫行規定), which was promulgated by the People's Government of Beijing Municipality on December 23, 2010 and became effective as of the same date, the Beijing municipal government takes measures to adjust and control the quantity of vehicles, taking into consideration factors including demand for automotive vehicles, carrying capacity of the roads, environment and others. Organizations and individuals seeking to purchase new automotive vehicles in Beijing are required to apply for authorization through an allotment process that is controlled by the Beijing municipal government. Our Directors believe that these interim provisions have not resulted in during the Track Record Period, and are unlikely to result in, a material adverse effect on our business and results of operations since, among other things, our vehicle manufacturer customers sell their vehicles across various regions in the PRC and not just in Beijing (although these interim provisions may have a negative impact on our sales to vehicle manufacturers with a large portion of sales in Beijing).

The Development Plan for the Energy Conservation and New Energy Automotive (節能與新能源汽車產業規劃(2012-2020)), drafted by the MIIT, was approved by the State Council on June 28, 2012. The Plan provides a specific focus on hybrid and pure-electric vehicles and technology development for power batteries. The plan also provides for improving the independent development system in the production of key components for energy conservation and new energy automotive vehicles and investing in core technologies to build a strong and competitive new-energy vehicle industry. Our Directors believe that the implementation of this development plan will not result in a material adverse effect on our business and results of operations, since as the promotion of hybrid and pure-electric vehicles (which typically utilize automotive parts that require a more advanced level of technology that may not be available from local PRC automotive parts manufacturers) may present opportunities for automotive parts suppliers with access to advanced technologies (such as us) to the extent that they are able to develop new and enhanced products suitable for such hybrid and pure-electric vehicles on a timely and cost-efficient basis.

FOREIGN EXCHANGE LAWS AND REGULATIONS

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations (外匯管理條例). The Foreign Exchange Administration Regulations was enacted by the State Council on January 29, 1996 and implemented on April 1, 1996. On January 14, 1997 and August 5, 2008, the State Council amended the Foreign Exchange Administration Regulations. According to the Foreign Exchange Administration Regulations currently in effect, international payments in foreign currencies and transfer of foreign currencies under current items shall not be restricted. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

On August 29, 2008, the SAFE promulgated the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (“SAFE Circular 142”) regulating the conversion by a foreign-invested enterprise of its foreign currency registered capital into Renminbi. The SAFE Circular 142 provides that the Renminbi fund converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope

REGULATORY OVERVIEW

approved by the applicable governmental authority and may not be used for equity investments within the PRC. The use of such Renminbi fund may not be altered without approval, and such Renminbi fund may not in any case be used to repay any Renminbi loans that were taken out but that have not been utilized. Violations of the SAFE Circular 142 could result in severe monetary penalties.

PRC LAWS REGULATING DIVIDEND DISTRIBUTION

The principal laws governing dividend distributions by our PRC Subsidiaries include the PRC Company Law (中華人民共和國公司法), which was promulgated on December 29, 1993 and became effective on July 1, 1994 and was subsequently amended on December 25, 1999, August 28, 2004 and October 27, 2005. Dividend distribution by wholly foreign-owned enterprises (“WFOE”) and Sino-foreign equity joint ventures (“EJV”) are further governed by the PRC Law Concerning Wholly Foreign-Owned Enterprises (中華人民共和國外資企業法), which was promulgated on April 12, 1986 and revised on October 31, 2000, and its Implementation Regulations (中華人民共和國外資企業法實施細則) promulgated on December 12, 1990 and revised on April 12, 2001, the PRC Law on Sino-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法) promulgated on July 1, 1979 and revised on March 15, 2001 and the Implementation Regulations (中華人民共和國中外合資經營企業法實施條例) promulgated on September 20, 1983 and revised on July 22, 2001.

Under these laws and regulations, PRC companies, including WFOEs and EJVs, may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting principles. In addition, PRC companies, including domestic companies, WFOEs and EJVs are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves are not distributable as cash dividends. Furthermore, EJVs and WFOEs in the PRC may also be required to set aside individual funds for employee welfare, bonuses and development, at the discretion of such PRC companies and as stipulated in their articles of association. These reserves or funds are not distributable as dividends.

TAX LAWS

For a summary of principal applicable PRC tax laws and regulations, see “Taxation — PRC Taxation” in Appendix IV to this prospectus.

ENVIRONMENTAL PROTECTION LAW

The PRC Government has formulated and implemented various environmental protection laws and regulations, including the Environment Protection Law of the PRC (中華人民共和國環境保護法), the Water Pollution Prevention and Control Law of the PRC (中華人民共和國水污染防治法), the Atmospheric Pollution Prevention and Control Law of the PRC (中華人民共和國大氣污染防治法), the Solid Waste Environment Protection and Control Law of the PRC (中華人民共和國固體廢物污染環境防治法), the Environmental Noise Pollution Prevention and Control Law of the PRC (中華人民共和國環境噪聲污染防治法) and the Environmental Impact Evaluation Law of the PRC (中華人民共和國環境影響評價法) (collectively referred to as the “Environmental Laws”).

REGULATORY OVERVIEW

Under the Environmental Laws and relevant regulations, the construction, expansion and operation of automotive parts production facilities are subject to certain government evaluation processes, inspection procedures and approvals. The failure to go through such government processes or procedures or to obtain such government approvals may subject the manufacturer to fines and penalties imposed by the relevant PRC environmental authorities.

The Environmental Laws also impose fees for the discharge of waste substances, permit the imposition of fines and compensation liability for the improper discharge of waste substances and serious environmental offences. The PRC environmental authorities may, at their discretion, close any facility that fails to comply with orders requiring it to correct or stop operations causing environmental damage.

PRODUCTION SAFETY LAW

The PRC Production Safety Law (中華人民共和國安全生產法), which became effective on November 1, 2002 and was amended on August 27, 2009, is the principal law governing the supervision and administration of production safety in the PRC. The law provides that production entities must meet the relevant legal requirements such as providing training and handbooks on production safety to its employees and maintaining safe working conditions as set out in the relevant laws, rules and regulations. Any production entities that cannot provide the required safe working conditions may not engage in production activities. Violation of the PRC Production Safety Law may result in the imposition of fines, penalties, suspension of operations and order to cease operations as well as potential criminal liabilities in severe cases.

Under the PRC Production Safety Law, the State Administration of Work Safety (國家安全生產監督管理總局) is responsible for the overall supervision and management of production safety nationwide, while the departments in charge of safety at the county level or above are responsible for the overall supervision and management of production safety within their own jurisdictions.

PRODUCT LIABILITY LAW

Manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. Under the General Principles of the Civil Laws of the PRC (中華人民共和國民法通則), which became effective on January 1, 1987, a defective product which causes property damage or physical injury to any person can subject the manufacturer or retailer of such product to civil liability for such damage or injury.

In 1993, relevant provisions under the General Principles of the Civil Laws of the PRC were further supplemented by the Product Quality Law of the PRC (amended in 2000) (中華人民共和國產品質量法) and the Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法), which were enacted to protect the legitimate rights and interests of end-users and consumers and to strengthen the supervision and control of the quality of products. Under these laws, if products purchased by consumers do not have the required function, do not conform to the standards specified in the products or on the package, or do not conform to the quality standards as indicated by samples or manuals, the sellers will be responsible for the repair, exchange, or refund of the purchase price of the sub-standard products and for compensation to the consumers for their losses (if any).

REGULATORY OVERVIEW

However, in the event that the producers are held liable for the sub-standard products, the sellers are entitled to seek reimbursement from the producers for compensation paid by the sellers to the consumers. If the products are defective and cause any personal injuries or damage to assets, the consumers have the option to claim compensation from the producers or sellers. Sellers who have already compensated the consumers are entitled to claim reimbursement from the producers who should bear the liability.

PROPERTY LAWS

The properties we lease and own in the PRC are subject to the Property Law of the PRC (中華人民共和國物權法) which was promulgated on March 16, 2007 and became effective on October 1, 2007. Pursuant to the Property Law, property rights are the exclusive rights with respect to a specific property, which include ownership, usufruct rights and security rights to the property; except as otherwise provided by law, any creation, modification, transfer or termination of immovable property rights becomes effective only upon registration in accordance with the relevant laws. Ownership of all lawful properties of the state, collective organizations and individuals are protected by the Property Law.

The Land Administration Law of the PRC (中華人民共和國土地管理法) was promulgated by the Standing Committee of the NPC on June 25, 1986, became effective on January 1, 1987, and was amended on December 29, 1988, August 29, 1998 and August 28, 2004. According to the Land Administration Law, land within the territory of the PRC fall into two categories: state-owned land and collectively-owned land. The right to use state-owned land can be obtained through either government allocation or grant upon payment of appropriate grant fees. The Land Administration Law further provides that any construction must be conducted on state-owned land except as otherwise permitted under the law. Collectively-owned lands may not be granted, assigned or leased for use of construction that is unrelated to agriculture unless otherwise permitted under the law. Violation of the Land Administration Law may result in facilities built thereon being demolished and related businesses being forced to move to other locations.

Administrative Measures for Commercial Housing Leases (商品房屋租賃管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (住房和城鄉建設部) on December 1, 2010, which became effective on February 1, 2011, provides that illegal properties cannot be leased. Further, under the Administrative Measures for Commercial Housing Leases and the Urban Real Estate Administration Law of the PRC (中華人民共和國城市房地產管理法) promulgated by the Standing Committee of the NPC on July 5, 1994, which became effective on January 1, 1995 and as amended on August 30, 2007 and August 27, 2009, a lease is required to be filed with the real estate administrative department.

CONSTRUCTION LAWS

The Law of the PRC on Urban and Rural Planning (城鄉規劃法) (the “**Urban and Rural Planning Law**”) was promulgated by the Standing Committee of the NPC on October 28, 2007 and became effective on January 1, 2008. To construct buildings, structures, roads, pipelines and other works in an area covered by the plan of a city or town, the developer shall apply for a Construction Planning Permit (建設工程規劃許可證).

REGULATORY OVERVIEW

Where a developer engages in construction without obtaining the Construction Planning Permit or without complying with the provisions in such permit, it may be ordered to cease construction by the department in charge of urban and rural planning under the local government at or above the county level. If rectification to eliminate the impact from construction is possible, it may be ordered to make rectification within a time limit and be fined not less than 5% but not more than 10% of the cost of the construction project; otherwise, it may be ordered to demolish the constructed work within a time limit and if the constructed work cannot be demolished, the constructed work or the developer's unlawful income may be confiscated, and it may in addition be fined not more than 10% of the cost of the construction project.

The Construction Law of the PRC (建築法) (the “**Construction Law**”) was promulgated by the Standing Committee of the NPC on November 1, 1997 and became effective on March 1, 1998, and was amended on April 22, 2011. According to the Construction Law, prior to commencement of construction projects (other than projects below the threshold value set by the competent construction administrative department under the State Council and projects for which a Construction Commencing Report has been obtained), construction companies shall apply for a Construction License (建築工程施工許可) from the competent construction administrative departments at or above the county level. Companies that commence construction without a Construction License or a Construction Commencing Report will be ordered to rectify the incompliance; if the statutory conditions for commencing construction are not satisfied, such companies will be ordered to cease the construction and may also be subject to a fine.

REGULATION OF INVESTMENT PROJECTS

Pursuant to the Decision of the State Council on the Reform of Investment System (國務院關於投資體制改革的決定), which came into effect on July 16, 2004, investment projects, depending on whether or not they are government funded, the industry of the project and the amount of investment, will be subject to verification by or filing with the investment regulatory authority of the State Council, which in practice is under the regulation of the NDRC, or its local branches. Pursuant to the Verification and Approval of Foreign Investment Projects Tentative Administrative Procedures (外商投資項目核准暫行管理辦法), which was promulgated by the NDRC on October 9, 2004, and the Notice of the NDRC on Delegating Powers on Approval of Foreign Investment Projects to Authorities at Lower Levels (國家發展改革委關於做好外商投資項目下放核准權限工作的通知), which was issued by the NDRC on May 4, 2010, with respect to foreign investment projects, (i) projects with a total investment amount of US\$300 million or more that fall within “encouraged” or “permitted” categories for foreign investments under the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) (the “**Catalogue**”) and (ii) projects with a total investment amount of US\$50 million or more that fall within the restricted category for foreign investments are subject to verification by the central NDRC, while other projects are subject to verification by local NDRC. For projects that fall within the “prohibited” category for foreign investments, no foreign investments are allowed. In order to obtain verification from central NDRC for the proposed investment project, written opinions on the environmental impact assessment issued by the provincial or PRC central administrative authority for environmental protection, written opinions on the planned location issued by the provincial planning department and written opinions on the pre-examination on the use of land for the project issued by the provincial or PRC central land and resources department, together with other required documents, need to be submitted.

REGULATORY OVERVIEW

The Catalogue was promulgated on June 28, 1995 and the most recently amended version of the Catalogue became effective on January 30, 2012. Pursuant to the Catalogue, the automotive parts manufacturing industry falls within the encouraged and permitted categories for foreign investments.

OUR HISTORY AND REORGANIZATION

GENERAL

We were incorporated in Korea as a stock corporation by Mando Korea on August 20, 2012. We are primarily engaged in supplying chassis-related automotive parts, mainly brake, steering and suspension components and systems, to global and local vehicle manufacturers operating in the PRC.

HISTORY AND DEVELOPMENT

Our Corporate History

The business of Mando Korea, our Controlling Shareholder, has its origins in Hyundai International Inc., which was established in 1962 by the late Mr. Chung, In Young, a brother of the founder of Hyundai-Kia, and which entered the automotive parts industry in 1969 with the construction of a shock absorber manufacturing plant. In 1980, the automotive parts manufacturing operations of Hyundai International Inc. were transferred to Mando Machinery Corporation, the predecessor of Mando Korea, which was originally established in 1968. In 1988, Mando Machinery Corporation became a public company through an initial public offering and listing of its common shares on the Korea Exchange. Throughout the 1980s and 1990s, Mando Machinery Corporation expanded from a Korea-based automotive parts supplier to a global player including operations in the PRC (which began in the mid-1990s), Turkey, India, United States, Malaysia and Europe.

Due to financial difficulties faced by Mando Machinery Corporation and its affiliates during the Asian financial crisis beginning in 1997, Mando Machinery Corporation applied for formal composition proceedings in Korea in 1997 and simultaneously began negotiations with its major creditors to restructure its debt. In 1998, the commencement of composition proceedings was consented to by its creditors and approved by the court, pursuant to which Mando Machinery Corporation's debt was written off by its creditors and various assets and businesses of Mando Machinery Corporation, including those relating to automotive parts operations other than brake, steering and suspension products, all non-automotive business operations and interests in certain joint ventures and subsidiaries, were divested to third party buyers. As a result, Mando Machinery Corporation was restructured to focus on its core automotive parts business of manufacturing and selling brake, steering and suspension components and systems, and its shares were subsequently delisted from the Korea Exchange in February 2000. In November 1999, Mando Korea was established by Chase Asia Investment Partners L.P. to acquire and continue operating the core brake, steering and suspension components and systems businesses of Mando Machinery Corporation, which were transferred to Mando Korea in December 1999. In December 1999, a consortium of overseas financial investors acquired a majority stake in Mando Korea.

In March 2008, a consortium comprising Halla Engineering & Construction Corporation, KCC Corporation, Korea Development Bank and Hambrecht & Quist (Asia Pacific) acquired the majority stake in Mando Korea held by the consortium of overseas financial investors. As a result, Mando Korea became a member company of the Halla Group, and Mr. Chung, Mong Won, the son of Mando Machinery Corporation's founder and a first cousin of Mr. Chung, Mong Koo, the current chairman of Hyundai-Kia, became Mando Korea's chairman. On May 19, 2010, Mando Korea became a public company through an initial public offering and listing of its common shares on the Korea Exchange. Mando Korea does not hold any shares in any Hyundai-Kia company and, to the best of our knowledge

OUR HISTORY AND REORGANIZATION

and based on publicly available information, no shares of Mando Korea are currently held by any Hyundai-Kia company. Mr. Chung, Mong Koo, a first cousin of Mando Korea's chairman as discussed above, is currently the chairman and a director of Hyundai Motor Company and Mr. Chung, Eui Sun (the son of Mr. Chung, Mong Koo) is currently the vice chairman and a director of Hyundai Motor Company and a director of Kia Motors Corporation. Based on publicly available information, Mr. Chung, Mong Koo and Mr. Chung, Eui Sun are key controlling shareholders of Hyundai Motor Company and Kia Motor Corporation through their direct and indirect shareholdings in various Hyundai-Kia group companies and, as of December 31, 2012, Mr. Chung, Mong Koo directly held a 5.17% equity stake in Hyundai Motor Company and Mr. Chung, Eui Sun directly held a 1.74% equity stake in Kia Motor Corporation. Except as described above, there is no family or other significant relationship between the members of the board of directors of Mando Korea and the Company, on the one hand, and Hyundai Motor Company and Kia Motor Corporation on the other hand.

In connection with the Global Offering, Mando Korea transferred its automotive parts manufacturing operations in the PRC to us as part of the Reorganization. Immediately following the completion of the Reorganization, Mando Korea became our sole shareholder and we became the direct owner of all equity interests previously held by Mando Korea in the PRC Subsidiaries. For details of the Reorganization, see "Our History and Reorganization — Reorganization."

Our Group

As of the Latest Practicable Date, our Group comprises our Company and the eight PRC Subsidiaries, consisting of Mando Suzhou, Mando Beijing Chassis, Mando Tianjin, Mando Harbin, Mando Beijing R&D, Mando Beijing Trading, Mando Ningbo and Mando Shenyang.

Set out below is a table showing the principal business activities of the PRC Subsidiaries:

Name of the PRC Subsidiary	Principal businesses
1. Mando Suzhou	Manufacture and sale of chassis-related automotive parts, primarily relating to brake and steering components and systems
2. Mando Beijing Chassis	Manufacture and sale of chassis-related automotive parts, primarily relating to brake and suspension components and systems
3. Mando Tianjin	Manufacture and sale of iron casting products, primarily to support our chassis-related automotive parts manufacturing operations and also to manufacture third-party automotive and mechanical parts to order
4. Mando Harbin	Manufacture and sale of chassis-related automotive parts, primarily relating to brake components and systems
5. Mando Beijing R&D	Research and development of chassis-related automotive technology, including the application of advanced technologies licensed by our Group

OUR HISTORY AND REORGANIZATION

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| 6. | Mando Beijing Trading | Marketing and customer relationship management |
| 7. | Mando Ningbo | Manufacture and sale of chassis-related automotive parts, primarily relating to brake and suspension components and systems |
| 8. | Mando Shenyang | Manufacture and sale of chassis-related automotive parts, primarily relating to brake components and systems |

OUR BUSINESS MILESTONES

Set out below are the key milestones of our Group's business:

- | | |
|------|--|
| 1994 | Mando Machinery Corporation established a joint venture with Langfang Braking Air Compressor Factory Corporation and Lucas Corporation in the PRC. |
| 2002 | Mando Suzhou, our wholly-owned subsidiary, and Mando Harbin, our wholly-owned subsidiary (previously a joint venture with Hafei in which we owned an 80% equity interest), were incorporated in the PRC. |
| 2003 | We expanded our operations in the PRC with the incorporation of Mando Beijing Chassis and Mando Beijing R&D, our wholly-owned subsidiaries.

We commenced basic assembly of booster, caliper and suspension products at our Beijing plant.

We opened our Beijing research and development center commenced activities focusing on localized design for the PRC market, validation and basic technology research. |
| 2004 | Mando Tianjin, our wholly-owned subsidiary, was incorporated in the PRC to support our operations through the manufacturing of iron casting products.

Our Beijing plant installed a full assembly line for conventional brake systems and suspension products and an assembly line for booster products.

We commenced production of steering products at our Suzhou plant.

We opened laboratory facilities at our Beijing research and development center.

We commenced production of brake corner modules and booster products at our Harbin plant. |
| 2005 | Our Beijing plant installed a machining line for calipers. |

OUR HISTORY AND REORGANIZATION

2006 Mando Beijing Chassis received the “Supplier of the Year” award from Shanghai General Motors Co., Ltd. and Mando Suzhou and Mando Tianjin received ISO/TS 16949 certification.

Our Tianjin plant commenced mass production of iron casting products, consisting primarily of calipers and carriers for brake products.

Mando Beijing Chassis received ISO/TS 16949 certification.

2007 Mando Beijing Chassis received ISO 14001 and OHSAS 18001 certifications and Mando Suzhou received the “Quality 5 Star Certification” from Dongfeng Kia.

Mando Beijing Trading, our wholly-owned subsidiary, was incorporated in the PRC to support our operations through sales and marketing activities and trading activities.

2008 Mando Beijing Chassis received the “Quality 5 Star Certification” from Beijing Hyundai.

2009 Mando Suzhou received the “Best Supplier” award from Dongfeng Kia, Mando Beijing Chassis received the “Supplier of the Year” award from Shanghai General Motors Co., Ltd. and Mando Suzhou received the “Best Cooperation” award from Shanghai General Motors Co., Ltd.

2011 Mando Ningbo, a joint venture in which we own a 65% equity interest and Geely Jirun owns a 35% equity interest, was incorporated in the PRC pursuant to our strategic relationship with Geely Jirun.

We commenced production of suspension products and brake corner modules at our Ningbo plant.

Mando Beijing Chassis received the “Best Supplier” award from Beijing Hyundai.

Mando Tianjin received ISO 14001 and OHSAS 18001 certifications.

Mando Ningbo received ISO/TS 16949 certification.

2012 Our Ningbo plant commenced production of brake products.

Mando Shenyang, our wholly-owned subsidiary, was incorporated in the PRC.

As of the Latest Practicable Date, we owned five manufacturing plants and a research and development center in the PRC through the PRC Subsidiaries. For details on capital injections and reductions and capitalization of retained earnings of the PRC Subsidiaries, see Note 14 of the notes to the consolidated financial statements included in Appendix I to this prospectus.

OUR HISTORY AND REORGANIZATION

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

Our Directors consider Hong Kong to be a suitable place for listing as they believe that, with a number of comparable companies in the automotive industry already listed on the Hong Kong Stock Exchange and the business and operations of our Group being primarily located, managed and conducted in the PRC, a listing in Hong Kong will not only contribute to opportunities for future fund-raising but also provide better synergy for our Group in terms of branding and raising our corporate profile.

REORGANIZATION

Prior to the Reorganization, all of the equity interests in our key operating companies, namely the PRC Subsidiaries, were held by Mando Korea, our Controlling Shareholder, and its joint venture partners (in the case of Mando Harbin and Mando Ningbo). Apart from those key operating companies in our Group, Mando Korea Group also operates other businesses in the PRC which our Directors believe do not directly compete with our business. For details, please see “Relationship with Mando Korea — PRC businesses retained by Mando Korea Group.” Following our incorporation in August 2012 and in preparation for the Global Offering, we commenced our corporate reorganization so that all of the equity interests held by Mando Korea in the PRC Subsidiaries were transferred to us, in compliance with all applicable laws and regulations and with all necessary approvals from the regulatory authorities in the PRC and Korea. We are not required to obtain approvals from the shareholders of Mando Korea or the Korea Exchange in respect of the Reorganization or the Global Offering.

As part of the Reorganization, the following occurred:

- (1) Mando Korea completed the transfer of its 100% equity interests in Mando Suzhou to us for the consideration of newly issued Shares equivalent to RMB 2,340,289,466.42 on November 1, 2012;
- (2) Mando Korea completed the transfer of its 100% equity interests in Mando Beijing Chassis to us consideration of newly issued Shares equivalent to RMB 2,872,752,841.36 on October 22, 2012;
- (3) Mando Korea completed the transfer of its 80% equity interests in Mando Harbin to us for the consideration of newly issued Shares equivalent to RMB 192,328,513.76 on October 22, 2012;
- (4) Mando Korea completed the transfer of its 100% equity interests in Mando Tianjin to us for the consideration of newly issued Shares equivalent to RMB 277,842,435.84 on October 31, 2012;
- (5) Mando Korea completed the transfer of its 65% equity interests in Mando Ningbo to us for the consideration of newly issued Shares equivalent to RMB 256,744,990.15 on November 5, 2012;

OUR HISTORY AND REORGANIZATION

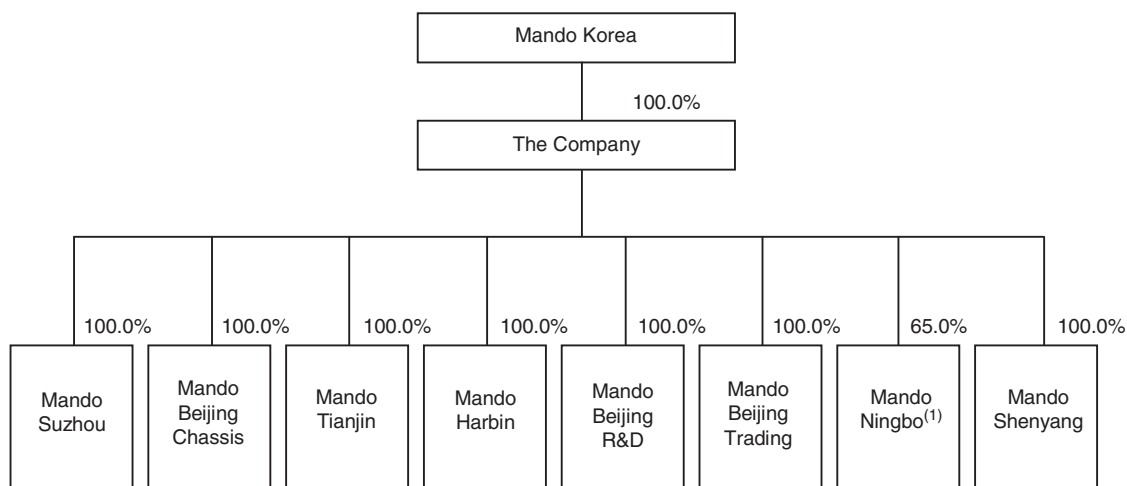
- (6) Mando Korea completed the transfer of its 100% equity interests in Mando Beijing R&D to us for the consideration of newly issued Shares equivalent to RMB 62,295,366.83 on October 26, 2012;
- (7) Mando Korea completed the transfer of its 100% equity interests in Mando Beijing Trading to us for the consideration of newly issued Shares equivalent to RMB 6,783,762.85 on October 29, 2012;
- (8) Mando Korea completed the transfer of its 100% equity interests in Mando Shenyang to us for the consideration of newly issued Shares equivalent to RMB 59,333,976.00 on November 5, 2012; and
- (9) Hafei completed the transfer of its 20% equity interest in Mando Harbin to us for the consideration of RMB 31,856,600 on March 5, 2013.

The consideration for each of the transfers of equity interests listed in items (1) through (8) above was determined with reference to a valuation report prepared by an independent valuer in accordance with applicable Korean laws. The consideration for the transfer of equity interest listed in item (9) above was determined with reference to a valuation report prepared by an independent valuer in accordance with applicable PRC laws.

OUR HISTORY AND REORGANIZATION

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

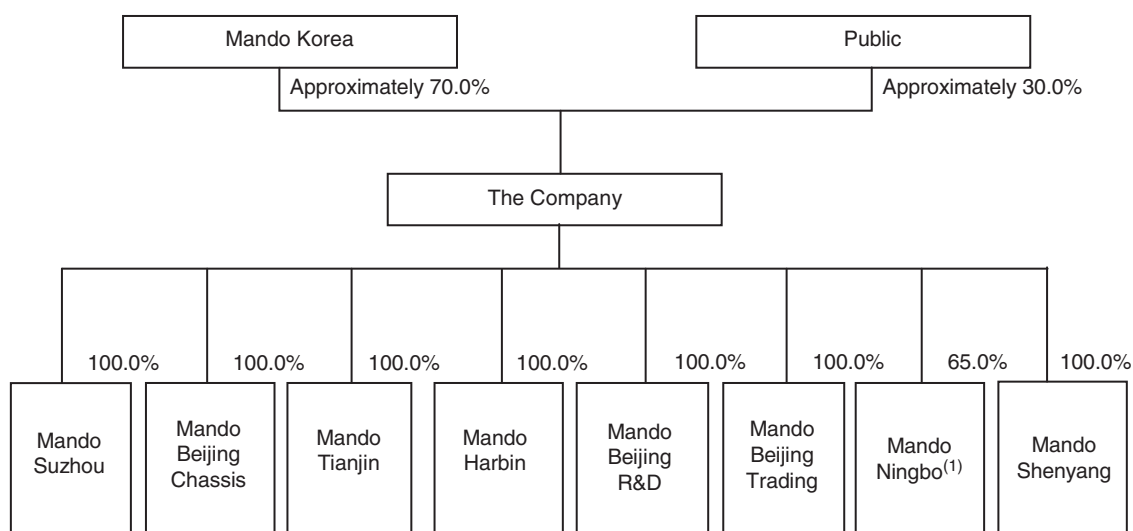
The following diagram sets forth the shareholding structure of our Group immediately prior to the Global Offering:



(1) Mando Ningbo is owned 65.0% by us and 35.0% by Geely Jirun.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following diagram sets forth the shareholding structure of our Group immediately following the Global Offering:



(1) Mando Ningbo is owned 65.0% by us and 35.0% by Geely Jirun.

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OVERVIEW

We are one of the leading suppliers in the PRC of chassis-related automotive parts, primarily brake, steering and suspension components and systems. According to Frost & Sullivan, our share of and ranking in the PRC market, estimated based on sales volume for the year ended December 31, 2012, was 8.3%, or fourth, for brake products, 11.2%, or third, for steering products and 16.6%, or second, for suspension products. Our customer base includes the PRC operations of some of the world's largest vehicle manufacturers, such as Hyundai-Kia and General Motors, as well as major local PRC vehicle manufacturers such as the Geely Companies and Changan. We have established a substantial presence in the PRC with a network of five manufacturing facilities and a research and development center operated by our wholly-owned subsidiaries and joint ventures strategically located throughout the PRC. We supply products to our customers principally on an original equipment manufacture basis.

We have become a key player in the PRC automotive parts industry by leveraging our competitive strengths, including our high quality and diverse chassis-related product portfolio, our strong relationships with global and local vehicle manufacturers operating in the PRC, our efficient operating platform and competitive cost structure, our strong technological capabilities building on our access to Mando Korea's extensive technology portfolio, and our experienced and committed management team. Our products are engineered to meet and exceed the stringent standards of our vehicle manufacturer customers, and we believe that we are widely recognized in the industry for our commitment to quality and our extensive technical expertise. For example, we received the highest quality certification level award, the "Quality 5 Star Certification," from Dongfeng Kia in 2007 and from Beijing Hyundai in 2008, while also receiving the "Best Supplier" award from Dongfeng Kia in 2009 and from Beijing Hyundai in 2011. In addition, from Shanghai General Motors Co., Ltd., we received "Supplier of the Year" awards in 2006 and 2009 as well as the "Best Cooperation" award in 2009.

Our total revenue increased at a CAGR of 19.4% from RMB 4,388 million in 2010 to RMB 6,259 million in 2012 and our EBITDA increased at a CAGR of 4.9% from RMB 818 million in 2010 to RMB 900 million in 2012.

We were incorporated in August 2012 as a holding company for the PRC operations of Mando Korea. We are a wholly-owned subsidiary of Mando Korea, and will remain a majority-owned subsidiary of Mando Korea after the Global Offering as it is the current intention of Mando Korea to retain majority control over us following the completion of the Global Offering. See "Our History and Reorganization."

BUSINESS

COMPETITIVE STRENGTHS

The following competitive strengths have contributed to our success and we believe will continue to help us compete and expand in the growing automotive parts industry in the PRC:

One of the leading suppliers of quality chassis-related automotive parts in the PRC.

As an early entrant into the industry with the establishment of our predecessor's automotive parts business in the PRC in the mid-1990s, we have become one of the leading suppliers of quality chassis-related automotive parts, which predominantly include brake, steering and suspension components and systems, to vehicle manufacturers in the PRC. We have sold the following number of units of our key brake, steering and suspension products for the periods indicated:

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(thousands of units sold)</i>		
Product Category			
Brake products:			
Electronic ⁽¹⁾	969	1,127	1,052
Conventional ⁽²⁾	5,702	8,242	10,763
Steering products:			
Electronic ⁽³⁾	—	42	213
Conventional ⁽⁴⁾	2,255	2,699	3,069
Suspension products ⁽⁵⁾	6,464	7,861	10,580
Total	15,390	19,971	25,677

(1) Includes anti-lock brake systems, electronic stability control systems and electronic parking brakes.

(2) Includes master cylinders and boosters, caliper brakes, drum brakes and brake corner modules.

(3) Includes electric power steering systems.

(4) Includes manual rack and pinion steering gear boxes and power rack and pinion steering gear boxes and columns.

(5) Includes shock absorbers, suspension struts and damper spring modules.

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According to Frost & Sullivan, we had the following share of the estimated PRC market for each of our major product categories, in 2012:

	<u>Market Share⁽¹⁾</u>
Product Category	
Brake products	8.3%
Steering products	11.2%
Suspension products	16.6%

Source: Frost & Sullivan

(1) Market share based on sales volume.

We have established manufacturing facilities in several strategic locations in the PRC where our key customers are also located, namely, Beijing, Suzhou, Harbin, Tianjin and Ningbo, and had 2,548 employees as of December 31, 2012.

We believe our leadership status achieved through our long-term presence in the PRC, our production capacities and our high quality and diverse chassis-related automotive parts offered at competitive prices has enabled us to gain the trust of leading global and local vehicle manufacturer customers and win recurring orders, and thereby maintain our position as the supplier of choice for our customers. We believe our leadership status also allows us to have greater bargaining power with our own suppliers both in terms of procurement cost and stability of supplies.

High quality and diverse chassis-related product portfolio designed to meet our customers' stringent product qualification standards.

Our chassis-related automotive parts products are critical components for which vehicle manufacturers demand stringent product qualification standards due to, among other reasons, increasing regulatory and consumer concern for enhanced safety and fuel efficiency. We focus on developing and manufacturing products with enhanced safety, performance and durability. We conduct extensive track testing of our automotive parts products, including winter testing at a track facility in Heihe. In addition, we operate testing lab centers in Beijing and Suzhou to ensure product quality and subject our products to rigorous quality testing procedures such as high temperature endurance, torque endurance and vibration endurance. We also require many of our suppliers to go through similar raw

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material testing procedures. See “Business — Quality Control.” We believe our products are well recognized by our customers for their excellence in quality that meets their stringent product qualification processes. For example, we have received the following awards from our key customers:

Award	Customer	Year
Supplier of the Year.....	Shanghai General Motors Co., Ltd.	2006
Quality 5 Star Certification	Dongfeng Kia	2007
Quality 5 Star Certification	Beijing Hyundai	2008
Best Supplier	Dongfeng Kia	2009
Supplier of the Year.....	Shanghai General Motors Co., Ltd.	2009
Best Cooperation.....	Shanghai General Motors Co., Ltd.	2009
Best Supplier.....	Beijing Hyundai	2011

We maintain the high production quality of our products by utilizing our extensive manufacturing know-how. Furthermore, with the exception of our newly constructed Ningbo plant (which has been certified to comply with ISO/TS 16949 and for which we plan to undertake the other certification processes in the near future), our quality, safety and environmental management systems in our manufacturing facilities have been certified to comply with ISO/TS 16949 and ISO 14001, respectively. We believe our high quality product offering, together with our leading market position, leads to continued demand for our products resulting from the trust of vehicle manufacturer customers in our products as well as cross referrals from global vehicle manufacturers that have production facilities in the PRC.

Diversified and expanding customer base and strong relationships with global and local vehicle manufacturers operating in the PRC.

As of December 31, 2012, we had a diversified customer base with our products being sold to more than 20 vehicle manufacturers in the PRC. We have been able to secure and maintain customers in different market segments within the PRC automotive industry, and currently supply automotive parts across the price spectrum, from parts for low price, smaller vehicles to those for higher price, larger vehicles, and across a range of local vehicle manufacturers (such as the Geely Companies, Changan, Chery, Hafei Motor Co., Ltd. (“**Hafei**”), Brilliance Zhonghua Automobile Co. (“**Brilliance**”), SAIC Motor Co., Ltd. (“**SAIC Motor**”), SAIC-GM-Wuling Automobile Co., Ltd. (“**SGMW**”) and BYD Auto Co., Ltd. (“**BYD**”)) and the PRC operations of global vehicle manufacturers (such as FAW-Volkswagen Automotive Company (“**FAW-Volkswagen**”), Shanghai Volkswagen Automotive Co., Ltd. (“**Shanghai Volkswagen**”) and GAC Mitsubishi Co. (“**GAC Mitsubishi**”), in addition to our key customers Beijing Hyundai, Dongfeng Kia and Shanghai GM). In addition, with our research and development efforts to develop new product lines which are tailored for local vehicle manufacturers, we believe we are well positioned to secure new orders from both global and local vehicle manufacturers operating in the PRC.

In particular, we have close relationships with Beijing Hyundai and Dongfeng Kia, as we have been their primary supplier of chassis-related automotive parts since their entry into the PRC in the early 2000s. Since 2005, we have also been successful in developing a broader customer base and have secured Shanghai GM as one of our key customers. In addition, we entered into a strategic joint venture with Geely Jirun in 2011 to establish Mando Ningbo, which currently manufactures and supplies automotive parts to the Geely Companies.

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The table below sets forth the percentages of revenue contributions from Beijing Hyundai, Dongfeng Kia, Shanghai GM and the Geely Companies for the periods indicated:

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(as a percentage of total revenue)</i>		
Customer			
Beijing Hyundai	40.6%	33.3%	27.9%
Dongfeng Kia	19.8	21.6	23.3
Shanghai GM	16.0	14.1	13.1
Geely Companies	1.3	5.0	9.3
Others ⁽¹⁾	22.3	26.0	26.4
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Includes Chery, Changan, Hafei and Mando Korea, among others.

With Hyundai-Kia experiencing enhanced brand recognition over the last several years in the PRC as well as globally, we believe that the brand awareness of the associated automotive parts suppliers has increased as well, which we believe has enabled us to enhance our ability to win orders from other global vehicle manufacturers. The following table sets forth the PRC passenger vehicle market shares, based on number of vehicles sold, of Beijing Hyundai, Dongfeng Kia and Shanghai GM for the periods indicated:

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(market share based on vehicles sold, in percentages)</i>		
Customer			
Beijing Hyundai	5.1%	5.1%	5.5%
Dongfeng Kia	2.4	3.0	3.1
Shanghai GM	7.3	8.2	8.8

Source: Frost & Sullivan, China Association of Automobile Manufacturers

Given the concentration of the automobile industry and the relatively high entry barriers to acquiring new vehicle manufacturer customers in light of the direct impact that automotive parts have on the safety and performance quality of vehicles and the resulting reluctance of vehicle manufacturers to work with new parts suppliers, we believe that it is not uncommon within the automotive parts industry for a parts manufacturer to rely on a few major customers in its home market with whom it has historical relationships. We further believe that we have been successful in diversifying our customer base over the years, reducing our reliance on our major customers and thus mitigating the risks associated with such reliance, and we intend to continue our efforts to increase sales to diverse customers. For example,

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building on the strength of our proven track record with Beijing Hyundai, Dongfeng Kia and Shanghai GM, we have also secured supply contracts with other global and local vehicle manufacturers in the PRC, including FAW-Volkswagen, GAC Mitsubishi, FAW Car Co., Ltd. (“**FAW**”), SAIC Motor, Changan, the Geely Companies and Chery.

We believe that our diverse customer base, which encompasses the PRC operations of some of the largest global vehicle manufacturers as well as local PRC manufacturers, places us in a strong position to secure additional supply contracts from existing customers as they continue to expand their own production capacities in the PRC.

Efficient operating platform and competitive cost structure.

We have an efficient operating platform encompassing a network of manufacturing, research and development and testing facilities. Our manufacturing facilities are strategically located in close proximity to our customers and suppliers in multiple regions across the PRC, which we believe provides us with an advantage in production costs and reduces our working capital requirements while also allowing us to more effectively support our customers. For example, our manufacturing facilities in Beijing and Tianjin in the North Region are located close to our customers such as Beijing Hyundai and potential customers such as Beijing Changan, Tianjin FAW Xiali Automobile Co., Ltd., Tianjin FAW Toyota Motor Co., Ltd. and Great Wall Motors Co., Ltd.; our manufacturing facilities in Harbin in the Northeast Region are located close to FAW, FAW-Volkswagen, Brilliance, Hafei, Chery and Shanghai GM (Shenyang) Norsom Motors Co., Ltd.; and our manufacturing facilities in Suzhou in the East Region are located close to Dongfeng Kia, Shanghai General Motors Co., Ltd., SAIC Motor, Shanghai Volkswagen, Chery, the Geely Companies and Jianghuai Automobile Co., Ltd. (“**JAC**”). Due to our large scale of operations, some of our key suppliers have also established their facilities in close proximity to our sites. For example, in our Beijing facilities, most of our key suppliers are located in close proximity to our manufacturing site. By establishing our facilities in these key locations, we are able to (i) reduce the costs associated with the warehousing of components and completed goods, which are important cost components of our products, and (ii) minimize the lag time in responding to our customers’ product orders.

In addition, we strive to implement advanced logistics and production systems through a combination of semi to fully automated manufacturing facilities in close proximity to our customers and suppliers and product standardization. We believe that such systems have assisted us in mitigating the impact of rising labor costs and shortening raw material order time from our suppliers as well as shortening completed goods delivery time to our customers, which has also enabled us to manage our inventory levels more effectively.

Strong technological capabilities building on our access to Mando Korea’s extensive technology portfolio.

Through the irrevocable licenses granted to us to use Mando Korea’s intellectual property rights as well as intellectual property jointly owned by Mando Korea and us, we have access to the extensive technology portfolio of Mando Korea. We believe that Mando Korea is widely recognized in the automotive parts industry for its technology, know-how and research and development capabilities relating to chassis-related automotive parts. Building on access to such technology from Mando Korea, our ability to develop and introduce advanced automotive components and systems in the PRC market

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is further enhanced by our research and development activities. These activities focus on “local differentiated design,” which includes the application of advanced technologies relating to our products (mostly those relating to electronic brake, steering and suspension products that are developed by Mando Korea) and/or the development of more advanced conventional brake, steering and suspension products with improved capabilities, in each case to fit the particular demands and needs of vehicle manufacturers in the PRC, as well as the development of optimized “low-cost designs” of existing products which can be manufactured using more cost-effective materials, parts or manufacturing processes while retaining the same performance characteristics. Such established research and development capabilities are an important competitive factor in the chassis-related automotive parts industry, particularly for vehicle manufacturer customers who prefer to work with automotive parts suppliers that can quickly develop automotive parts meeting their specifications. We have a dedicated research and development center located in Beijing that was established in 2003, and maintained a research and development team of over 220 employees as of December 31, 2012, enabling us to cater to the needs of our customers and develop products adapted for the PRC market. Our research and development team works closely with our sales and marketing team, which collects requests regarding our products and feedback on product quality and suggested improvements from our customers.

In addition to our research and development center in Beijing, we conduct extensive track testing of our automotive parts products, including winter testing at a track facility in Heihe, which allows us to efficiently test and demonstrate the performance of our products onsite and thereby shorten our product development cycle. We believe that we were able to secure orders from the PRC operations of global vehicle manufacturers such as General Motors and Volkswagen due in large part to our technological prowess as evidenced by our research and development and testing capabilities.

An experienced and committed management team with in-depth managerial and industry knowledge and experience.

Our management team consists of an experienced group of professionals who led us to achieve our current leadership position in the chassis-related automotive parts market in the PRC and positioned our company to take advantage of the continuing growth of such market. Our management has significant industry and managerial knowledge, skill and experience and strong connections throughout the industry. In particular, Mr. Shim, Sang Deok, our chief executive officer and executive Director, has more than 24 years of experience in the automotive parts industry, including more than 18 years of experience in the PRC automotive parts industry. Our management team’s in-depth knowledge of the automotive parts industry and understanding of our customers’ needs have contributed to the high quality and broad range of our products. We believe that our experienced and committed management team will enable us to continue to capture market opportunities and ensure our future growth.

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STRATEGIES

Our strategic objective is to further strengthen our leadership position in the chassis-related automotive parts industry in the PRC by implementing the following strategies:

Continue to expand our customer base in the PRC through strategic relationships with global and local vehicle manufacturers.

We plan to continue to promote our brand name and reputation in the PRC market as a supplier of choice for a broad range of high quality chassis-related automotive parts and thereby seek to enlarge our market share in the automotive parts market. To achieve this goal, we plan to:

Strengthen our existing relationships with our customers

We plan to continue to strengthen our existing relationships with the PRC operations of leading global vehicle manufacturers, such as Hyundai-Kia and General Motors, as well as local vehicle manufacturers such as the Geely Companies, as their preferred chassis-related automotive parts supplier. According to Frost & Sullivan, the total annual production volume of passenger vehicle manufacturers in the PRC is expected to increase from 15.5 million vehicles in 2012 to 19.6 million vehicles in 2015, while the total annual production volumes of Beijing Hyundai, Dongfeng Kia and Shanghai GM are expected to increase from 0.9 million, 0.5 million and 1.3 million vehicles in 2012 to 1.1 million, 0.7 million and 1.8 million vehicles in 2015, respectively. We plan to achieve our goal of strengthened relationships through continual diversification and upgrades of our product lineup, which will allow us to continue to provide an assured supply of high quality products to our existing and new customers at competitive prices, and well position us to capture future growth opportunities in the PRC passenger vehicle market.

Strategic geographical expansion

We plan to continue to implement our marketing strategy of geographic customization in order to enhance our established relationships as well as to attract new customers. We have identified six geographic areas in the PRC and established distinct marketing strategies focusing on the needs of our customers located in a particular area. Such marketing strategies include locating factories in close proximity to existing and potential customers. For example, we intend to build, subject to market conditions, a new plant in Sichuan Province close to our existing customers such as FAW-Volkswagen and the Geely Companies, as well as a new plant in Guangdong Province close to our customers such as BYD, Guangzhou Automobile Group Co., Ltd. and SGMW. In addition, we are constructing a new plant in Shenyang in close proximity to Shanghai GM (Shenyang) Norsom Motors Co., Ltd. and established a new wholly-owned subsidiary, Mando Shenyang, in August 2012 for such purpose.

Selective joint ventures and strategic alliances

We have been able to expand our customer base through joint ventures and strategic alliances in the PRC. For example, in 2011, we established a joint venture with Geely Jirun, a non-government owned PRC vehicle manufacturer. Revenue from sales of our products to the Geely Companies increased to 9.3% of our total revenue in 2012 from 1.3% of our total revenue in 2010.

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We plan to continue our marketing strategy of entering into selective joint ventures or strategic alliances in the future in the areas where we wish to increase our market share, and develop customized products relevant to our customers in the relevant geographic area. However, as of the Latest Practicable Date, we have not identified any targets for entering into a new joint venture or strategic alliance.

Cooperation with Mando Korea

Our controlling shareholder, Mando Korea, has global operations and has established supplier relationships with many different global vehicle manufacturers. We plan to work closely with Mando Korea to identify the PRC expansion opportunities of these global vehicle manufacturers and will actively market ourselves to become suppliers for their production facilities in the PRC.

Continue to increase contents per car supplied to vehicle manufacturer customers.

We seek to increase our “contents per car” supplied to our vehicle manufacturer customers by capturing not only replacement demand for automotive parts (that is, through increased cross selling to those customers who purchase certain automotive parts from us but currently order other products from alternative suppliers), but by also capturing new demand for more advanced and higher-priced automotive parts (such as anti-lock brake systems, electronic stability control systems, electronic parking brakes and driver assistance systems) which address current and anticipated trends in the automotive industry. Key examples of such trends include greater regulatory and consumer focus on safety, fuel efficiency and environmental impact of automobiles and increased electronic content and electronics integration, such as advanced driver assistance systems, in vehicles. In addition, we are continuing our efforts to increase the relative proportion of integrated sub-modules and modules (which combine our traditional brake, steering, suspension and other automotive products with advanced electronics to provide greater functionality and convenience options in operating the vehicle and are accordingly higher value-added products) in our product line-up, which will also have the effect of increasing our “contents per car.”

Enhance research and development capabilities to maintain technology leadership in the industry.

We believe our market position as a chassis-related automotive parts supplier is largely based on the strength of our technological capabilities, including our ongoing access to the advanced technology developed by Mando Korea through licenses granted to us by Mando Korea as well as our joint ownership with Mando Korea of various registered patents that relate to our basic manufacturing processes. See “Connected Transactions — Continuing Connected Transactions — 3. Intellectual Property License Agreement.” We believe we are a technologically advanced chassis-related automotive parts supplier that combines a broad customer base with a leading position in key active passenger safety technologies. We plan to continue to provide technologically advanced products by regularly updating and enhancing our product lines and introducing new products. Furthermore, we plan to continue to expand our research and development center and recruit local research and development personnel, as well as provide continuous education programs including through field studies and exchange programs. We expect to continue to make significant investments in our technology and design capabilities in an effort to develop innovative, value-added technologies in all of our

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market-leading product lines. For example, we have developed products that incorporate “local differentiated design” aspects for the PRC market, such as high durability dampers which are designed to endure the harsher road conditions in the PRC. We have also completed the construction of an additional research and development facility in Beijing. We believe these research and development efforts will help enhance the quality of our products, which we believe will in turn help lead to enhanced sales, margins and profitability.

Continue to strengthen manufacturing capabilities and expand and upgrade production capacity.

To achieve our strategic goal of strengthening our market leadership position in the PRC, we plan to further increase our manufacturing capabilities and production capacity as market demand grows. Due to the time lag for newly installed production lines to reach regular production levels, periodically low utilization rates for our manufacturing facilities are to be expected as we continue to expand and upgrade our production lines. Nevertheless, because prudent forward capital expenditure planning is vitally important in order to ensure delivery reliability in the growing market for automotive parts in the PRC, we intend to continue expanding and upgrading the production capacity of each of our five existing manufacturing facilities across the PRC. We also intend to establish, subject to market conditions, a manufacturing facility in Sichuan Province to support our existing customers in the West Region, such as FAW-Volkswagen and the Geely Companies, as well as to secure orders from Volvo which is planning to build a manufacturing plant in the region that is expected to commence operations within the next few years. Furthermore, we intend to construct, subject to market conditions, a plant in Guangdong Province to fulfill orders received from BYD, Guangzhou Automobile Group Co., Ltd. and SGMW. In addition, we are constructing a new plant in Shenyang in close proximity to Shanghai GM (Shenyang) Norsom Motors Co., Ltd. and established a new wholly-owned subsidiary, Mando Shenyang, in August 2012 for such purpose. This is in line with our general strategy of establishing our manufacturing facilities in close proximity to our major customers to reduce our logistics costs and delivery times for transporting our products to our customers, which enables us to respond more efficiently and effectively to customer orders and positions us to capture additional market share in the fast-growing PRC automotive parts market. We currently plan to utilize a combination of proceeds from the Global Offering (as set forth in “Future Plans and Use of Proceeds — Use of Proceeds”), bank borrowings and our cash from operations to fund the establishment of these new plants. We generally secure customer orders before expanding production capacity, and our production capacity expansion schedule is based on our medium-term business plans which continue to evolve through regular ongoing dialogue with our customers regarding their forward supply needs. In addition, we are typically required to obtain our customer’s approval for the relevant production lines for quality and capacity before we commence commercial production of parts for the customer using such lines.

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The table below sets forth our currently estimated production capacity (reflecting any capacity increases which occurred or are expected to occur during such period, pro rated for the entire period) for our manufacturing sites for the periods indicated:

Estimated Production Capacity	For the Year Ending December 31,	
	2013⁽¹⁾	2014⁽¹⁾
	<i>(in thousands of units)</i>	
Brake products:		
Electronic ⁽²⁾	1,661	1,661
Conventional ⁽³⁾	19,352	22,418
Steering products:		
Electronic ⁽⁴⁾	498	498
Conventional ⁽⁵⁾	3,584	3,584
Suspension products ⁽⁶⁾	<u>17,912</u>	<u>19,667</u>
Total	<u>43,008</u>	<u>47,828</u>

(1) Estimated by multiplying (i) the maximum number of units that is expected to be produced per hour in the applicable plant and (ii) the total number of production hours for the applicable plant (assuming 20 operating hours per day and 286 operating days per year, pro rated for the number of months that the relevant production lines are expected to be in operation during the year).

(2) Includes anti-lock brake systems, electronic stability control systems and electronic parking brakes.

(3) Includes master cylinders and boosters, caliper brakes, drum brakes and brake corner modules.

(4) Includes electric power steering systems.

(5) Includes manual rack and pinion steering gear boxes, power rack and pinion steering gear boxes and columns.

(6) Includes shock absorbers, suspension struts and damper spring modules.

Our capital expenditures for the years ending December 31, 2013 and 2014 are expected to amount to RMB 481 million and RMB 656 million, respectively, of which RMB 11 million had been committed as of December 31, 2012. See “Business — Production Facilities.” To upgrade our manufacturing facilities, we plan to continue investing in advanced technologies, equipment and assembly lines. We expect to increase our total production capacity from 38 million units in 2012 to 48 million units in 2014, representing a 26.1% increase over such period. As we expand our production capacity, we manage the necessary procurement of materials and skilled labor according to detailed component development and labor deployment plans which are drawn up in line with our expansion plans. Likewise, our quality control procedures are replicable across new production facilities and our enterprise resource planning system enables us to closely monitor key decision-making factors based on the latest data, identify potential problems and make necessary adjustments in a timely manner. In conjunction with the expansion of our production capacity, we also intend to improve our production efficiency and operational effectiveness by, among other things, implementing advanced management systems designed to improve performance, such as lean manufacturing techniques and increased automation in our production lines.

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Focus on operating efficiencies.

With ongoing cost reduction efforts taking place at global vehicle manufacturers, we believe our product quality and price competitiveness should lead to opportunities to secure new orders. To meet our customers' continuing demand for high quality, low cost products, we intend to continue to implement initiatives to reduce our cost base, including through standardization of products, involving development of common products or components that can be used across different platforms, as well as continuing the customization of our products for the local market through the development of low cost designs on a product by product basis. For example, we have developed standardized low-cost shock absorbers which we supply to both SAIC Motor and Shanghai GM as well as standardized master boosters which we supply to both FAW and the Geely Companies. We also plan to continue to reduce costs through simplification and/or centralization of logistics and procurement processes, including through development of enhanced software programs and, in the future, by purchasing manufactured components and raw materials through joint procurement of raw materials with our vehicle manufacturer customers and/or Mando Korea. In addition, we plan to reduce costs through localization of our employees, shifting overseas hires into local hires, with the day-to-day management functions eventually to be handled mostly by local employees.

PRODUCTS

We design, manufacture and sell a wide variety of chassis-related automotive parts, primarily relating to brake, steering and suspension components and systems. We principally supply our products to vehicle manufacturers on an original equipment manufacture basis. Our business currently comprises the following four product categories: brake products, steering products, suspension products and others (which primarily comprises products manufactured in our iron casting operations). The following table sets forth a breakdown of our revenue by product category for the periods indicated.

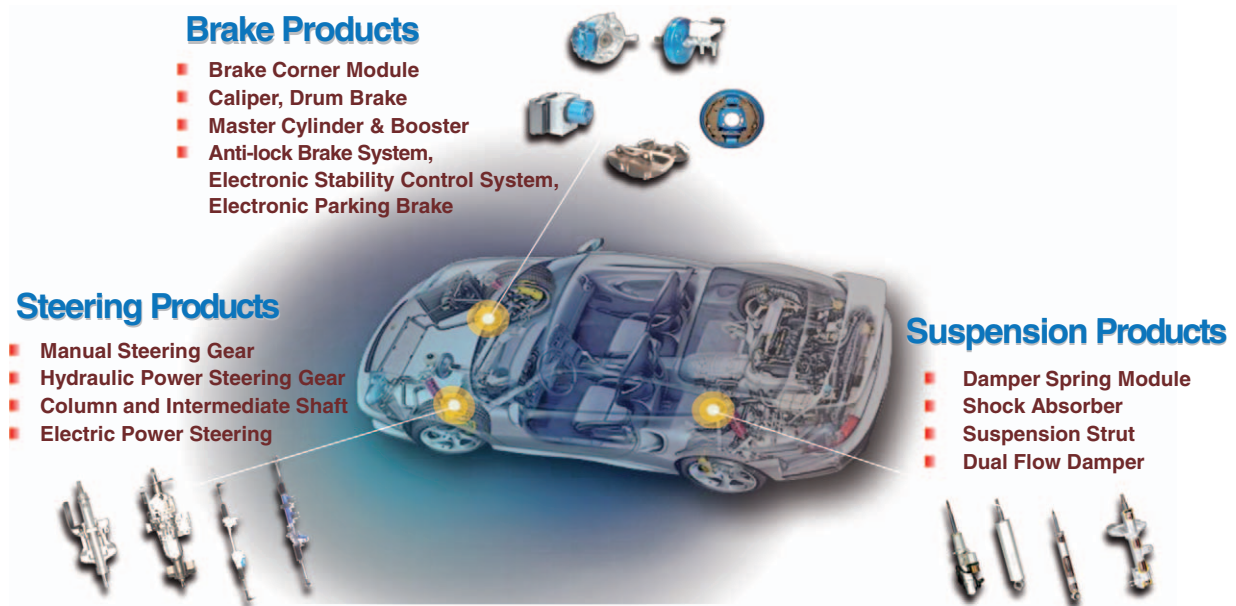
Product category	For the Year Ended December 31,					
	2010		2011		2012	
	Revenue	%	Revenue	%	Revenue	%
	<i>(in millions of RMB, except percentages)</i>					
Brake products:						
Electronic ⁽¹⁾	864	19.7%	975	18.3%	911	14.6%
Conventional ⁽²⁾	1,122	25.6	1,472	27.6	1,783	28.5
Steering products:						
Electronic ⁽³⁾	—	—	118	2.2	533	8.5
Conventional ⁽⁴⁾	1,310	29.8	1,416	26.5	1,505	24.0
Suspension products ⁽⁵⁾	933	21.3	1,184	22.2	1,376	22.0
Others ⁽⁶⁾	158	3.6	175	3.3	151	2.4
Total	<u>4,388</u>	<u>100.0%</u>	<u>5,339</u>	<u>100.0%</u>	<u>6,259</u>	<u>100.0%</u>

(1) Includes sales of anti-lock brake systems, electronic stability control systems and electronic parking brakes.

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- (2) Includes sales of master cylinders and boosters, caliper brakes, drum brakes and brake corner modules.
- (3) Includes sales of electric power steering systems.
- (4) Includes sales of manual rack and pinion steering gear boxes, power rack and pinion steering gear boxes and columns.
- (5) Includes sales of shock absorbers, suspension struts and damper spring modules.
- (6) Includes iron casting sales.

The following diagram shows key components and systems that we manufacture and sell in each of the brake, steering and suspension product categories:


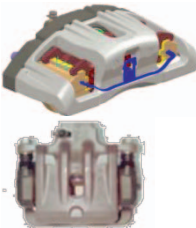

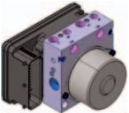
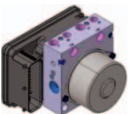
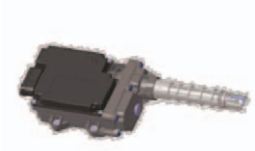


Brake Products


We supply a wide range of brake components and systems for passenger vehicles, comprising (i) conventional brake components and systems, including master cylinder and booster assemblies, caliper brakes, drum brakes, parking brakes and brake corner modules, and (ii) electronic brake components and systems, including anti-lock brake systems, electronic stability control systems and electronic parking brakes. Sales of conventional brake components and systems accounted for a majority of our total revenue from brake products during the Track Record Period, although sales of electronic brake components and systems, which account for the remainder of our total revenue in this product category, has also generally increased during such period.

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The following table and diagrams describe the principal brake products that we offer.

Product	Description
	<p>Master cylinder and booster assemblies</p> <p>Allows a driver to apply greater pressure to a vehicle's brakes with less effort when pressing the brake pedal, as the booster utilizes engine vacuum and atmospheric air pressure to provide greater mechanical input to the master cylinder.</p>
	<p>Caliper brake</p> <p>Converts a brake system's hydraulic pressure into mechanical clamp force, which is applied to the brake lining and rotor.</p>
	<p>Drum brake</p> <p>Operates through the action of hydraulic pistons actuated by a master cylinder, so that pressure applied to the brake pedal of a vehicle forces the brake pads to be pressed against the rotating surface of the drum and causes the vehicle to brake.</p>
	<p>Anti-lock brake system (ABS)</p> <p>Prevents the wheels of a vehicle from locking during braking, which allows a driver to maintain steering control under heavy braking conditions and shortens the stopping distance of the vehicle.</p>
 <p><i>(included in ABS)</i></p>	<p>Electronic stability control system</p> <p>An extension of anti-lock brake systems, designed to help drivers retain control of their vehicles during high-speed maneuvers or on slippery roads.</p>
	<p>Electronic parking brake</p> <p>A parking brake that engages automatically when the vehicle is stationary and releases automatically when the driver applies pressure to the accelerator pedal.</p>

BUSINESS


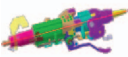

Product	Description
	Brake corner module Consists of wheel and braking components engineered and pre-assembled into a module that can easily be installed within a vehicle's suspension and hydraulic systems at the vehicle manufacturer's assembly plant.

We have been involved in manufacturing brake components and systems in the PRC since 2004. We successfully localized the production of anti-lock brake systems from 2005, electronic parking brakes from 2010 and electronic stability control systems from 2011. We currently manufacture brake components and systems at our plants in Suzhou, Beijing and Harbin and, beginning in July 2012, commenced production of brake components and systems at our plant in Ningbo. See "Business — Production Facilities."



Steering Products

We supply a wide range of steering components and systems for passenger vehicles, comprising (i) conventional steering components and systems, including rack and pinion steering gear boxes, steering columns and intermediate shafts, and (ii) electric power steering components and systems, including column-type and rack-type electric power steering products. Sales of conventional steering components and systems accounted for most of our total revenue from steering products during the Track Record Period, and we began selling electric power steering components and systems in 2011.

The following table and diagrams describe the principal steering products that we offer.

Product	Description
	Rack and pinion steering gear box Provides directional control by controlling the front wheels of a vehicle through the use of a steering rack and pinion gear, which allows greater steering feedback and responsiveness for the driver, and is commonly used in passenger vehicles.
	Steering column Includes height-adjustable, tilting and telescoping steering columns, which allow a driver to adjust the position of the steering wheel for greater convenience, as well as various types of energy absorbing steering columns for greater safety and/or use with air bags.
	Intermediate shaft Connects the end of the steering column to the gear box, and is designed to operate at large angles with low rotational friction.

BUSINESS



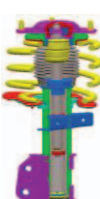
Product	Description
	<p>Column-type electric power steering system</p> <p>Optimizes steering and stability with current-map tuning and stability control and reduces vibration while affording the driver an improved sense of control.</p>
	<p>Rack-type electric power steering system</p> <p>Provides variable steering power according to vehicle speed, and optimizes steering with current-map tuning and reduces vibration while affording the driver an improved sense of control.</p>

We have been involved in manufacturing steering components and systems in the PRC since 2002. We began localized mass production in the PRC of column-type electric power steering systems from 2011 and rack-type electric power steering systems from February 2012. We currently manufacture steering components and systems at our plant in Suzhou. See “Business — Production Facilities.”

Suspension Products

We supply a wide range of suspension components and systems for passenger vehicles, including shock absorbers, suspension struts and damper spring modules.

The following table and diagrams describe the principal suspension products that we offer.

Product	Description
	<p>Shock absorber</p> <p>Absorbs shocks from road impact and reduces oscillations of a vehicle’s body through the use of various dampers.</p>
	<p>Suspension strut</p> <p>Absorbs spring vibrations and shock according to road conditions and suspends the vehicle weight to improve the riding and handling performance of a vehicle.</p>
	<p>Damper spring module</p> <p>Consists of dampers, springs, strut bearings, top mounts and other components engineered and pre-assembled into a module that connects the vehicle body and wheels through the upper and lower strut mounts.</p>

BUSINESS

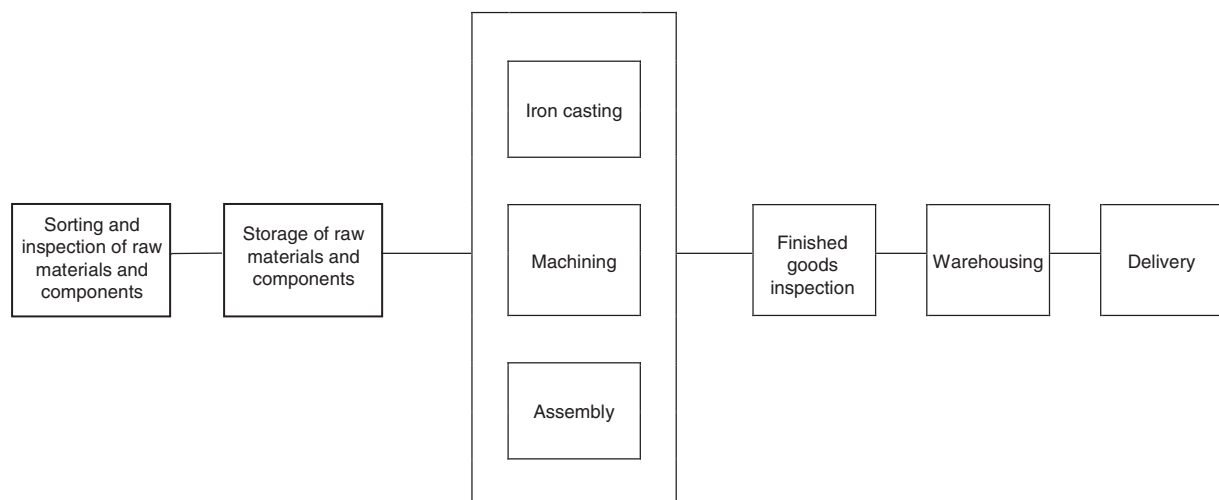
We have been involved in manufacturing suspension components and systems in the PRC since 2003. We believe we have since become one of the leading suppliers of suspension products in the PRC. We currently manufacture suspension products at our plants in Beijing and Ningbo. See “Business — Production Facilities.”

Others

Our “others” product category primarily comprises products manufactured in our iron casting operations, which utilize spare capacity in iron casting equipment at our manufacturing facilities, principally at our plant in Tianjin, to manufacture third-party automotive and mechanical parts to order. Only the revenue from sales to third parties is recognized as revenue for our “others” product category in our consolidated financial statements. We began our iron casting operations at our Tianjin plant in 2006 in order to secure a stable upstream supply of quality iron casting components primarily for our caliper brake system manufacturing operations at Mando Beijing Chassis.

PRODUCTION PROCESS

The following diagram summarizes the processes involved in the production of brake, steering and suspension systems:

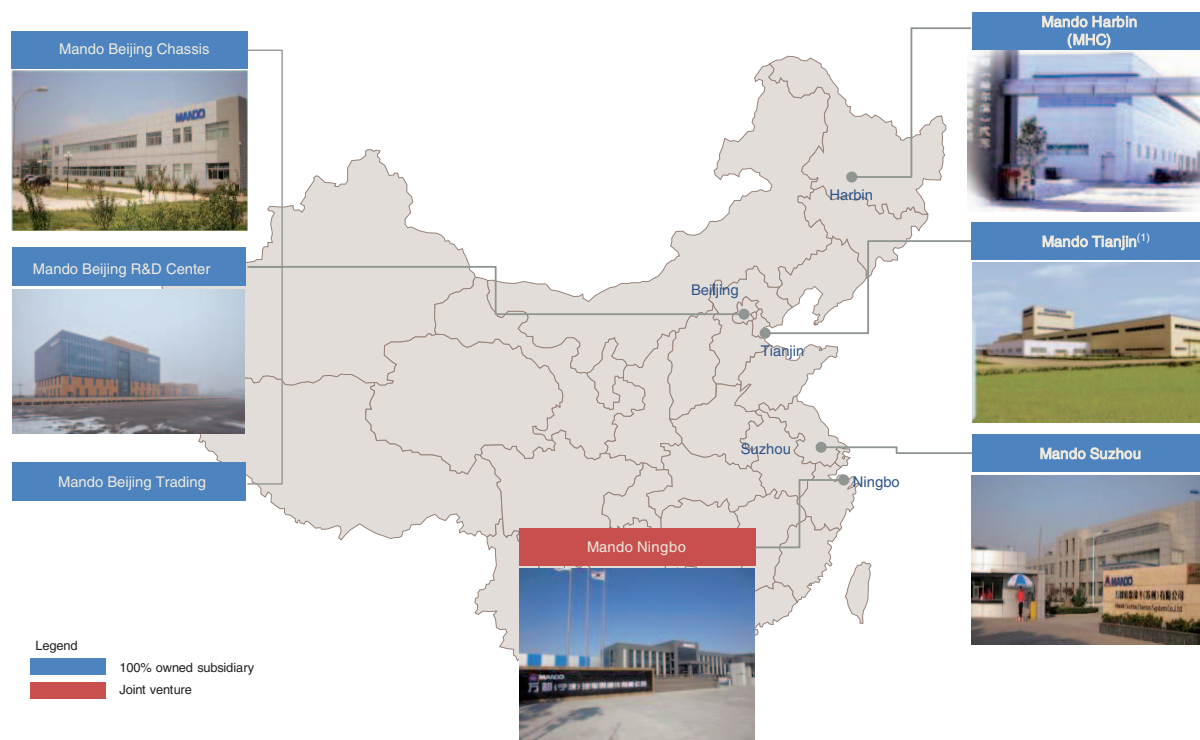


PRODUCTION FACILITIES

We currently own and operate five manufacturing plants across the PRC.

BUSINESS

The following map shows the locations of our manufacturing plants and key facilities for Mando Beijing R&D and Mando Beijing Trading as of the Latest Practicable Date:



(1) Primarily produces iron casting components for internal usage in the production of caliper brake systems.

The following table sets forth the number of production lines, production capacity and utilization rate (aggregated by product category) for our manufacturing plants in the PRC (other than our iron casting plant in Tianjin) during the Track Record Period:

Product Category	As of and for the Year Ended December 31,								
	2010			2011			2012		
	Production Lines	Production Capacity ⁽¹⁾	Utilization Rate	Production Lines	Production Capacity ⁽¹⁾	Utilization Rate	Production Lines	Production Capacity ⁽¹⁾	Utilization Rate
<i>(in thousands of units, except percentages and number of production lines)</i>									
Brake Products:									
Electronic ⁽²⁾	3	1,309	71.9%	3	1,357	79.3%	3	1,661	63.8%
Conventional ⁽³⁾	19	9,445	61.7	25	11,722	70.7	33	14,933	75.0
Steering Products:									
Electronic ⁽⁴⁾	—	—	—	1	120	36.7	2	440	49.6
Conventional ⁽⁵⁾	9	2,097	103.5	10	2,643	103.1	12	2,922	105.9
Suspension Products ⁽⁶⁾	15	7,676	113.9	24	11,038	98.3	26	17,961	72.4
Total	46	20,528	86.2	63	26,879	85.5	76	37,917	75.4

(1) Estimated by multiplying (i) the maximum number of units that can be produced per hour in the applicable plant, as measured at the end of the applicable period, and (ii) the total number of production hours for the applicable plant (assuming 20 operating hours per day and 286 operating days per year), pro rated for the number of months that the relevant production lines were in operation during the period. Due to such methodology of estimating production capacity as well as the effect of production capacity increases which occur through upgrades to our existing production lines, changes in our production capacity year-to-year (or for interim periods) may appear disproportionate to changes in the number of production lines (which are measured as of the end of the applicable period) as of the relevant dates.

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- (2) Includes anti-lock brake systems, electronic stability control systems and electronic parking brakes. Our utilization rate increased from 71.9% in 2010 to 79.3% in 2011, which was in line with increases in our production capacity and production to meet increasing demand from our customers. Our utilization rate decreased to 63.8% in 2012 primarily due to the time lag for our newly upgraded production lines, with expanded capacity, to reach regular production levels.
- (3) Includes master cylinders and boosters, caliper brakes, drum brakes and brake corner modules. Our utilization rate increased from 61.7% in 2010 to 70.7% in 2011. The increase in utilization rate was in line with increases in our production capacity, production and sales. Our utilization rate in 2012 was 75.0%. Our comparatively lower utilization rate in 2010 was primarily attributable to the time lag for newly installed production lines to reach regular production levels during such period.
- (4) Includes electric power steering systems. Our low utilization rate of 36.7% in 2011 was primarily due to the time lag for our first electric power steering production line, newly installed in July 2011, to reach regular production levels. Our utilization rate in 2012 was 49.6%.
- (5) Includes manual rack and pinion steering gear boxes, power rack and pinion steering gear boxes and columns. Our utilization rate exceeded 100.0% between 2010 and 2012 primarily due to the increase in demand for our products outpacing increases in our production capacity.
- (6) Includes shock absorbers, suspension struts and damper spring modules. Our utilization rate exceeded 100.0% in 2010 primarily due to the increase in demand for our products outpacing increases in our production capacity. Our utilization rate decreased from 98.3% in 2011 to 72.4% in 2012 primarily due to the time lag for our newly installed production lines to reach regular production levels.

The following table sets forth the number of production lines, production capacity and utilization rate for each of our manufacturing plants (other than our iron casting plant in Tianjin) during the Track Record Period:

Manufacturing Facility	As of and for the Year Ended December 31,								
	2010			2011			2012		
	Production Lines	Production Capacity ⁽¹⁾	Utilization Rate	Production Lines	Production Capacity ⁽¹⁾	Utilization Rate	Production Lines	Production Capacity ⁽¹⁾	Utilization Rate
	<i>(in thousands of units, except percentages and number of production lines)</i>								
Mando Beijing Chassis ⁽²⁾	24	12,127	101.2%	30	15,469	98.9%	33	20,147	82.4%
Mando Suzhou ⁽³⁾	11	3,310	94.0	13	3,976	96.7	16	4,735	92.1
Mando Ningbo ⁽⁴⁾	—	—	—	9	1,982	59.8	16	7,670	60.0
Mando Harbin ⁽⁵⁾	11	5,090	45.4	11	5,453	48.7	11	5,365	56.2
Total	46	20,528	86.2	63	26,879	85.5	76	37,917	75.4

- (1) Estimated by multiplying (i) the maximum number of units that can be produced per hour in the applicable plant, as measured at the end of the applicable period, and (ii) the total number of production hours for the applicable plant (assuming 20 operating hours per day and 286 operating days per year), pro rated for the number of months that the relevant production lines were in operation during the period. Due to such methodology of estimating production capacity as well as the effect of production capacity increases which occur through upgrades to our existing production lines, changes in our production capacity year-to-year (or for interim periods) may appear disproportionate to changes in the number of production lines (which are measured as of the end of the applicable period) as of the relevant dates.
- (2) Products manufactured include master cylinders and boosters, caliper brakes, electronic parking brakes, shock absorbers, suspension struts and damper spring modules.
- (3) Products manufactured include anti-lock brake systems, electronic parking brakes, steering columns, intermediate shafts and rack and pinion steering gear boxes.

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- (4) Products manufactured include caliper brakes, brake corner modules, shock absorbers, suspension struts and damper springs.
- (5) Products manufactured include master cylinders and boosters, caliper brakes, drum brakes and brake corner modules. Mando Harbin's comparatively lower utilization rates between 2010 and 2012 were primarily due to orders from Hafei, formerly our joint venture partner in Mando Harbin, being lower than initially projected when Mando Harbin's production lines were being installed.

Prior to the start of a supply relationship, we generally determine and select, with input from the vehicle manufacturer customer, the most efficient manufacturing site to be used for such supply relationship based on the capacity and capabilities of production lines, manufacturing costs, proximity to the customer's manufacturing facilities, transportation and warehousing costs and other factors. In order to strengthen our relationship with existing customers and attract new customers, we have established manufacturing plants in the areas where global and local vehicle manufacturers operate their manufacturing facilities. For example, our manufacturing facilities in Beijing and Tianjin in the North Region are located close to our customers such as Beijing Hyundai and potential customers such as Beijing Changan, Tianjin FAW Xiali Automobile Co., Ltd., Tianjin FAW Toyota Motor Co., Ltd. and Great Wall Motors Co., Ltd.; our manufacturing facilities in Harbin in the Northeast Region are located close to FAW, FAW-Volkswagen, Brilliance, Hafei, Chery and Shanghai GM (Shenyang) Norsom Motors Co., Ltd.; and our manufacturing facilities in Suzhou in the East Region are located close to Dongfeng Kia, Shanghai General Motors Co., Ltd., SAIC Motor, Shanghai Volkswagen, Chery and JAC.

Annual maintenance at each of our manufacturing plants is performed during the non-operating days, and periodic maintenance is performed concurrently with production. During the Track Record Period, none of our manufacturing plants experienced unexpected interruptions that materially affected any of their operations, including any material production interruption due to equipment failure or breakdown, power interruption, fire or other causes. In order to reduce the risk of equipment failure, we follow a comprehensive maintenance and loss prevention program, operate on-site maintenance and repair facilities and maintain an inventory of spare parts and machinery.

Our capital expenditures, including capital investments to upgrade our production facilities to increase operational efficiency and reduce operating costs, amounted to RMB 95 million in 2010, RMB 563 million in 2011 and RMB 780 million in 2012. See "Financial Information — Capital Expenditures." We currently plan to invest RMB 481 million in 2013 and RMB 656 million in 2014 to expand and upgrade our production facilities. We have obtained all necessary NDRC and environmental impact assessment approvals in connection with our planned expansions and upgrades of our production facilities, and will obtain the necessary environmental protection completion verification approvals upon completion of our expansions and upgrades.

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The table below sets forth our current capital expenditure plans for our manufacturing plants and other facilities for the periods indicated:

	For the Year Ending December 31, 2013	For the Year Ending December 31, 2014	Description of Capital Expenditure	Source of Funding
<i>(In millions of RMB)</i>				
Capacity Expansion and Related Capital Expenditure				
Mando Beijing Chassis..	72	284	Primarily construction of new buildings and new production lines and upgrading of existing production lines as well as related facilities and equipment (such as quality control, logistics and IT systems)	A combination of cash generated from operations, bank borrowings and approximately 24% of the net proceeds (approximately HK\$106 million based on the mid-point of the offering price range) from the Global Offering
Mando Suzhou	87	170	Primarily construction of new production lines and upgrading of existing product lines as well as related facilities and equipment (such as quality control, logistics and IT systems)	A combination of cash generated from operations, bank borrowings and approximately 17% of the net proceeds (approximately HK\$75 million based on the mid-point of the offering price range) from the Global Offering
Mando Ningbo	67	45	Primarily construction of new buildings and new production lines and upgrading of existing production lines as well as related facilities and equipment (such as quality control, logistics and IT systems)	A combination of cash generated from operations, bank borrowings and approximately 7% of the net proceeds (approximately HK\$31 million based on the mid-point of the offering price range) from the Global Offering
Mando Shenyang	213	79	Primarily construction of new buildings and new production lines as well as related facilities and equipment (such as quality control, logistics and IT systems)	A combination of cash generated from operations, bank borrowings and approximately 20% of the net proceeds (approximately HK\$88 million based on the mid-point of the offering price range) from the Global Offering
Others ⁽¹⁾	16	10	Primarily construction of new buildings and new production lines and upgrading of existing production lines as well as related facilities and equipment (such as quality control, logistics and IT systems)	A combination of cash generated from operations, bank borrowings and approximately 2% of the net proceeds (approximately HK\$9 million based on the mid-point of the offering price range) from the Global Offering
Capital Expenditure in Equipment and Facilities Related to Research and Development				
Research and development equipment and facilities.....	26	68	Primarily construction of new research and development facilities and purchase of new equipment	A combination of cash generated from operations, bank borrowings and approximately 20% of the net proceeds (approximately HK\$88 million based on the mid-point of the offering price range) from the Global Offering
Total	<u>481</u>	<u>656</u>		A combination of cash generated from operations, bank borrowings and approximately 90.0% of the net proceeds from the Global Offering.

(1) Includes Mando Harbin and Mando Tianjin.

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See “Business — Strategies — Continue to strengthen manufacturing capabilities and expand and upgrade production capacity.”

QUALITY CONTROL

We emphasize quality control as an integral part of our procurement and production processes, since the automotive parts we produce will affect the safety and performance of a vehicle. Our vehicle manufacturer customers demand stringent production qualification standards from us. Some of our vehicle manufacturer customers, such as Shanghai GM, have implemented their own production qualification standards and require us to be certified by such standards. Other vehicle manufacturer customers require us to adhere to the standards of the China National Accreditation Service for Conformity Assessment.

Rigorous quality control testing is applied to each automotive part we produce. Quality control personnel are involved from initial design to production. Also, as part of the sorting and inspection process for raw materials and components supplied to us, we require our suppliers to receive ISO certification, monitor such suppliers’ defect rates and conduct site visits to the suppliers’ manufacturing plants and conduct sample testing of the materials and components we receive. Furthermore, we regularly monitor each of our production lines to ensure they meet our requirements and also conduct sample testing. As of December 31, 2012, we had a quality control staff of over 400 engineers, technicians and other employees whose duty is to monitor design and production processes to ensure high quality. Our quality control staff receives regular training and generally has experience in the automotive parts industry. These employees include line inspectors who work with members of the production staff to conduct examinations, testing and fine-tuning of products during the production process. We believe that our advanced production capabilities and our reputation for high quality and reliable products have been important factors in attracting and retaining key customers. All of our manufacturing plants have attained ISO/TS 16949 certifications. In order to obtain ISO/TS 16949 certification, our manufacturing plants were subjected to a review of the entire production process. ISO certification is an international standard for quality control, and we believe it is significant in that the ISO certifications provide independent verification to our customers as to quality control in our manufacturing processes. In addition, our customers are also engaged in our quality control processes through both site visits to our manufacturing plants and sample testing of our delivered products.

We conduct extensive track testing of our automotive parts products in Beijing and Heihe. In particular, our winter testing at a track facility in Heihe allows us to gauge the performance and endurance of our products under extreme weather conditions.

At our testing lab facilities located in Beijing, we perform regular validation tests, including environmental, thermal shock and vibration testing across all our product categories, temperature and torque endurance as well as pressure resistance testing on our brake products and endurance and oil leak testing on our suspension products. We also perform endurance testing on our steering products at our testing lab facilities in Suzhou.

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Sample testing on the raw materials and components we purchase is carried out as soon as they are delivered by our suppliers to ensure that such raw materials and components meet our standards and requirements. Sub-standard raw materials and components are returned to our suppliers. We also carry out on-site evaluations at the premises of our main suppliers, and assess their production facilities and management, to ensure the quality of the materials and components from the source of supply.

We do not maintain product liability insurance. See “Business — Insurance.” During the Track Record Period and up to the Latest Practicable Date, we have not been subjected to any material product liability claims or product recalls and, so far as we are aware, we have not been connected to any product recall of our customers during the period. In the event of vehicle recalls or other quality-related claims by the end users of automotive vehicles, the vehicle manufacturer will typically submit a claim to us if it determines a defect in our parts product to be the cause of the recall or claim. Likewise, we will submit a claim to our supplier if we determine any such defect in our parts product is attributable to such supplier. After we receive a claim from a vehicle manufacturer, we and the vehicle manufacturer will jointly investigate the recall or quality-related claim to assess each party’s fault in causing such recall or claim. If we and the vehicle manufacturer cannot agree on the relative fault of each party, we may refer the matter to arbitration to determine the applicable liability amounts. In addition, where such defects result in bodily injury or property damage (or both) to a third party, our customers will be entitled to claim for reimbursement for losses paid to such third party. We will bear all expenses of our customers’ product recalls resulting from defects in our products during the warranty period. We establish warranty reserves to cover future costs of claims, based on our historical experience and best estimates of amounts necessary to settle future and existing claims, and our Directors believe our established reserves are adequate to cover potential warranty claims. While we do not establish reserves for potential claims outside the warranty period, if a defect in our parts product is ultimately determined to be the cause of a recall or claim outside the warranty period, we may be liable to reimburse our customers for expenses attributable to defects in our products. See “Risk Factors — Risks Relating to Our Business — Problems with product quality and defects could result in a loss of customers and sales and increased warranty and product liability claims, which could adversely affect our business and performance.”

INVENTORY AND LOGISTICS

We closely monitor our inventory level to meet our production requirements and to minimize waste on inventory and avoid obsolete inventory. For orders from Beijing Hyundai, Dongfeng Kia and Shanghai GM, we schedule deliveries from our manufacturing plants and manage our inventory so that we can efficiently and reliably achieve sequence delivery of quality components and systems to such customers in the quantities and at the times ordered in accordance with their production schedules.

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We have implemented an enterprise resource planning system for the various business cycles that pertain to raw materials, inventory, management, accounts receivable and accounts payable. The enterprise resource planning system enables us to closely monitor the key steps in making decisions based on the latest data and identify potential problems and make necessary adjustments in a timely manner. It also enhances our managerial and administrative effectiveness and communication among our departments, facilitates order checking, inventory control and financial reporting and enables us to respond promptly to any potential problems identified.

We utilize independent logistics service providers and Halla Meister (Suzhou) Logistics Co., Ltd. (“**Meister Logistics**”), a subsidiary of Mando Korea, to handle transportation, finished goods inventory management, packaging, warehousing and other logistics-related functions for the delivery of our automotive parts products to vehicle manufacturers. See “Connected Transactions — Continuing Connected Transactions — 4. Logistics and Ancillary Services Framework Agreement.” In order to facilitate prompt and reliable delivery of our products and efficient management of our finished goods inventory, our information technology systems are linked to those of some of our major customers in order to monitor our stock levels and delivery schedules. We also closely monitor each step of the logistics and delivery work flow by our logistics service providers, including by requiring transporters of our products to provide progress updates at frequent checkpoints along their delivery routes, to ensure on-time deliveries.

As of December 31, 2010, 2011 and 2012, our inventory of finished goods was approximately RMB 97 million, RMB 141 million and RMB 185 million, respectively, and for 2010, 2011 and 2012, the average number of inventory turnover days was 19.4, 20.7 and 20.4 days, respectively. During the Track Record Period, we have not experienced any material write-downs of inventory or made any material provisions for inventory obsolescence.

CUSTOMERS, SALES AND MARKETING

We sell our products primarily to the PRC operations of global vehicle manufacturers, such as Beijing Hyundai, Dongfeng Kia and Shanghai GM, as well as local PRC vehicle manufacturers such as the Geely Companies (including Geely Jirun, our joint venture partner in Mando Ningbo), Chery and Changan. In addition, to a lesser extent, we sell automotive parts manufactured at our plants to Mando Korea for resale to global vehicle manufacturers operating outside of the PRC (including principally the operations of Hyundai-Kia and General Motors outside the PRC). Such sales to Mando Korea, which are primarily denominated in U.S. dollars, amounted to RMB 355 million in 2010, RMB 354 million in 2011 and RMB 524 million in 2012. See “Connected Transactions — Continuing Connected Transactions — 7. Framework Agreement on the Supply of Automotive Parts to Mando Korea.”

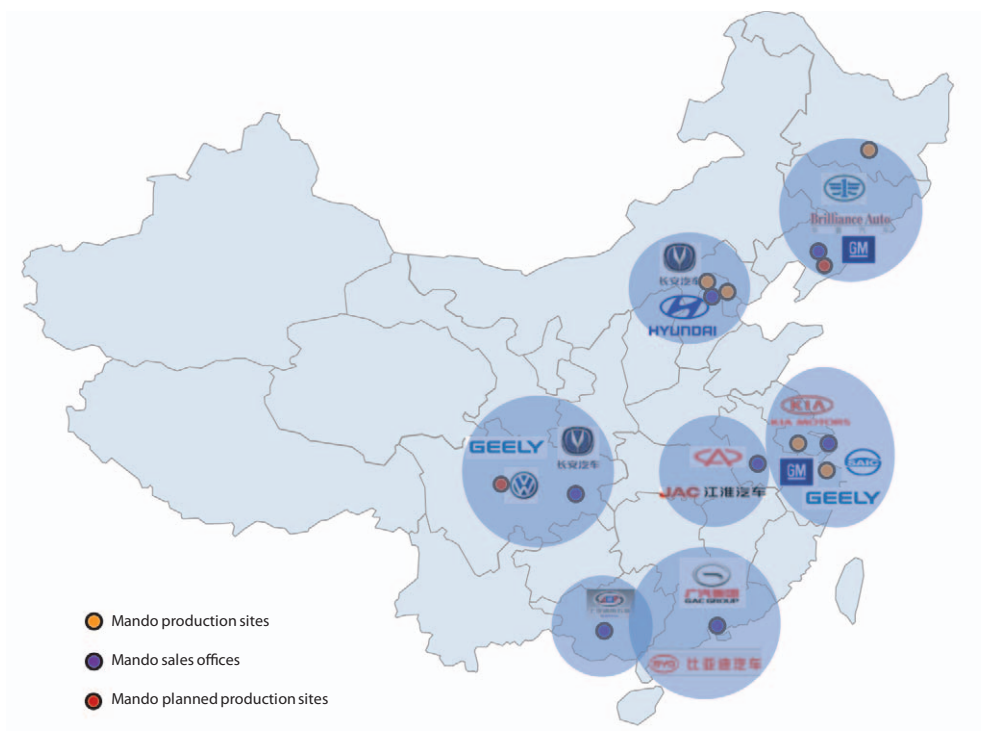
BUSINESS

A substantial portion of our revenue is attributable to a small number of customers. The following table presents our total revenue by customer for the periods indicated.

Customer	For the Year Ended December 31,					
	2010		2011		2012	
	Sales	%	Sales	%	Sales	%
	<i>(in millions of RMB, except percentages)</i>					
Beijing Hyundai.....	1,781	40.6%	1,777	33.3%	1,749	27.9%
Dongfeng Kia.....	869	19.8	1,151	21.6	1,461	23.3
Shanghai GM.....	702	16.0	755	14.1	822	13.1
Geely Companies.....	59	1.3	269	5.0	580	9.3
Mando Korea.....	355	8.1	354	6.6	524	8.4
Chery.....	123	2.8	136	2.6	116	1.9
Others ⁽¹⁾	498	11.4	896	16.8	1,007	16.1
Total	<u>4,388</u>	<u>100.0%</u>	<u>5,339</u>	<u>100.0%</u>	<u>6,259</u>	<u>100.0%</u>

(1) Includes Changan, Hafei and SGMW, among others.

The following map shows the location of our key customers in the PRC and our related production sites and sales offices.



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In particular, Beijing Hyundai and Dongfeng Kia, are and have been during the Track Record Period our largest and second largest customer, respectively. We supply automotive parts to Beijing Hyundai and Dongfeng Kia for use in their manufacture of vehicles in the PRC, and also supply automotive parts to the PRC operations of Hyundai Mobis, the automotive parts manufacturing and sales unit within Hyundai-Kia. Our aggregate revenue from Beijing Hyundai, Dongfeng Kia and Hyundai Mobis represented approximately 60.4%, 54.9% and 51.2% of our total revenue for the years ended December 31, 2010, 2011 and 2012, respectively. We expect that Beijing Hyundai and Dongfeng Kia will remain our largest and second largest customer, respectively, for the foreseeable future due to forward supply relationships currently in place for vehicle models as well as our strong historical and ongoing relationship with them. Due to the highly customized and model-specific nature of the automotive parts we supply to vehicle manufacturers and the significant amount of lead time required for the development and pre-production planning processes for such customized automotive parts, our supply relationships with respect to particular vehicle models typically extend forward for the duration of the vehicle model's life cycle. Our product life cycles typically range from three to five years, depending on the vehicle model. See "Risk Factors — Risks Relating to Our Business — We depend on the Hyundai-Kia Automotive Group as a customer, and declines in its level of business with us may materially and adversely affect our results of operations and financial condition." The PRC operations of General Motors, which include among others Shanghai GM, are among our key customers, and Shanghai GM in particular currently is and has been during the Track Record Period our third largest customer. We anticipate that General Motors will remain a key customer for the foreseeable future, including due to forward supply relationships currently in place for vehicle models and our strong ongoing relationship with General Motors in the PRC. See "Risk Factors — Risks Relating to Our Business — General Motors is one of our largest customers, and our sales and profitability may be adversely impacted if General Motors' business or market share in the PRC declines."

We began supplying master cylinders and boosters to the Geely Companies in 2007. The range of products we supply to the Geely Companies has gradually expanded to include steering and suspension products, and the Geely Companies have since become one of our most significant local vehicle manufacturer customers. Pursuant to a joint venture agreement dated January 10, 2011, Mando Korea and Geely Jirun agreed to establish a Sino-foreign joint venture enterprise with a registered capital of US\$85 million in the PRC primarily for the development, manufacturing and sale of automotive parts, including brake, steering and suspension components and systems. On March 10, 2011, Mando Ningbo, a joint venture in which we own a 65% equity interest and Geely Jirun owns a 35% equity interest, was incorporated in the PRC in accordance with such joint venture agreement and pursuant to our strategic relationship with Geely Jirun. Under the terms of the joint venture agreement, 20% of the registered capital of Mando Ningbo was contributed by Mando Korea and Geely Jirun on a pro rata basis within 30 days from the effective date of the joint venture agreement, and the remaining registered capital is to be contributed by Mando Korea and Geely Jirun on a pro rata basis as determined by the board of directors of Mando Ningbo within two years from the effective date of the joint venture agreement. The contribution of the remaining registered capital was completed in March 2013. Mando Ningbo currently manufactures suspension components and systems and brake corner modules and primarily supplies such automotive parts to the Geely Companies.

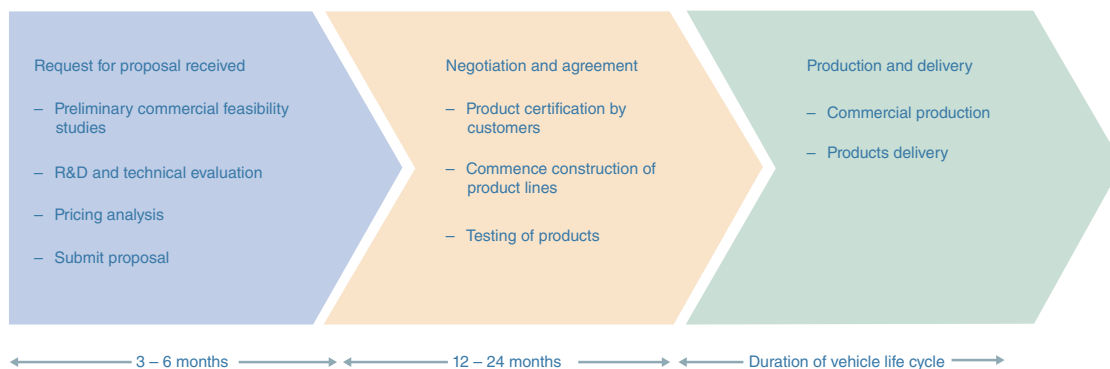
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We have also been increasing our sales and marketing efforts targeting the PRC operations of European and Japanese vehicle manufacturers. In 2011, we were awarded a supply contract for caliper brake products from FAW-Volkswagen and, in early 2012, we were awarded a supply contract for rack and pinion steering gear box products from GAC Mitsubishi. In late 2012, we also received a letter of intent from BMW Brilliance Automotive Ltd. for the supply of caliper brake products.

For the years ended December 31, 2010, 2011 and 2012, our revenue from our five largest customers on a consolidated basis, represented approximately 87.3%, 80.6% and 82.1% of our total revenue, respectively. Revenue from Beijing Hyundai, our largest customer, represented approximately 40.6%, 33.3% and 27.9% of our total revenue for the years ended December 31, 2010, 2011 and 2012, respectively. Each of our five largest customers, other than Mando Korea, is an Independent Third Party. Revenue from Mando Korea represented approximately 8.1%, 6.6% and 8.4% of our total revenue for the years ended December 31, 2010, 2011 and 2012, respectively.

Other than Mr. Shin, Sahyeon, Mr. Chung, Frank Kun and Mr. Jeong, Dae Jong, who have interests in Mando Korea, none of our Directors or their respective associates had any interest in our five largest customers during the Track Record Period. For further information regarding interests of these directors in Mando Korea, please see “Relationship with Mando Korea” and “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholder” in Appendix VI to this prospectus.

Our sales process typically comprises the following stages:



Notes:

- (a) References to time taken are general estimates only and each project may take longer or shorter as the case may be.
- (b) Time spent in production depends on products.

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Our sales process to secure a supply relationship with a vehicle manufacturer for automotive parts relating to a specific vehicle model begins at the outset of the development of a new vehicle model or upon the redesign of an existing vehicle model by the vehicle manufacturer. Vehicle manufacturers generally initiate the sourcing of automotive parts for vehicle models by requesting quotations from suppliers, typically three to four years before anticipated vehicle production, and award supply contracts through a competitive bidding process. Biddings are conducted either on an open basis, in which all suppliers are able to submit their bids, or on a closed basis, in which only certain suppliers designated by the vehicle manufacturer may participate. From time to time, vehicle manufacturers may select us as their supplier for a particular product without engaging in a formal bidding process. This is more typical with respect to our long-term customers who are already familiar with our products and may therefore prefer to avoid the additional time and expense that they may incur in preparing for vehicle mass production if there is a switch to a new supplier. The typical lead time between the award of the supply contract and actual vehicle production provides our management with visibility as to expected forward demand for the applicable automotive parts for a period of approximately three to four years from when the supply contract is entered into. In addition, significant pricing and capital investment decisions are made by us at the time we enter into a supply contract based on projected production volumes. Our product pricing policy takes into account a number of factors, including projected production volumes, technical requirements, raw material and component costs, logistics and other expenses and available production capacity, as well as our strategic business objectives and plans. Our product pricing also reflects costs invested by us during the product development process, as discussed below, as well as downward pricing pressures from vehicle manufacturers. See “Financial Information — Major Factors Affecting Our Results of Operations — Product Pricing.”

We work closely with our customers in the vehicle design and development stage to ensure that our products satisfy our customers’ specifications, and we are required to obtain a customer’s approval for our production lines for quality and capacity before we commence commercial production of parts for the customer using such lines. Before we enter into a supply contract, we assess whether the project will exceed our internal investment thresholds based on, among other things, the expected profit before tax. Projects are only undertaken when such thresholds are met, except in limited circumstances where there are other overriding strategic long-term considerations to pursue such project (such as to gain a foothold in an important new market segment or when there is potential for significant follow-on orders in the near future). After we are awarded a supply contract, we factor in the costs invested by us during the product development process when determining the pricing of our products.

Our supply contracts with Beijing Hyundai and Dongfeng Kia and local PRC vehicle manufacturers such as Chery typically have a one year term and are automatically renewed unless either party provides a prior notice of its intent to terminate the contract. However, in accordance with industry practice, our supply contracts with Shanghai GM typically confer broad termination rights on Shanghai GM, including clauses which allow Shanghai GM to unilaterally terminate the supply contract in the event of a cancellation or modification of the related vehicle program. To date, we have not experienced any such unilateral termination of our supply contracts by our customers. Our supply contracts are legally binding and generally provide for the supply, from a specific manufacturing facility at specified prices, of a customer’s annual requirements of the relevant product in the PRC for a particular vehicle model, rather than for the purchase of a specific quantity of products. Under the supply contracts, we receive periodic purchase orders from vehicle manufacturers for specific parts tailored for particular vehicles. These supply relationships typically extend over the life of the related vehicle model, and generally do not

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require the customer to purchase a minimum quantity. In addition, in exceptional cases involving local PRC vehicle manufacturers whose standard supply contracts contain onerous penalty provisions or other terms that we are not willing to accept, we may begin and continue supply relationships on the basis of purchase orders without entering into a master supply contract.

Vehicle manufacturers generally require their suppliers to meet price reduction initiatives and objectives each year. Accordingly, most of our vehicle manufacturer customers require step-downs in component pricing over the period of supply, generally ranging, on average, from 3% to 5% per year during the Track Record Period. Such price reductions are typically negotiated on an annual basis between us and vehicle manufacturers such as Beijing Hyundai, Dongfeng Kia and local PRC vehicle manufacturers (which is in line with the general practice in the PRC automotive industry) or, in the case of vehicle manufacturers which are affiliated with a global vehicle manufacturer based in the United States or Europe such as Shanghai GM, the range of such price reductions may be set forth in the supply contracts for each vehicle program. Such price reductions are negotiated and determined based on the expected annual reductions in our overall cost of providing products and services to the customer, taking into account such factors as manufacturing productivity enhancements, changes in raw material and components costs (including our ability to obtain cost reductions from our suppliers) and design-related cost improvements. See “Risk Factors — Risks Relating to Our Business — Escalating pricing pressures from our customers, through price reductions that may be negotiated annually or set forth in the relevant supply contracts, may adversely affect our business.”

We recognize revenue generally upon delivery of products to the customer. See “Financial Information — Critical Accounting Policies — Revenue Recognition.” Delivery is not deemed to have occurred until (i) the products have been shipped to the location specified in the supply contract, (ii) the risk of obsolescence and loss has been transferred to the customer and (iii) either the customer has accepted the products in accordance with the supply contract (or the acceptance provisions have lapsed) or we have objective evidence that all criteria for acceptance have been satisfied. Allocation of product transportation cost is determined on a contract-by-contract basis as agreed with the customer and is also factored into the pricing of our products. We manufacture and transport our products based on customer release schedules, normally provided on a daily basis along with a production forecast for the following one week to one month, which can vary due to cyclical automobile production or our customers’ inventory levels. We manage our production schedule with the general aim of maintaining a sufficient inventory to meet upcoming and scheduled demand from our customers by monitoring and managing our inventory turnover days to be within a reasonable range (which during the Track Record Period was 19 to 21 days). Our policy regarding credit is to aim to collect payments, on average, within 30 to 120 days from delivery. The vast majority of our receivables have been collected within the required collection period. During the Track Record Period, certain of our customers have made payments at the end of the applicable collection periods with bank notes redeemable after 180 days from the date of issuance, which effectively increased our collection periods with respect to such receivables. However, during the Track Record Period and as of the Latest Practicable Date, we have not experienced any material problems relating to customer payments. We generally provide a warranty to our customers, including the provision of replacement parts and after-sale services for our products, which are typically valid for one to three years, depending on the specific product and customer, from the date of purchase/delivery. In general, vehicle manufacturers with which we have supply relationships, including Beijing Hyundai, Dongfeng Kia and Shanghai GM, hold us responsible for up to all of the repair or replacement costs of defective products under new vehicle warranties extended by such vehicle manufacturers to consumers, in the

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event that the product supplied by us does not perform as warranted. Costs incurred under our product warranty liabilities consist primarily of repairs. We establish warranty reserves to cover future costs of warranty claims by our customers, based on our historical experience and best estimates of amounts necessary to settle future and existing warranty claims. We regularly evaluate the level of these reserves and adjust them when appropriate. We believe that recent trends regarding our repair and replacement costs can best be illustrated by our utilization of warranty reserves during the Track Record Period, which amounted to RMB 9 million, RMB 13 million and RMB 21 million in 2010, 2011 and 2012, respectively. As of December 31, 2012, we had established warranty reserves in the amount of RMB 31 million. Our Directors believe that our provision for warranty reserves is adequate.

Our sales subsidiary, Mando Beijing Trading, has overall responsibility for our marketing and customer relationship management and conducts its activities through its Beijing head office, Shanghai branch office and sales offices in Chongqing, Wuhu, Shenyang and Guangzhou. Mando Beijing Trading conducts independent marketing and customer relationship management activities targeting PRC-based customers including Beijing Hyundai, Dongfeng Kia, Shanghai GM and local PRC vehicle manufacturers. Within the PRC, the operations of Mando Beijing Trading are further divided by region into sales teams responsible for sales and marketing to customers in such region. The activities of such sales teams are supported by a market management team within Mando Beijing Trading, which is responsible for formulating and coordinating the implementation of our sales strategies and customer programs in the PRC. In addition, with respect to sales outside the PRC or across multiple geographical markets, for which the Sales Division of Mando Korea usually plays the role of global coordinator and primary communication channel for the relevant Mando companies and obtains relevant quotes from the local sales and marketing teams (see “Relationship with Mando Korea — Operational Independence — Sales and Marketing Activities”), Mando Beijing Trading supports such coordination activities of Mando Korea on our behalf by providing the requested quotes to the Sales Division of Mando Korea (instead of directly to the vehicle manufacturer) and engaging in discussions and coordination with Mando Korea as needed.

In order to better provide our existing and potential customers with information about our products and their performance quality, we visit and provide on-site technology demonstrations to vehicle manufacturers on a regular basis (typically three to four times a year).

COMPETITION

We consider the following companies to be our principal competitors in our brake, steering and suspension product categories:

Product Category	Competitors
Brake products	Robert Bosch GmbH, TRW Automotive Inc., Continental AG, Hyundai Mobis, Beijing West Industries
Steering products	TRW Automotive Inc., ZF Friedrichshafen AG, JTEKT Corporation, Heng Long, Nexteer
Suspension products	Hitachi, ZF Friedrichshafen AG, Tenneco Inc., Showa

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With respect to our two largest customers, Beijing Hyundai and Dongfeng Kia, we compete principally with Hyundai Mobis, which is the automotive parts manufacturing and sales unit within Hyundai-Kia. Based on our historical and ongoing strong relationship with Hyundai-Kia and the general policy of Beijing Hyundai and Dongfeng Kia to maintain more than one supplier source in order to ensure the timely supply, quality and price competitiveness of their automotive parts, we believe that Beijing Hyundai and Dongfeng Kia will continue to purchase automotive parts from both Hyundai Mobis and us. See “Risk Factors — Risks Relating to Our Business — We depend on the Hyundai-Kia Automotive Group as a customer, and declines in its level of business with us may materially and adversely affect our results of operations and financial condition.”

The automotive parts industry in the PRC is highly competitive. Vehicle manufacturers rigorously evaluate us and other suppliers based on a diverse set of criteria such as quality, cost competitiveness, system and product performance, reliability and timeliness of delivery, technology, flexibility in operations, customer service and overall management capability. We believe we compete effectively with leading automotive parts suppliers in the PRC market, which include the PRC operations of global automotive parts suppliers (such as Continental AG, Robert Bosch GmbH and TRW Automotive Inc.) as well as local PRC automotive parts manufacturers (such as Heng Long) on all of these criteria. For example, we generally follow manufacturing practices designed to improve efficiency and quality, including one-piece flow machining and assembly, and we schedule deliveries from our manufacturing plants and manage inventory so that we can efficiently and reliably deliver quality products to such customers in the quantities and at the times ordered in accordance with their production schedules.

In addition, the industry is heavily tied to the state and conditions of the automotive industry in the PRC and globally. In light of the global economic downturn beginning in the second half of 2008, which affected the global automotive industry in particular, global vehicle manufacturers have been in recent years, and are expected to continue to be, increasingly focused on the financial strength and viability of their supply base. Such scrutiny of suppliers will likely result in a general contraction in the supply base and may force consolidations and combinations of some suppliers. Furthermore, in order to serve multiple markets in a more cost-effective manner, many vehicle manufacturers (including Hyundai-Kia and General Motors) are turning to global vehicle platforms, which typically are designed in one location but produced and sold in various geographic markets around the world. Accordingly, vehicle manufacturers are increasingly interested in procuring automotive parts from suppliers that can serve multiple markets, support a global vehicle platform and maintain a local presence in each of the vehicle manufacturer’s regional sectors. We believe we can effectively address such requirements of global vehicle manufacturers through our close cooperation and coordination with Mando Korea. Furthermore, we believe that the trend of vehicle manufacturers favoring suppliers who can serve multiple regional markets and also maintain a local presence in each regional sector is also being replicated within the PRC automotive market, as vehicle manufacturers strategically locate additional production facilities across the PRC. We plan to expand our presence across six key regions of the PRC that we have identified to better address such trend. See “Business Strategies — Continue to strengthen manufacturing capabilities and expand and upgrade production capacity.” However, these trends create an extremely competitive market where vehicle manufacturers may prefer awarding bids to suppliers that are more diversified, have greater access to financial resources, are larger or have greater global operations than us and Mando Korea, our parent company, or which have a longer track record than ours. Furthermore, new market entrants in the PRC could result in increased competition. See “Risk Factors — Risks Relating to Our Industry — The automotive parts industry in the PRC is highly competitive, and there is no guarantee that we will be able to continue to compete successfully.”

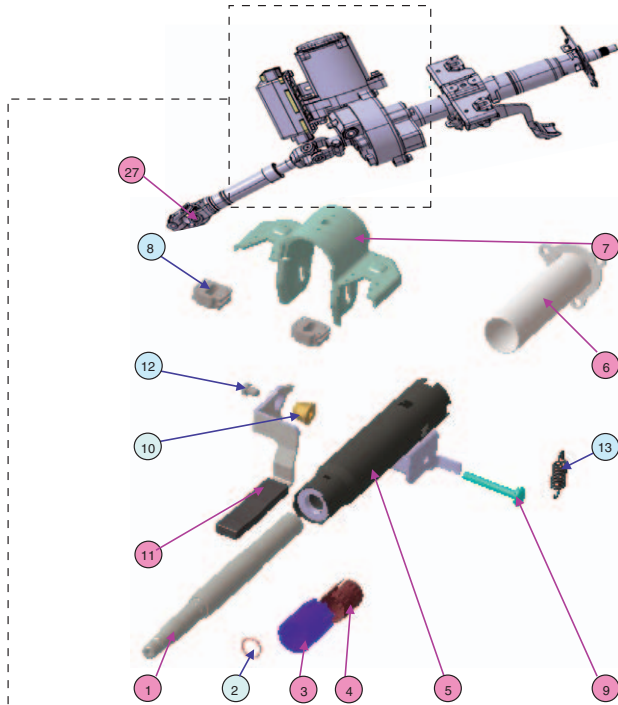
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RAW MATERIALS, COMPONENTS AND SUPPLIERS

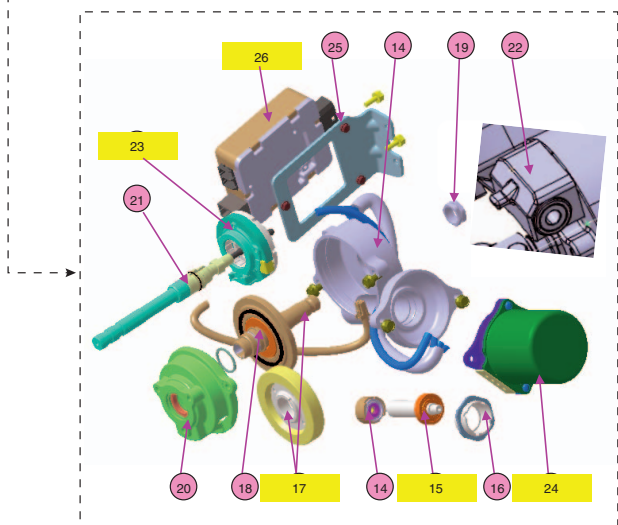
We purchase various manufactured components and raw materials for use in our manufacturing processes. In general, we do not carry inventories of raw materials in excess of those reasonably required to meet production and shipping schedules. Components and raw materials, which we source mainly from PRC suppliers and, to a lesser extent, from overseas suppliers (primarily for knock-down components) including Mando Korea, accounted for 88.9% of our cost of sales in 2010, 89.2% in 2011 and 88.5% in 2012. Key components and raw materials we purchase include metal parts, petroleum-based products, molded plastic components and various electronic and mechanical components. We source key components and raw materials from a limited group of suppliers in order to ensure timely supply and consistent quality. We select our suppliers for such components and raw materials based mainly on price, timeliness of delivery, quality and production capacities, and periodically reassess our supplier pool. In order to reduce our component and raw material costs and our dependence on any one supplier, we generally use compatible components and raw materials and purchase our components and raw materials from two or more suppliers. However, we may establish a working relationship with a single supplier if we believe it is advantageous to do so. We also source certain key materials and components through Mando Korea in order to take advantage of economies of scale and to efficiently access Mando Korea's supplier network in Korea. We have not entered into any long term purchase agreements with our suppliers.

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The following diagrams illustrate, as an example, how components purchased from Mando Korea are utilized in our Column-type Electric Power Steering System:



No	Part Name	Supplier
1	COL'M & BRK'T ASS'Y	Local
2	SHAFT UPPER	Local
3	C- RING	Local
4	LOCK RING	Local
5	TOLERANCE SLEEVE	Local
	UPR TUBE ASS'Y	Local
	UPPER TUBE	Local
	DISTANCE BRK'T	Local
	BALL BEARING	Local
6	COL'M ASS'Y LWR	Local
	INNER TUBE	Local
	FLANGE	Local
7	TILT BRK'T	Local
	PLATE BRAKET	Local
	MT'G BRK'T	Local
8	AL CAPSULE	Local
9	ADJUST BOLT	Local
10	ADJUST NUT	Local
11	TILT LEVER	Local
12	LEVER BOLT	Local
13	SPRING	Local



No	Part Name	Supplier
14	EPS UNIT ASS'Y	Local
15	G/BOX HS'G W/C ASS'Y	Local
	GEAR BOX HOUSING	Local
	BALL BEARING	Mando Korea
	W/C HSG	Mando Korea
15	WORM ASS'Y	Local
16	PLUG BOLT TEMPORARY ASS'Y	Local
17	OUTPUT SHAFT ASS'Y	Local
	WORM WHEEL	Mando Korea
	OUTPUT SHFAT	Local
18	SPACE COVER ASS'Y	Local
19	LOCK NUT(A)	Local
20	HOUSING COVER	Local
21	INPUT SHAFT ASS'Y	Local
22	MT'G BRKT LWR- ASS'Y	Local
23	TORQUE SENSOR ASS'Y	Mando Korea
24	MOTOR ASS'Y	Mando Korea
25	ECU BRACKET	Local
26	ECU ASS'Y	Mando Korea
27	IMS ASS'Y	Local

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In the above example of a column-type electric power steering system, six out of 40 sub-components are purchased from Mando Korea. See “Connected Transactions — Continuing Connected Transactions — 5. Framework Agreement on the Supply of Raw Materials, Components and Automotive Parts from Mando Korea.”

For the years ended December 31, 2010, 2011 and 2012, our purchases from our five largest suppliers, on a consolidated basis, represented approximately 38.9%, 33.7% and 32.5%, respectively, of our total purchases of raw materials and components. Purchases from Mando Korea, our largest supplier, represented approximately 19.2%, 16.1% and 14.2% of our total purchases of raw materials and components for the years ended December 31, 2010, 2011 and 2012, respectively. Each of our five largest suppliers, other than Mando Korea, is an Independent Third Party.

Other than Mr. Shin, Sahyeon, Mr. Chung, Frank Kun and Mr. Jeong, Dae Jong, who have interests in Mando Korea, none of our Directors or their respective associates had any interest in our five largest suppliers during the Track Record Period. For further information regarding interests of these Directors in Mando Korea, please see “Relationship with Mando Korea” and “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholder” in Appendix VI to this prospectus.

Despite temporary declines since the global economic downturn beginning in the second half of 2008, there has been a general increase in inflationary pressures in recent years which have impacted the global price levels for steel, aluminum, petroleum-based products and other raw materials. We seek to manage these and other materials-related cost pressures using a combination of strategies, including working with our suppliers to control costs, seeking alternative product designs and material specifications, combining our purchase requirements with our customers or suppliers, changing suppliers and other means. Certain of our supply contracts with our vehicle manufacturer customers also enable us to pass on some of the price increases in raw materials to our customers and thereby partially offset the impact of the increased materials costs on our profit margin for the related products, although our overall success in passing on raw material cost increases to our customers has been limited due to competitive and market pressures including periodic step-downs in parts pricing as generally required by our customers. In addition, there is typically a lapse of time before we are able to pass price increases through to the customer.

Because we purchase various types of equipment, raw materials and component parts from a limited group of suppliers, we may be adversely affected by their failure to perform as expected or their inability to adequately mitigate inflationary, industry or economic pressures. See “Risk Factors — Risks Relating to Our Business — We may be adversely affected by price volatility or shortages in raw materials and components used in manufacturing of our products, and we are dependent on limited sources of supply (including Mando Korea) for certain key raw materials and components.”

We generally negotiate master supply agreements with our suppliers which provide for the type and specifications of raw materials and components to be supplied. Our supply arrangements under such master supply agreements, which are legally binding, are typically for our annual requirements rather than for the purchase of specific quantities, and require us to provide periodic forecasts of our requirements. In general, we also negotiate pricing changes with our suppliers on an annual basis. The supply contracts with our suppliers typically provide for a payment period, on average, of approximately

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30 to 120 days after delivery, which is generally similar to our collection periods under the supply contracts with our major customers, including Beijing Hyundai, Dongfeng Kia, Shanghai GM and the Geely Companies. With respect to the supply of most components, our suppliers utilize blueprints provided by us and our supply agreements provide that such blueprints must be confidentially maintained and used solely for the purpose of fulfilling our orders.

Because we procure certain raw materials and components from overseas suppliers, our operations are affected by exchange rate fluctuations. In 2012, 3.0% of our purchases of raw materials and components were denominated in currencies other than the Renminbi, including U.S. dollars and Euros. Consequently, depreciation of the Renminbi against these foreign currencies increases the cost of imported raw materials and components in Renminbi terms. See “Risk Factors — Risks Relating to Our Business — Our results of operations are subject to exchange rate fluctuations.”

INTELLECTUAL PROPERTY

Patents

As at the Latest Practicable Date, we and Mando Korea have agreed that ownership interests in 46 registered patents which are used in our manufacturing operations in the PRC will be transferred to us. Upon registration in the PRC, which we expect to occur shortly after the Listing, such transfer of ownership interests will be complete and we and Mando Korea will have joint ownership of such registered patents. We paid to Mando Korea a one-time fee of RMB 70 million in 2012 as consideration for such transfer of joint ownership interests. These patents generally relate to our basic product designs and manufacturing processes and include patents relating to brake, steering and suspension technologies. These patents are generally applicable to the manufacture of a wide range of our brake, steering and suspension products. For example, our invention patent for “brake driving control valve” is generally applicable to the manufacture of a majority of our brake products ranging from caliper brake products to anti-lock brake systems, our invention patent for “slip joint for use in steering system” is generally applicable to the manufacture of a majority of our steering products and our invention patent for “damping force variable shock absorber” is generally applicable to the manufacture of a majority of our suspension products. We will have exclusive rights to use such jointly-owned intellectual property on a royalty-free basis within the PRC pursuant to the non-competition agreement between us and Mando Korea and Mando Korea will have non-exclusive rights to use such jointly-owned intellectual property on a royalty-free basis outside the PRC. (Mando Korea and we have also confirmed that our use of such jointly-owned intellectual property in the manufacturing of products in the PRC which are subsequently exported outside the PRC will be on a royalty-free basis.) Any transfer or sublicensing of such jointly-owned intellectual property (other than to our subsidiaries) will require the consent of both us and Mando Korea. In addition, with respect to royalties and other economic benefits from such jointly-owned intellectual property, we have agreed with Mando Korea that (i) we will be entitled to all economic benefits (including sub-licensing royalties) from the use of such jointly-owned intellectual property within the PRC and (ii) Mando Korea will be entitled to all such economic benefits from the use of such intellectual property outside the PRC.

We also license from Mando Korea a number of more technologically advanced, product-specific patents (that are different from the patents we will jointly own with Mando Korea) pursuant to licensing, technical assistance and other agreements. These patents generally involve designs and technologies

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that are applicable to the manufacture of specific products depending on the characteristics of the product. For example, in relation to our brake products, the patent relating to “electronically controlled brake system” will only be applicable to the manufacture of anti-lock brake systems, electronic parking brakes and electronic stability control systems and are not used in the production of caliper brake products. In relation to our steering products, the patent relating to “electric power steering equipped reduction gear” will only be applicable to the manufacture of electric power steering systems and are not used in the production of rack and pinion steering gear box products. In relation to suspension products, the patent relating to “electronically-controlled suspension apparatus and damping force control method” will only be applicable to the manufacture of smart damping control systems and are not used in the production of suspension strut products or shock absorbers. These agreements generally grant us a license to manufacture products in the PRC using the licensed technology in return for payment of royalties, and also give us the right to license additional patents for new technology developed by Mando Korea Group in the future under the same terms in order to ensure our on-going access to more advanced technologies. The portfolio of patents we license from Mando Korea relate to product-specific advanced technologies to which we require access so long as such technologies are necessary for the manufacture of our current product portfolio in the PRC, but which will need to be replaced or supplemented by newly-developed advanced technologies as our product portfolio continues to evolve. We believe the process of continually accessing newer advanced technologies from Mando Korea to replace or supplement outdated technologies can be more efficiently administered through an ongoing licensing arrangement rather than repeated one-off transfers of patent ownership each time we require access to a newly-developed technology of Mando Korea, particularly in light of the registration requirements for patent transfers under applicable laws and other practical burdens. In connection with the Reorganization, we and Mando Korea entered into the Intellectual Property License Agreement on December 31, 2012 whereby Mando Korea and we agreed to continue with our historical practice of paying a royalty fee to Mando Korea for our use of such patents under licensing arrangements. See “Relationship with Mando Korea — Operational Independence — Logistics and Procurement Processes, Advisory Services and Technologies — Technologies” and “Connected Transactions — Continuing Connected Transactions — 3. Intellectual Property License Agreement.” Going forward, our general policy will be to apply for patents on an ongoing basis, in the PRC and other appropriate jurisdictions, on patentable developments which are considered to have commercial significance. Although both our patents jointly owned with Mando Korea and our intellectual property licensed from Mando Korea play an important role in maintaining our competitive position in a number of the markets that we serve, no single patent, trademark or license, or group of related patents, trademarks or licenses, is, in our opinion, of such value to us that our business would be materially affected by its expiration or termination.

Trademarks

During the Track Record Period, all of our operations were conducted using the trademarks of Mando Korea. We license the “Mando” mark, the Mando logo and other trademarks and service marks from Mando Korea on a long-term, royalty-free basis. The trademarks and service marks that we license from Mando Korea are registered in Korea and the PRC as well as other overseas jurisdictions. We are not aware of any claims of infringement or other challenges regarding our right to use these marks in the PRC or in any other jurisdiction. We regard these trademarks and service marks as valuable assets in the marketing of our products and take appropriate action when necessary to protect them.

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RESEARCH AND DEVELOPMENT

We believe that continued research and development and engineering activities are critical to maintaining and improving our position in the PRC automotive parts industry and will also provide us with a competitive advantage as we seek additional business with new and existing customers. Our research and development activities primarily focus on the application of advanced technologies relating to our products (mostly those relating to electronic brake, steering and suspension components and systems that are developed by Mando Korea) and/or the development of more advanced conventional brake, steering and suspension components and systems with improved capabilities, in each case to fit the particular demands and needs of vehicle manufacturers in the PRC, as well as the development of optimized “low-cost designs” of existing products which can be manufactured using more cost-effective materials, parts or manufacturing processes while retaining the same performance characteristics.

As of December 31, 2012, we employed over 220 engineers, researchers, designers, technicians and support personnel in connection with our research and development activities, which are primarily conducted through our research and development center operated by our wholly-owned subsidiary, Mando Beijing R&D. Such personnel receive regular training and generally have experience in the automotive parts industry or research and development activities. Mr. Jeong, Dae Jong has been head of Mando Beijing R&D since December 2010, and in such role is the head of our research and development. See “Directors and Senior Management — Directors — Non-executive Directors.” We have also completed the construction of an additional research and development facility in Beijing. We utilize sophisticated testing and computer simulation equipment and engineering tools, including a noise simulator, dynamometers and brake testing equipment, in our research and development efforts. We believe we are widely recognized in the PRC automotive industry for our research and development, engineering and product design capabilities. In addition to our independent research and development activities, we also conduct joint research and development efforts with Mando Korea with a focus on the development of new parts for new global platform vehicle models. Costs for these joint research and development activities are allocated to each participating party as incurred, but the resulting intellectual property has historically been owned by Mando Korea because it had been the practice of Mando Korea to centralize the ownership of its intellectual property rights at Mando Korea and then license such rights to its operations outside of Korea. In the future, intellectual property rights resulting from joint research will be jointly owned by us and Mando Korea, with us having exclusive rights to use such jointly-owned intellectual property on a royalty-free basis within the PRC pursuant to the non-competition agreement between us and Mando Korea and Mando Korea having non-exclusive rights to use such jointly-owned intellectual property on a royalty-free basis outside the PRC. (Mando Korea and we have also confirmed that our use of such jointly-owned intellectual property in the manufacturing of products in the PRC which are subsequently exported outside the PRC will be on a royalty-free basis.) Any transfer or sublicensing of such jointly-owned intellectual property (other than to our subsidiaries) will require the consent of both us and Mando Korea. In addition, with respect to royalties and other economic benefits from such jointly-owned intellectual property, we have agreed with Mando Korea that (i) we will be entitled to all economic benefits (including sub-licensing royalties) from the use of such jointly-owned intellectual property within the PRC and (ii) Mando Korea will be entitled to all such economic benefits from the use of such intellectual property outside the PRC. Mando Korea currently operates a network of 12 research and development centers, including nine centers in Korea and one center each in the United States, India and Germany.

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Our total expenditures on research and development amounted to RMB 47 million in 2010, RMB 53 million in 2011 and RMB 89 million in 2012, representing 1.1%, 1.0% and 1.4%, respectively, of our total revenue during the Track Record Period.

ENVIRONMENTAL MATTERS

Our manufacturing operations generate a variety of chemicals, gases and wastes, and we are subject to the environmental protection laws and regulations of the PRC relating to the use, storage, discharge and disposal of such chemicals and gases and other emissions and waste. See “Risk Factors — Risks Relating to Our Business — We are subject to strict environmental, health and safety regulations and we may be subject to fines or restrictions that could cause our operations to be interrupted or result in significant compliance expenses.” We have installed various types of anti-pollution equipment and implemented processes to reduce or treat the wastes generated in our manufacturing activities in each case as required by applicable environmental laws and regulations. We educate and train our employees in environmental issues and require adherence to corporate guidelines on environmental protection measures.

We believe that we have adopted anti-pollution measures for the effective maintenance of environmental protection standards consistent with the practice of the automotive parts industry in the PRC, and that we are in compliance in all material respects with applicable environmental laws and regulations. Accordingly, the Directors believe that there has not been any material adverse impact on the environment from chemicals generated by our manufacturing operations. Our total expenditures to comply with applicable requirements under such environmental laws and regulations amounted to RMB 1.0 million in 2010, RMB 2.4 million in 2011 and RMB 2.3 million in 2012. In addition, with the exception of our newly constructed Ningbo plant (for which we plan to undertake the certification process in the near future), we have received ISO 14001 environmental certifications for all our manufacturing plants.

During the Track Record Period and up to the Latest Practicable Date, we have not received any notice or warning in relation to environmental matters in respect of our production or our facilities and we have not been subject to any material fines, penalties or other legal actions by government authorities in the PRC resulting from non-compliance with any environmental protection laws and regulations in the PRC. Furthermore, to the best of our knowledge, there have been no claims or investigations alleging any material impact on the environment from chemicals generated from our manufacturing operations during the Track Record Period and up to the Latest Practicable Date. Our environmental protection expenditures for 2013 are expected to be broadly in line with our historical environmental expenditures.

INSURANCE

We currently have insurance coverage for our manufacturing plants, warehouses and other facilities, which includes property insurance, business interruption insurance and general public liability insurance. We currently have such insurance coverage for up to an aggregate amount of approximately RMB 4 billion for our facilities in the PRC. In addition, we maintain a broad range of insurance policies to cover work-related injuries to employees and accidents during overseas business travel, as well as mandatory social insurance for our workers and director and officer liability insurance. All such insurance policies are reviewed annually, at which time the insured amounts are determined. All of our existing policies are underwritten by reputable insurance providers in the PRC and elsewhere. However, we do

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not currently maintain any product liability insurance. Our Directors believe that it is not the typical industry practice in the PRC automotive parts industry to maintain product liability insurance because there is no requirement to do so under current PRC laws and product liability insurance is not commonly available from insurance companies in the PRC. We do not anticipate having any difficulties in renewing any of our existing insurance policies and believe that our insurance coverage is similar in scope to that which is customary for companies in the automotive parts industry in the PRC.

EMPLOYEES

As of December 31, 2012, we had 2,548 full-time employees. The following tables provide a breakdown of our employees (including those of our subsidiaries) by function and by location as of December 31, 2010, 2011 and 2012.

Employees (by function)	As of December 31,		
	2010	2011	2012
Production	1,120	1,562	1,702
Management and Administrative.....	381	540	586
Sales and Marketing	26	31	32
Research and Development	99	192	228
Total.....	<u>1,626</u>	<u>2,325</u>	<u>2,548</u>

Employees (by location)	As of December 31,		
	2010	2011	2012
Suzhou	603	663	727
Beijing.....	714	877	971
Harbin.....	162	170	161
Tianjin.....	147	166	234
Ningbo	—	449	444
Total.....	<u>1,626</u>	<u>2,325</u>	<u>2,548</u>

We recognize the importance of our employees to our success. We continue to provide training for our employees to enhance technical knowledge as well as knowledge of industry quality standards. The salaries of our employees are reviewed annually. Salaries are adjusted based on individual, team and company performance, industry standards, inflation and other criteria. As an incentive, discretionary bonuses may be paid based on the performance of individuals. We also provide a range of fringe benefits to our employees, including free medical examinations. We believe such initiatives contribute to employee retention and increased productivity.

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Furthermore, we have adopted and implemented occupational health and safety procedures and measures for our business operations and have taken further measures to ensure that our employees are aware of our safety protocols. For example, our employees involved in production process are required to attend training courses on workplace safety and to wear protective the devices for their safety. We did not experience any workplace accidents causing death or serious bodily injury in our business operations during the Track Record Period and up to the Latest Practicable Date.

In accordance with the relevant PRC laws and regulations, we contribute to several insurance and employee welfare schemes. We make contributions to our employees' social insurance, housing fund, basic pension insurance fund, basic medical insurance fund and unemployment, maternity and work-related insurance funds in accordance with applicable PRC laws and regulations.

We have not experienced any material strike or other work stoppage during the Track Record Period and consider labor relations with our work force to be good.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

As of the Latest Practicable Date, we were not party to any litigation or arbitration proceedings or any pending or threatened litigation or arbitration proceedings against us or any of our Directors that we believe would result in a material adverse effect on our financial condition or results of operations.

In the opinion of our PRC legal advisors, during the Track Record Period and up to the Latest Practicable Date, except as disclosed in the section headed "Business — Properties" below (i) we (including the PRC Subsidiaries) have complied with relevant PRC laws, rules and regulations including without limitation environmental and work safety laws and regulations in all material respects, and (ii) we (including the PRC Subsidiaries) have obtained all licenses, approvals and permits that are material to our business operations in the PRC from the appropriate regulatory authorities.

PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. These properties principally include manufacturing and testing facilities and certain ancillary buildings and storage facilities located in Beijing, Tianjin, Suzhou, Ningbo, Harbin, Shenyang and Heihe. As of the Latest Practicable Date, we occupied and held interest in a total of 94 properties, which included eight parcels of land we own and two parcels of land we lease. For further details, see "Property Valuation" in Appendix III to this prospectus.

As of December 31, 2012 (the latest date for which we have audited consolidated balance sheet information), no single property interest that forms part of our non-property activities has a carrying amount of 15.0% or more of our total assets.

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As of the Latest Practicable Date, we did not have valid titles or rights to certain properties that we occupied. In respect of such properties, we have obtained an indemnity from Mando Korea pursuant to which it has agreed to indemnify us against any costs, expenses and losses that we may suffer arising from any dispute regarding our rights to occupy, lease and use the relevant properties in the PRC. For details of such indemnity, see “Statutory and General Information — D. Other Information — 2. Indemnities” in Appendix VI to this prospectus.

Properties We Own

Land

As of the Latest Practicable Date, we owned eight parcels of land, two of which may have title defects as set out below:

- ***Beijing Miyun Land:*** This is a parcel of land located in the southeast of Daxinzhuang Village, West Tiangezhuang Town, Miyun County, Beijing with a total site area of approximately 103,790 square meters. Mando Beijing Chassis currently operates its factory and manufacturing facilities and office buildings on the Beijing Miyun land. We entered into a land use rights grant agreement dated April 23, 2007 with the Beijing Municipal Administration of Land Resources Miyun Branch, pursuant to which we contractually acquired the land use rights for a fee of RMB 42 per square meter, which was below the statutory prescribed minimum fee of RMB 204 per square meter. The reason for such discrepancy was mainly because we were advised by the Beijing Municipal Administration of Land Resources Miyun Branch at the relevant time that the shortfall was acceptable when costs of the previous development on the land were taken account. As advised by our PRC legal advisors, Haiwen & Partners, the relevant governmental authority may require us to pay the shortfall of the statutory prescribed minimum fee. We estimate the payment of the shortfall of the statutory prescribed minimum fee will amount to approximately RMB 16.8 million. During recent discussions with us, the Beijing Municipal Administration of Land Resources Miyun Branch did not accept our request for a written confirmation that we will not be required to pay the relevant shortfall in the future but verbally confirmed the same to us. As advised by Haiwen & Partners, our PRC legal counsel, the Beijing Municipal Administration of Land Resources Miyun Branch is the competent authority pursuant to the Urban Real Estate Administration Law of the PRC (中華人民共和國城市房地產管理法), the Interim Regulations of the PRC Concerning the Grant and Transfer of State-owned Land Use Rights in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) and the Notice Regarding the Implementation of the Minimum Land Grant Fee Standard of National Industrial Land (關於發佈實施<全國工業用地出讓最低價標準>的通知) to implement relevant laws, rules and regulations and handle the land use right grant procedures in relation to the grant of Beijing Miyun land. As such, Haiwen & Partners have advised us that a decision by the Beijing Municipal Administration of Land Resources Miyun Branch not to require us to pay the shortfall of the statutory prescribed minimum fee would be prima facie binding unless such decision is challenged by a higher government authority. As at the Latest Practicable Date, to our knowledge, no higher government authority has challenged the Beijing Municipal Administration of Land Resources Miyun Branch in this matter. In light of the above, we believe the probability of us being required to pay the shortfall of the statutory prescribed

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minimum fee is low, and if we are required to do so in the future, we will be able to rectify our defective title upon payment of the shortfall. Therefore, we believe that we will not be required to carry out any immediate remedial action in respect of such non-compliance relating to this land.

- **Tianjin Yixian Land:** This is a parcel of land located at Yixian Scientific Industrial Park, Tianjin Economic Technological Development Area, Tianjin with a total site area of approximately 44,838 square meters. Mando Tianjin currently operates its factory and manufacturing facilities on the Tianjin Yixian land. We entered into a land use rights transfer agreement dated January 10, 2005 with Tianjin Yixian Scientific Industrial Park International Company Limited (“**Tianjin Yixian Scientific**”), pursuant to which we contractually acquired the land use rights for the Tianjin Yixian land. As advised by Haiwen & Partners, pursuant to the relevant PRC laws and regulations, Tianjin Yixian Scientific was required to satisfy the following two conditions prior to the transfer of its land use right: (1) settle the relevant land grant fee in full in connection with the underlying land and obtain the land use rights certificate for this land and (2) make investments in such land equal to at least 25% of the total investment plan amount that was agreed with the relevant governmental authorities when Tianjin Yixian Scientific acquired its own land use right. In respect of the first condition, we have received a written confirmation from Tianjin Yixian Scientific that the land grant fee had been paid in full. In respect of the second condition, we were unable to ascertain whether Tianjin Yixian Scientific has satisfied such minimum investment requirement. However, as advised by Haiwen & Partners, according to the judicial interpretation of the Supreme People’s Court of the PRC, if (i) the land grant fee has been settled in full by the transferor; (ii) the total investment made by the transferor and transferee in the land amounts to more than 25% of the total investment plan amount that was agreed with the relevant governmental authorities; and (iii) the relevant registration procedures have been completed, the land use rights transfer agreement may be deemed to be valid. Accordingly, Haiwen & Partners is of the view that, based on the relevant governmental authorities having granted to us all necessary land use certificates and building certificates relating to this land and the buildings and our confirmation that our title or right to this land has not been challenged by the relevant governmental authority since we obtained the land use right for the land, the risk of the land use rights transfer agreement entered into between us and Tianjin Yixian Scientific being invalidated (which in turn would lead to the confiscation of the land) is low. In light of the above, we believe that we have satisfied the required conditions under the relevant judicial interpretation described above and, accordingly, we will not be required to carry out any immediate remedial action in respect of such possible non-compliance relating to this land.

As of the Latest Practicable Date, we had not been subject to any material claim arising from or in connection with any defect in the eight parcels of land we own.

Our Directors are of the view that the Beijing Miyun Land and the Tianjin Yixian Land are crucial to our operations as we operate manufacturing facilities on these parcels of land. However, in view of the indemnity provided by Mando Korea in favor of us (as described under “Statutory and General Information — D. Other Information — 2. Indemnities” in Appendix VI to this prospectus) and the advice given to us by Haiwen & Partners, our Directors believe that the probability of such title defects causing material adverse impact on our business operations is low.

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Buildings

As of the Latest Practicable Date, we have not obtained the necessary building certificates in respect of the following buildings:

- a guard room and a temporary warehouse located at No. 8 Yantai Road, Harbin Economic Development Zone, Harbin City, Heilongjiang Province with a total gross floor area of approximately 378 square meters. Due to an urgent need for short-term storage space, the building was built prior to obtaining the necessary construction permits. As advised by Haiwen & Partners, we may be required to demolish the building if it is deemed to be illegal by the relevant government authorities or pay a fine in accordance with the relevant PRC laws and regulations. As of the Latest Practicable Date, our right to this building has not been challenged by any governmental authorities. Accordingly, we believe that we will not be required to carry out any immediate remedial action in respect of such non-compliance relating to this building. However, if our right to this building is challenged in the future, we plan to demolish the building within six months upon receipt of a notice from the relevant government authority instead of paying a fine.
- a ring electronic distribution network (環形配電網) room (環網室) and an auxiliary room (the “**Ring Network Construction**”) with a total gross floor area of approximately 395 square meters, and a guard room and an auxiliary room (the “**Guard Room Construction**”) with a total gross floor area of approximately 1,100 square meters, located at No. 328 Mayun Road, Gaoxin District, Suzhou City, Jiangsu Province. Due to a misunderstanding by us with respect to the requisite permits, the Ring Network Construction was built in September 2004 prior to obtaining the construction planning permit (建設工程規劃許可證) and construction license (施工許可證) and the Guard Room Construction was also built in September 2004 prior to obtaining the construction license. As advised by Haiwen & Partners, (i) in respect of the Ring Network Construction, we may be required to pay a maximum fine of 12% of our construction cost; (ii) in respect of the Guard Room Construction, we may be required to pay a maximum fine of 2% of the construction cost; and (iii) if we can obtain the necessary construction permits and/or licenses and building ownership certificates, we shall have the valid legal title to these properties. Based on currently available information, we expect the aggregate amount of fines arising from such non-compliance that may be imposed against us will be approximately RMB 650,000. We are in the process of gathering the necessary documentation to apply for the construction permits and/or licenses and building ownership certificates. We will also work with the relevant government authorities and take all practical measures in order to obtain the construction permits and/or licenses and building ownership certificates. Although we have experienced difficulties in locating certain documents due to the passage of time, if we are able to submit all the necessary documentation to the relevant government authorities, we believe that there should be no material legal impediment in obtaining the construction permits and/or licenses and building ownership certificates. However, as advised by Haiwen & Partners, if we fail to obtain such construction permits and/or licenses, we may be required to demolish the buildings in the event that the relevant government authorities refuse to accept fines as a means to rectify the title defect. In such circumstances, we will look for alternative premises and install new power generating equipment elsewhere within twelve months of receipt of notice from the relevant government authority. The cost of installing such equipment on alternative premises is expected to amount to approximately RMB880,000.

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- a building located at Phase IV of Miyun Economic Development Area, Beijing with a total gross floor area of approximately 2,272 square meters. Mando Beijing Chassis currently uses this building as an auxiliary test track-related facility. This building was built by Beijing Miyun Economic Development Zone Co., Ltd. (北京密雲經濟開發區總公司) (“**Miyun Development**”), in the absence of a building certificate, on land which was provided to us for a term of 50 years pursuant to an agreement dated December 31, 2003 entered into between us and Miyun Development. Based on our belief that the risk of a legal challenge by the relevant government authorities regarding such building would be relatively low, given that Miyun Development is a local government-related entity, we subsequently acquired such building from Miyun Development pursuant to a building purchase agreement dated July 15, 2008 for a consideration of RMB 3.3 million. However, as we do not hold the land use right to the underlying land and building ownership certificate for the building, as advised by Haiwen & Partners, our title or right to this building is uncertain. As of the Latest Practicable Date, our right to this building has not been challenged by any governmental authorities. Accordingly, we believe that we will not be required to carry out any immediate remedial action in respect of such non-compliance relating to this building. In case our title or right to this building is challenged in the future, we will look for alternative premises for such auxiliary facility and expect that we will be able to complete the relevant construction work within twelve months upon receipt of a notice from the relevant government authority. The cost of constructing a building on such alternative premises is expected to amount to approximately RMB 6 million.
- a building named Mando Beijing R&D Building (萬都(北京)研發綜合樓), located at Xitong Road, Zone C, Miyun Economic Development Area, Beijing, with a total gross floor area of approximately 10,019 square meters. Mando Beijing R&D currently uses this building as offices. We commenced construction of this building prior to obtaining the necessary construction permits, including the construction planning permit and the construction license, based on our understanding that the management office of Miyun Economic Development Area (the “**Management Office**”) was verbally informed of, and did not object to, our construction plan and our intention to apply for the necessary construction permits upon obtaining the land use right certificate in respect of the underlying land. We obtained the land use right certificate in respect of the underlying land on August 10, 2012 and the land planning permit on April 11, 2013. We are currently in the process of applying for the two remaining construction permits. If we are able to submit all the necessary documentation to the satisfaction of the relevant governmental authorities and satisfy the other requests of the governmental authorities, Haiwen & Partners is of the view that there should be no material legal impediment in obtaining the construction permits and building ownership certificate. As of the Latest Practicable Date, our right to this building has not been challenged by any governmental authorities. In view of the above, we believe that we will not be penalized or be required to take any other remedial action in respect of such non-compliance relating to this building. However, if our right to this building is challenged in the future, as advised by Haiwen & Partners, we may be required to (i) pay a maximum fine of 16% of our construction cost and/or (ii) demolish the building or have the building confiscated. Based on currently available information, we expect the maximum aggregate amount of fines arising from such non-compliance that may be imposed against us will not exceed RMB 8.8 million but it is currently anticipated that the actual fine may be lower. In the event that the relevant

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governmental authorities refuse to accept fines as a means to rectify the title defect, we will look for alternative premises within twelve months upon receipt of a notice from the relevant governmental authorities. The cost of constructing a building on such alternative premises is expected to amount to approximately RMB 53.3 million.

Our Directors are of the view that the above buildings are not crucial to our operations as they are properties which are peripheral to our production or testing facilities. In view of the indemnity provided by Mando Korea in favour of us (as described under “Statutory and General Information — D. Other Information — 2. Indemnities” in Appendix VI to this prospectus) and the advice given to us by Haiwen & Partners, our Directors believe that the probability of such title defects causing material adverse impact on our business operations is low.

We are also in the process of completing the relevant construction inspection process for the buildings set out below:

- four buildings located in various areas in Xitian area in Miyun county, Beijing with a total gross floor area of approximately 40,452 square meters, which are currently used as factories and offices; and
- one building located at Tianjin Yixian Scientific Industrial Park, Tianjin Economic Technological Development Area with a total gross floor area of approximately 1,319 square meters, which is currently used as offices.

As advised by Haiwen & Partners, upon completing the relevant construction inspection process in relation to the above buildings, there should not be any material legal impediment to obtaining the relevant building ownership certificates.

As of the Latest Practicable Date, we had not been subject to any material claim arising from or in connection with any defect in title or rights for the above buildings.

Construction in Progress

As of the Latest Practicable Date, we have one construction project in progress, for which we do not have all the required construction permits:

- Mando Shenyang’s factory plant, offices, auxiliary buildings and guard room, with a total gross floor area of approximately 25,587 square meters, located at East Beidaying Street, Dadong District, Shenyang. We commenced construction of these buildings prior to obtaining the construction planning permit and the construction license, based on our understanding that the relevant local government officials were verbally informed of, and did not object to, our commencing construction of such buildings. The construction planning permit was obtained on March 18, 2013. We are in the process of applying for the construction license. If we are able to submit all the necessary documentation to the satisfaction of the relevant governmental authorities and satisfy the other requests of the governmental authorities, Haiwen & Partners is of the view that there should be no material legal impediment in obtaining the construction license. As of the Latest Practicable Date, our right to these

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buildings has not been challenged by any governmental authorities. In view of the above, we believe we will not be penalized or be required to take any other remedial action in respect of such non-compliance relating to these buildings. However, as advised by Haiwen & Partners, we may be required to (i) pay a maximum fine of 2% of the construction cost and/or (ii) suspend construction. Based on currently available information, we expect the maximum aggregate amount of fines arising from such non-compliance that may be imposed against us will not exceed RMB 173,200.

In view of the indemnity provided by Mando Korea in favor of us (as described under “Statutory and General Information — D. Other Information — 2. Indemnities” in Appendix VI to this prospectus), our Directors believe that the probability of such title defects causing a material adverse impact on our business operations is low.

Properties We Lease

As of the Latest Practicable Date, we leased two parcels of land for our testing facilities. During the Track Record Period, we have not experienced any difficulty or failure in renewing our lease agreements.

Our rights under the following leases may be defective as it appears the lessor may not validly hold the relevant land use right certificate. The details of such leases are set out below:

- One parcel of land located at Woniu Lake Reservoir Management Zone, Aihui District, Heihe City, Heilongjiang Province with a total site area of approximately 19,910 square meters. Mando Beijing R&D currently uses this parcel of land as a winter test track facility. We entered into an agreement dated July 17, 2003 with the local government pursuant to which we were provided the right to use the land for test tracks and ancillary facilities for a term of 30 years commencing from July 17, 2003 at annual rent of RMB 550,000. We subsequently entered into an amendment agreement dated December 15, 2005 with the local government to increase the annual rent to RMB 1,050,000 and another supplemental agreement with the local government-related entity to further increase the annual rent (together with the related expenses) to RMB 1,456,000. Based on our discussion with the local government-related entity, such party verbally confirmed to us that the land is classified as an allocated land (劃撥地) and the local government-related entity has not obtained the approval for leasing the land to us. As advised by Haiwen & Partners, in the absence of obtaining such approval in compliance with the relevant PRC laws and regulations, this land cannot be leased and our use of the land may be interrupted. As of the Latest Practicable Date, our use of the land has not been challenged by any governmental authorities. Accordingly, we believe that we will not be required to carry out any immediate remedial action in respect of such non-compliance relating to this land. However, if our right to this land is challenged in the future, we have identified alternative test track facilities that can be used and we do not expect our business to be materially affected. Furthermore, we have obtained an indemnity from the local government to indemnify us from any direct or indirect losses arising from its failure to carry out its obligations (including those regarding the provision of the relevant documentation and support in relation to the registration of the lease) pursuant to the aforementioned agreement.

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- One parcel of land located at Phase IV of Miyun Economic Development Area, Beijing with a total site area of approximately 167,000 square meters. Mando Beijing R&D currently uses this parcel of land as a test track facility. We entered into an agreement dated December 31, 2003 with Miyun Development pursuant to which we were provided the right to use such land for a term of 50 years for free. As of the Latest Practicable Date, we have been occupying the land for more than eight years. As of the Latest Practicable Date, the lessor failed to provide to us its land use rights certificate for the land. As advised by Haiwen & Partners, (i) our arrangement with Miyun Development regarding our usage of the land neither constitutes a grant or transfer of land use rights nor complies with the relevant conditions of lease of state-owned land, including the rent being compliant with the prescribed minimum rent in accordance with the relevant PRC laws and regulations; and (ii) as such, our right to use the land may be withdrawn and we may be required to pay the shortfall of the prescribed minimum rent. As of the Latest Practicable Date, our use of the land has not been challenged by any governmental authority. Accordingly, we believe that we will not be required to carry out any immediate remedial action in respect of such non-compliance relating to this land. However, if our right to this land is being challenged, we have identified alternative test track facilities and we do not expect our business to be materially affected. We estimate the maximum amount payable by us arising from such non-compliance (including fee shortfall) will not exceed RMB 7 million. In addition, we believe we should be able to readily identify other commercial test track facility operators in Beijing that can rent us test tracks facilities for a fee in compliance with the relevant PRC laws and regulations. Accordingly, if we are unable to use our test track facility at Miyun Economic Development Area, we have prompt access to alternative test track facilities and we do not expect our business to be materially affected. Based on currently available information, we estimate the relocation cost for the land and the building will be approximately RMB 16 million.

Our Directors are of the view that the above leased properties are crucial to our operations as we operate our testing facilities on such parcels of lands. However, in view of the alternative test track facilities identified by us and the indemnity provided by Mando Korea in favour of us (as described under “Statutory and General Information — D. Other Information — 2. Indemnities” in Appendix VI to this prospectus), our Directors believe that the probability of such title defects causing material adverse impact on our business operations is low.

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In addition, we have 52 other leases, including one lease for one of our manufacturing facilities, 8 leases for offices and 43 leases for staff quarters. The manufacturing facility-related lease represents a total gross floor area of approximately 16,321 square meters and we are required to pay an annual rent of RMB 480,000. The office leases represent an aggregate gross floor area of approximately 2,004 square meters and we are required to pay a monthly rent ranging from RMB 0 to RMB 41,987 for each such lease. The staff quarters leases represent an aggregate gross floor area of approximately 7,208 square meters and we are required to pay a monthly rent ranging from RMB 1,200 to RMB 23,000 for each such lease. Out of the 52 leases, we were advised by Haiwen & Partners that we cannot ascertain the validity of our rights to 20 of the staff quarters leases and three of the office leases, as the relevant lessors failed to provide us with the necessary title or authorization documents. Notwithstanding the above, our Directors do not consider such leases to be crucial to our business and operations as similar properties are readily available in the commercial market. We have been actively seeking to register the remaining 29 leases with the relevant government authorities in the PRC. However, certain local government authorities have indicated their reluctance to accept our request to register the relevant unregistered leases, primarily due to imminent expiry dates for such leases. In addition, certain community services agencies, which have been empowered to process residential lease registrations under the applicable local rules and regulations in the PRC, have indicated that they do not handle lease registrations. Accordingly, as of the Latest Practicable Date, we have only obtained registration with respect of three out of such 29 leases. We plan to continue to seek registration of our 26 leases which remain unregistered and will seek to ensure that our new leases will be duly registered with the relevant government authorities in accordance with applicable laws and regulations.

Notwithstanding the above, the Directors are of the view that the failure to register some of our leases is not material to our operations because (i) as advised by Haiwen & Partners, failure to complete the registration and filing of a lease agreement will not affect its enforceability between the contracting parties, although an unregistered lease cannot be held against a good faith third party and a maximum fine of RMB 10,000 may be imposed against us in respect of each unregistered lease, and (ii) the relevant properties are offices and staff quarters for which similar properties substitutes are readily available in the market and can be substituted without causing material disruption to our operations.

As of the Latest Practicable Date, we have not been subject to any material claim arising from or in connection with any defect in our leasehold interest in any of our leased properties.

Our Directors are of the view that the above-described defects in our leasehold interest in our leased properties would not have a material adverse impact on our business and operations because we have obtained an indemnity from Mando Korea in favor of us (as described under “Statutory and General Information — D. Other Information — 2. Indemnities” in Appendix VI to this prospectus) and we believe that the risk of the relevant local governments challenging the validity of the leases is low.

In order to improve our internal control measures to prevent recurrence of similar incidents relating to our properties, we have adopted or intend to adopt the following measures:

- (i) we will engage a PRC legal advisor on a continuing basis after Listing to render professional advice as to our compliance with the relevant PRC laws and regulations, including with respect our properties; and

BUSINESS

(ii) we have adopted internal control policies to:

- conduct proper due diligence on properties that we intend to purchase or lease, including inspection of all necessary permits and certificates to prove valid title of the contracting parties;
- follow open bidding (招拍掛) procedures for acquiring land use right of state-owned land unless it is confirmed that all the land transfer conditions have been satisfied, and to pay the statutory prescribed minimum fee in accordance with the terms and conditions of the relevant land use right transfer agreement;
- satisfy all the conditions relating to the transfer of land use rights of state-owned land in the secondary market and ensure the transferor is duly entitled to enter into the relevant transaction; and
- follow our internal approval procedures for acquiring, leasing or constructing on any properties, including obtaining the approval from the relevant responsible officers and consulting with our PRC legal advisors.

RELATIONSHIP WITH MANDO KOREA

OVERVIEW

Immediately after the completion of the Global Offering, Mando Korea will be interested in approximately 70.0% of our outstanding Shares. Mando Korea is a company incorporated in Korea and its shares are currently listed on the Korea Exchange. As at the date of this prospectus, Mando Korea does not have any shareholder holding in excess of 30.0% of its shares and accordingly, Mando Korea does not have any controlling shareholder.

Information on Mando Korea Group

Mando Korea Group is a major global supplier of chassis-related automotive parts, primarily brake, steering and suspension components and systems. Mando Korea Group has a substantial global presence with a network of manufacturing facilities, research and development centers, subsidiaries and joint ventures located in various regions around the world. In its core automotive parts manufacturing business (and excluding its PRC operations through us), Mando Korea Group currently operates three production facilities in Korea, as well as production facilities located in the United States, Poland, Brazil and India and those operated by joint ventures in Turkey and Malaysia.

We are currently a direct wholly-owned subsidiary of Mando Korea and will remain a subsidiary of Mando Korea upon Listing.

DELINEATION OF BUSINESS AND COMPETITION

Separate geographical and market focus

Although Mando Korea Group operates in the same industry as our Group, the Directors believe that no competition arises as Mando Korea Group and our Group have separate geographical focuses. During the Track Record Period, our business operated independently as an autonomous business unit within Mando Korea Group and is an independent operating arm of Mando Korea Group. We focus on operations in the PRC whereas Mando Korea Group focuses on operations in Korea, the United States, India and other countries. Our sales outside the PRC, which include export sales resulting from our acceptance of excess orders from Mando Korea Group on an ad hoc basis to maximize capacity utilization at our production facilities while production at our new facilities are being ramped up, are not a core strategic focus for us. Other than Meister Logistics, Halla Meister Shanghai Trading Co., Ltd. (“**Meister Trading**”), the PRC operations of Mando-Hella Electronics and the PRC operations of Halla Stackpole, Mando Korea Group does not have any operations in the PRC and Mando Korea Group did not sell any of its own automotive parts products, whether directly or indirectly, in the PRC during the Track Record Period.

In the automotive parts industry where Mando Korea Group and we operate, in order to optimize operational efficiencies, logistics costs and profit margins, it is crucial that automotive parts production facilities are strategically located in close proximity to the vehicle manufacturers’ manufacturing facilities. The Directors believe that the market areas of Mando Korea Group and our Group are clearly delineated geographically and therefore no significant competition arises between Mando Korea Group and our Group.

RELATIONSHIP WITH MANDO KOREA

In addition, in order to further delineate the geographical and market focus between Mando Korea Group and us, Mando Korea has entered into a non-competition agreement with us under which Mando Korea agreed that it will not engage in a business that competes or is likely to compete with the Group's business and will also cause its subsidiaries (other than the Group) not to engage in such business. Please refer to the section headed "Relationship with Mando Korea — Non-competition Undertaking."

Furthermore, while it may theoretically be possible for a third party to purchase and transport automotive parts manufactured by Mando Korea Group to the PRC for sale, we believe that such a scenario is unlikely given that, in addition to the Non-Competition Agreement that Mando Korea has entered into in our favor (see "Relationship with Mando Korea — Non-competition Undertaking"), vehicle manufacturers generally purchase automotive parts from automotive parts manufacturers for installation in their vehicles due to the customized nature of automotive parts and the need for constant ongoing discussions and coordination with such parts manufacturers throughout the supply relationship, and generally do not procure automotive parts for installation in their vehicles from trading companies. We also believe it unlikely that the pricing for such imported automotive part products would be as favorable as that provided by our Group, due to additional transportation and import duty costs that any such third party trading company would necessarily incur, as well as the costs that such trading company would incur to develop and/or maintain logistics and quality control functions within the PRC in close proximity to the vehicle manufacturers in accordance with industry requirements, on top of the purchase price such trading company would have to pay to the Mando Korea Group.

PRC businesses retained by Mando Korea Group

As part of the Reorganization, Mando Korea retained assets, liabilities and interests in relation to the following companies which have operations in the PRC:

- (a) Meister Trading, a wholly-owned subsidiary of Mando Korea Group;
- (b) Meister Logistics, an indirect wholly-owned subsidiary of Mando Korea Group;
- (c) Halla Stackpole, a subsidiary of Mando Korea Group in which Mando Korea indirectly owns a 70% equity interest; and
- (d) Mando-Hella Electronics, a company in which Mando Korea owns a 50% equity interest.

Meister Trading

Meister Trading operates an automotive parts distribution and sales business by selling automotive parts to aftermarket end-user customers (such as automobile service centers and vehicle owners) through its distribution centers in the PRC. Meister Trading does not engage in any manufacturing of automotive parts or in any sales of such parts to vehicle manufacturers. In contrast, we operate a manufacturing business and primarily sell our automotive part products to vehicle manufacturers rather than directly to end-users such as automotive service centers and vehicle owners. We do not have any current intention to compete with Meister Trading in the aftermarket distribution market in which it operates, given the clear difference in the business model and market segment between us and Meister Trading. The Directors believe that no competition arises from the business of Meister Trading, since it

RELATIONSHIP WITH MANDO KOREA

only supplies automotive parts to the PRC aftermarket whereas our client base is primarily vehicle manufacturers in the PRC who do not purchase products in the aftermarket. The Directors believe that it is unlikely that vehicle manufacturers will purchase automotive parts in the aftermarket for their manufacturing processes, as automotive parts in the aftermarket are typically priced higher and are not available in the quantities that are required for their manufacturing processes. In this respect, the Directors believe that the markets of Meister Trading and our Group are clearly delineated by the nature of the respective businesses. Meister Trading's total revenue was approximately RMB 27 million in 2010, RMB 22 million in 2011 and RMB 33 million in 2012 and its net losses were approximately RMB 1 million, RMB 1 million and RMB 1 million, respectively, during the same periods, as reported in its audited financial statements as audited by Shanghai Jian Xin Ba Da Certified Public Accountants Co., Ltd. The Group's sales to Meister Trading were none in 2010, approximately RMB 5.8 million in 2011 and RMB 21 million in 2012.

Meister Logistics

Meister Logistics mainly engages in the marine, land and aerial transportation business for import-export and the international shipping agency business, including warehousing as well as acting as an agent to source transportation services for its customers from third party transport operators (as Meister Logistics does not operate its own transport fleet). Meister Logistics was incorporated as a logistics company to serve the logistics needs of Mando Korea and its subsidiaries in the PRC and to allow such companies, including the Group, to focus their efforts on their core operations. Meister Logistics does not currently serve customers outside the Group and the Mando Korea Group, although it is expected to soon begin serving the PRC operations of other Halla Group companies, including Mando-Hella Electronics and Halla Stackpole, to further leverage economies of scale. During the Track Record Period, the Group's orders accounted for substantially all of the revenue of Meister Logistics. The Directors believe that no competition arises from the business of Meister Logistics as it is clearly delineated from the Group's business by the nature of the respective businesses.

Halla Stackpole

Halla Stackpole is principally engaged in the manufacture of automotive parts, including high performance transmissions, carriers, backing plates, speed sensors and engine-applied items, using powder metallurgy production methods. Halla Stackpole has operations in the PRC through its wholly-owned subsidiary Halla Stackpole (Beijing) Automotive Co., Ltd. The Directors believe that no competition arises from Halla Stackpole and the Group's business as Halla Stackpole is an upstream manufacturer and supplier to the Group. The Group mainly produces automotive parts to be supplied to vehicle manufacturers whereas Halla Stackpole, as a "Tier 2" or "Tier 3" supplier, produces components for use by "Tier 1" suppliers (such as our Group) in manufacturing automotive parts products. Also, while Halla Stackpole's manufacturing focus is on manufacturing automotive parts using powder metallurgy production methods, the Group does not use such powder metallurgy production methods in manufacturing its automotive parts. The total revenue of Halla Stackpole was approximately KRW 81.0 billion (or RMB 472 million) in 2010, KRW 102.6 billion (or RMB 599 million) in 2011 and KRW 117.7 billion (or RMB 686 million) in 2012, and its net profits were approximately KRW 7.5 billion (or RMB 44 million) in 2010, KRW 11.4 billion (or RMB 67 million) in 2011 and KRW 11.0 billion (or RMB 64 million) in 2012, as reported in Halla Stackpole's unaudited consolidated management accounts. Due to a change in applicable accounting standards in Korea, the financial information of Halla Stackpole for the

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year ended December 31, 2010 was prepared in accordance with generally accepted accounting principles of Korea and the financial information of Halla Stackpole for the years ended December 31, 2011 and 2012 was prepared in accordance with IFRS as adopted by Korea. As a result, the above financial information of Halla Stackpole for 2010 is not directly comparable to such information for 2011 and 2012. The Group's purchases from Halla Stackpole were approximately RMB 62 million in 2010, RMB 76 million in 2011 and RMB 89 million in 2012.

Mando-Hella Electronics

Mando-Hella Electronics is principally engaged in the manufacture of automotive electronics parts and components. Mando-Hella Electronics has operations in the PRC through its wholly-owned subsidiary, Mando-Hella (Suzhou) Electronics Co., Ltd. The Directors believe that no competition arises from the business of Mando-Hella Electronics as Mando-Hella Electronics is an upstream manufacturer and supplier to the Group. The Group mainly produces automotive parts to be supplied to vehicle manufacturers whereas Mando-Hella Electronics, as a "Tier 2" or "Tier 3" supplier, produces automotive electronics components for use by "Tier 1" suppliers (such as our Group) in manufacturing automotive parts products. Moreover, Mando-Hella Electronics is a 50-50 joint venture company established by Mando Korea Group and Hella KGaA Hueck & Co. (an Independent Third Party which is an automotive electronics and electro-mechanical components and systems manufacturer), and Mando Korea Group is accordingly unable to transfer the PRC operations of Mando-Hella Electronics into the Group as part of the Reorganization unless it obtains the consent of Hella KGaA Hueck & Co. The total revenue of Mando-Hella Electronics was approximately KRW 25.4 billion (or RMB 148 million) in 2010, KRW 130.9 billion (or RMB 764 million) in 2011 and KRW 208.7 billion (or RMB 1,217 million) in 2012, and it recorded net losses of approximately KRW 13.1 billion (or RMB 76 million) in 2010, net profits of approximately KRW 5.8 billion (or RMB 34 million) in 2011 and net losses of approximately KRW 2.9 billion (or RMB 17 million) in 2012, as reported in its audited financial statements as audited by Samil PricewaterhouseCoopers for the years ended December 31, 2010 and 2011, and unaudited financial statements for the year ended December 31, 2012. The Group did not purchase any parts and components from Mando-Hella Electronics in 2010 and the Group's purchases from Mando-Hella Electronics were approximately RMB 4 million in 2011 and RMB 65 million in 2012.

OPERATIONAL INDEPENDENCE

With the exception of certain services, parts and components and technology and intellectual property provided by, and sales of certain products by us to, Mando Korea (each as described in "Connected Transactions"), our business operated independently as an autonomous business unit during the Track Record Period, and our business will, upon Listing, continue to be independent of and separate from the business of Mando Korea Group. While our Group will remain party to a number of significant continuing connected transactions with Mando Korea Group after the Listing, as described in "Connected Transactions — Continuing Connected Transactions," the Directors believe that our Group will be independent from the Mando Korea Group from an operational perspective based on the following:

Sales and Marketing Activities

Because the automotive parts manufacturing business is a highly localized business where the production base generally needs to be strategically placed near the relevant vehicle manufacturer

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customers (as described in “Relationship with Mando Korea — Delineation of Business and Competition — Separate geographical and market focus”), the core sales and marketing activities of each of Mando Korea Group and the Group are naturally focused on, and operate independently within, their respective geographical markets. The Group conducts independent marketing activities through our sales subsidiary, Mando Beijing Trading, which has overall responsibility for marketing and customer relationship management activities targeting PRC-based customers including Beijing Hyundai, Dongfeng Kia, Shanghai GM and local PRC vehicle manufacturers. In addition, with respect to export sales outside the PRC or across multiple geographical markets, such as sales for global vehicle program orders from certain global vehicle manufacturers for which the industry practice is to centralize worldwide sales negotiations into one channel between the global operations of the vehicle manufacturer and the parts supplier for efficiency of communication, the Sales Division of Mando Korea usually plays the role of global coordinator and primary communication channel for the relevant Mando companies by obtaining quotes from the local sales and marketing teams, including those of the Group. The Group’s participation in such a global procurement bid is a decision made independently by the Group in its sole discretion, and the Group decides whether to make a joint bid with Mando Korea Group in such instance based on a variety of factors including the customer, the scale of production, capacity and pricing. We believe that the importance of the Group’s independent local marketing activities aimed at the PRC operations of global vehicle manufacturers is not diminished by the fact that worldwide sales negotiations for global vehicle program orders are often centralized into one channel between the global operations of the vehicle manufacturer and the parts supplier for efficiency of communication.

Through the marketing activities described above, the Group generates the following sales:

- ***Sales to local PRC vehicle manufacturers and the PRC operations of global vehicle manufacturers:*** For sales of automotive parts to local PRC vehicle manufacturers and the PRC operations of global vehicle manufacturers, the Group enters into supply contracts directly with the relevant PRC counterparty entity of the vehicle manufacturer. During the Track Record Period, the proportion of the Group’s total revenue which was generated within the PRC, which we believe best illustrates aggregate sales to local PRC vehicle manufacturers and the PRC operations of global vehicle manufacturers, represented 88.4%, 88.3% and 86.6% of the Group’s total revenue for 2010, 2011 and 2012, respectively. For details, see Note 21 of the notes to the consolidated financial statements included in Appendix I to this prospectus.
- ***Sales to global vehicle manufacturers outside of the PRC (including in connection with global vehicle programs):*** For sales of automotive parts to global vehicle manufacturers outside of the PRC, the Group may either enter into a supply contract with Mando Korea Group to sell such parts to Mando Korea Group who would then re-sell such parts to the vehicle manufacturer, or enter into an export supply contract directly with the vehicle manufacturer. Any such transactions are consummated on terms comparable to those we can obtain from our vehicle manufacturer customers within the PRC. Revenue from such direct and indirect sales to global vehicle manufacturers outside of the PRC accounted for 11.6%, 11.7% and 13.4% of the Group’s total revenue for 2010, 2011 and 2012, respectively.

As shown above, the Group generated a significant majority of its revenue through supply relationships for which it has entered into a supply contract directly with the vehicle manufacturer (and

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not Mando Korea Group). With respect to the Group's revenue from sales outside of the PRC, which is generated through the Group's affiliation with Mando Korea Group, the Company believes that such export sales provide the Group with opportunities to utilize its excess production capacities by generating sales to global vehicle manufacturers and are thus beneficial to the Group. However, the Company also believes that such export sales should be considered in light of the relatively small percentage of the Group's revenue from sales outside of the PRC compared against its total sales. Accordingly, the Directors believe our Group is independent from Mando Korea Group in terms of sales and marketing activities.

Logistics and Procurement Processes, Advisory Services and Technologies

The Group has entered into during the Track Record Period, and proposes to continue after the Listing, a number of continuing connected transactions with Mando Korea Group regarding logistics and procurement processes, advisory services and technologies. See "Connected Transactions." The Directors believe that, notwithstanding such continuing connected transactions, the Group will be independent from Mando Korea in terms of its related operational activities for the following reasons:

- ***Logistics processes:*** With respect to our logistics-related connected transactions with Mando Korea Group, we believe that our Group would be able to procure the relevant logistics services from sources other than Mando Korea Group if needed, since we obtain such logistics services from Mando Korea Group in the PRC only in locations where Meister Logistics has geographical coverage and only if the terms offered by Meister Logistics are on par with or more favorable than quotations from independent logistics service providers. See "Connected Transactions — Continuing Connected Transactions — 4. Logistics and Ancillary Services Framework Agreement — Background." The Group is able to independently access third party logistics service providers, as there is an abundant supply of logistics service providers that cover the geographical areas where the Group operates and offer reasonable and competitive prices. Accordingly, the Directors believe that the Group is independent from Mando Korea Group in terms of such logistics processes.
- ***Procurement processes:*** With respect to our procurement-related connected transactions with Mando Korea Group, we believe that our Group would be able to procure the relevant raw materials, components, parts and equipment from sources other than Mando Korea Group if needed, although such alternative sourcing would not be as efficient cost-wise and/or operationally (as discussed in "Connected Transactions — Continuing Connected Transactions — 5. Framework Agreement on the Supply of Raw Materials, Components and Automotive Parts from Mando Korea — Background" and "Connected Transactions — Continuing Connected Transactions — 6. Framework Agreement on the Supply of Equipment from Mando Korea — Background"), and the Directors accordingly believe that the Group is independent from Mando Korea Group in terms of such procurement processes. The Group regularly monitors the price quoted by Mando Korea Group for each of its raw materials, components, parts and equipment purchases. In addition, the Group will consider establishing a presence in Korea if and when the financial benefits derived from having a

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proprietary sourcing office in Korea exceed that of the savings and benefits achieved through the supply arrangements with Mando Korea Group. The Directors do not expect that such office, if and when established on such basis, would have any material long-term negative financial impact on the Group.

- **Advisory services:** With respect to advisory services provided to us by Mando Korea Group, these services mainly comprise non-core training and technical support services (such as the secondment of technical personnel from Mando Korea Group to us to assist in setting up new production lines) and are peripheral to our business. Such services have been and will be carried out by Mando Korea Group on normal commercial terms and on a non-exclusive basis, and we believe that such advisory services can be provided on a more cost-efficient basis by Mando Korea Group as we take advantage of Mando Korea Group's accumulated know-how and experience in related activities (such as setting up similar production lines in its own manufacturing facilities). See "Connected Transactions — Continuing Connected Transactions — 1. Advisory Services Framework Agreement — Background." We further believe that these services can either be developed internally or sourced from alternative outside providers if needed, although such alternative sourcing will not be as cost-efficient as our current arrangements with Mando Korea Group for the reasons discussed above. Accordingly, the Directors believe that the Group is independent from Mando Korea Group in relation to such advisory services.
- **Technologies:** As a result of the Reorganization, our Group will have joint ownership (along with Mando Korea Group) in certain registered patents previously owned solely by Mando Korea Group that generally relate to our basic product designs and manufacturing processes. Our Group will also obtain a long term exclusive license from Mando Korea Group to allow us to continue to access Mando Korea Group's other intellectual property, including more technologically advanced patents. See "Connected Transactions — Continuing Connected Transactions — 3. Intellectual Property License Agreement — Background." The portfolio of patents we license from Mando Korea relate to product-specific advanced technologies to which we require access so long as such technologies are necessary for the manufacture of our current product portfolio in the PRC, but which will need to be replaced or supplemented by newly-developed advanced technologies as our product portfolio continues to evolve. We believe that the process of continually accessing newer advanced technologies from Mando Korea to replace or supplement outdated technologies can be more efficiently administered through an ongoing licensing arrangement. See "Business — Intellectual Property — Patents." While our Group's research and development activities currently focus primarily on the application of advanced technologies and development of more advanced conventional products to fit the particular demands and needs of the PRC market, it is our intention to continue to enhance the capabilities of our independent research and development teams and facilities so that we are able to develop more proprietary technologies and intellectual property rights for our PRC operations over time. In terms of automotive parts technology, we believe that technologies developed and used for products serving mature markets such as the United States and Korea, where there is greater demand for vehicles with advanced functionalities and safety features that in turn require more technologically advanced automotive parts, will become increasingly important in the future in developing automotive markets such as the PRC market which are currently more focused on cost effectiveness and

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core functionalities. Given that Mando Korea Group has already developed and owns a large portfolio of intellectual property rights regarding advanced automotive parts technology, we believe that it would be more efficient to access these existing advanced technologies that Mando Korea Group owns and adapt and modify them for use in the PRC market, as and when these technologies become relevant for the PRC market, than to have us undertaking efforts to develop such advanced technologies completely on our own (which would be redundant and less efficient both in terms of costs and timing). However, we also believe that, if necessary, the Group will be able to develop internally or procure from independent third parties the relevant technologies that are currently licensed from Mando Korea Group, given that (i) technologies similar to those we currently license from Mando Korea Group and which will allow us to manufacture our current portfolio of automotive parts products are generally available from independent third parties, since vehicle manufacturers typically do not order automotive parts that are solely dependent on the technologies of a single supplier in order for such vehicle manufacturers to maintain diversity of supplier sources and ensure timely supply of automotive parts and (ii) the resources of our dedicated research and development center located in Beijing and experienced research and development team can also be utilized for the internal development of relevant technologies if needed. In addition, we believe that specific automotive parts technologies have a short shelf life (typically the life of a vehicle model) and that tailoring various automotive technologies to suit the needs of a particular vehicle model or vehicle manufacture is of vital importance, and hence we take the view that the ability of our Group's research and development functions to apply and adapt existing technologies for use in the PRC market is a more important factor in our Group's ability to sustain a leading automotive parts manufacturing business in the PRC.

Based on the factors discussed above, the Directors believe that our Group is independent from Mando Korea Group from a technology standpoint and that we should be allowed to continue utilizing the significant cost advantage we enjoy over our competitors in the PRC through having such direct access to Mando Korea Group's more advanced technologies as and when required without having to bear all of the research and development costs. Furthermore, the Directors believe that the above-described reliance on Mando Korea Group's advanced technologies should be considered in light of the protections afforded to us by our long term exclusive license from Mando Korea Group and those under the Non-Competition Agreement that Mando Korea has entered into in our favor, as well as the general alignment of commercial interests between Mando Korea (as our Controlling Shareholder) and our Group in this respect.

In summary, despite the significant amount and number of connected transactions between us and the Mando Korea Group companies, we believe that we will be independent from Mando Korea Group from an operational perspective. In particular, we believe that we would be able, if necessary, to procure from independent third parties (or develop internally) the relevant supplies of raw materials, components, automotive parts and equipment, as well as the relevant technologies, export sales orders and services, currently provided by Mando Korea Group. However, obtaining such supplies, technologies, export sales orders or services from parties other than Mando Korea Group or developing them internally may require us to expend financial and management resources and would be less efficient cost-wise and operationally. In addition, with respect to other services currently provided by Mando Korea Group, such as logistics services, we believe that there is an abundant supply of alternative outside providers that we would be able to independently access as needed.

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MANAGEMENT INDEPENDENCE

<u>Name of Board and Senior Management Member</u>	<u>Position in the Company upon Listing</u>	<u>Position in Mando Korea upon Listing</u>
Shim, Sang Deok	Executive Director / Chief Executive Officer	None
Kim, Hoon Tae	Executive Director / Chief Financial Officer	None
Shin, Sahyeon	Non-executive Director	Chief Executive Officer and President
Chung, Frank Kun	Non-executive Director	Executive Vice President and Chief Planning Officer
Jeong, Dae Jong	Non-executive Director	None
Choi, Sang Tai	Independent non-executive Director	None
Rhee, Nam Uh	Independent non-executive Director	None
Lim, Sang Soo	Independent non-executive Director	None

Although Mando Korea will retain a controlling interest in us upon completion of the Listing, the day-to-day management and operations of the business of the Group will be the responsibility of the Directors. The Board has eight Directors comprising two executive Directors, three non-executive Directors and three independent non-executive Directors.

There will be two non-executive Directors, namely Mr. Shin, Sahyeon and Mr. Chung, Frank Kun, holding senior positions in Mando Korea after the Listing. We believe the Company will derive significant benefit from their experience and knowledge in the automotive parts manufacturing industry and, while they continue to hold positions at Mando Korea, the overall interests of the Shareholders as a whole can be safeguarded by the other six Directors.

Each of the Directors is aware of the fiduciary duties of a Director which require, among other things, that he must act for the benefit and in the best interest of the Company and must not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between the Company and the Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant meeting of the board in respect of such transactions and shall not be counted in the quorum. In addition, we have independent senior management teams to carry out the business decisions of the Group independently.

In 2002, Mr. Chung, Mong Won, the chairman of Mando Korea, was convicted by a Korean court of criminal offences involving breach of fiduciary duties and embezzlement in connection with certain

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incidents (which did not involve the Company or its subsidiaries) of provision of financial assistance to connected persons, disposal of assets at undervalue, utilization of company assets as collateral for loans granted to connected persons and payment of remuneration to connected persons, all of which took place against the backdrop of the Asian financial crisis beginning in 1997. On January 1, 2008, the then-current President of Korea, Mr. Roh, Moo Hyun, granted a special pardon and reinstatement of qualifications to Mr. Chung, Mong Won pursuant to the Amnesty Act of Korea. As a result, the sentence imposed on Mr. Chung, Mong Won was invalidated and his civil rights that were suspended were also reinstated. Mr. Chung, Mong Won has provided an undertaking to the Hong Kong Stock Exchange that, for such period during which the securities of the Company are listed on the Main Board of the Hong Kong Stock Exchange, he shall not, directly or indirectly, exert any control or influence over our Board or the management and operation of our Group other than in accordance with the applicable laws and regulations of Korea and Hong Kong (including, for the avoidance of doubt, actions as the chairman and director and shareholder of Mando Korea in accordance with the applicable laws and regulations of Korea). In addition, each of our Directors has also provided an undertaking to the Hong Kong Stock Exchange that, for such period during which the securities of the Company are listed on the Main Board of the Hong Kong Stock Exchange, each Director shall carry out his duties as a director of the Company free from any control or influence which may be exerted, directly or indirectly, by Mr. Chung, Mong Won over our Board or the management and operation of our Group other than in accordance with the applicable laws and regulations of Korea and Hong Kong (including, for the avoidance of doubt, actions by Mr. Chung, Mong Won as the chairman and director and shareholder of Mando Korea in accordance with the applicable laws and regulations of Korea).

Furthermore, each of the executive Directors has provided an undertaking to the Hong Kong Stock Exchange that, for so long as such executive Director remains a Director of the Company and the securities of the Company are listed on the Main Board of the Hong Kong Stock Exchange, such executive Director will not, directly or indirectly, acquire any interests in Mando Korea.

Based on the above factors, the Directors are satisfied that they are able to perform their roles in the Company independently, and the Directors are of the view that we are capable of managing our business independent from Mando Korea after the Listing.

FINANCIAL INDEPENDENCE

We have our own financial management system and ability to operate independently of Mando Korea from a financial perspective. As at the Latest Practicable Date, all the guarantees provided to us by Mando Korea and its associates had been released and all amounts due to us from Mando Korea and its associates had been settled. Immediately after the completion of the Global Offering, there will be no financing relationship between us and Mando Korea or its associates. The Directors believe that we are capable of obtaining financing from independent third parties without reliance on Mando Korea or its associates. Given the above, the Directors are of the view that, our net proceeds from the sale of newly issued Shares in the Global Offering and the cash flow that we generate from our operations, together with our existing cash and cash equivalents and credit sources, will be sufficient to meet our Group's currently anticipated needs for working capital, capital expenditures and business expansion for the next

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twelve months after the date of publication of this prospectus. The Directors believe that our Group will be able to obtain our own third party financing after the Global Offering without the support of or assistance from Mando Korea or its associates. Therefore, the Directors believe that we do not have any financial dependence on Mando Korea or its associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

The number of Shares held by Mando Korea, the Selling Shareholder, immediately prior to and following the Global Offering (including the sale of the Sale Shares), are set out in the table below.

Number of Shares held by the Selling Shareholder before the Global Offering and sale of the Sale Shares		Number of Sale Shares	After the Global Offering and sale of the Sale Shares	
(Shares)	(percentage of Shares outstanding)	(Shares)	(Shares)	(approximate percentage of Shares outstanding)
750,000,000	100.0%	182,550,000	567,450,000	70.0%

NON-COMPETITION UNDERTAKING

Upon the completion of the Global Offering, Mando Korea will retain a controlling interest in us, while Mando Korea's operations in the same industry as us may result in actual, potential or perceived competition with our Group's business. In order to ensure that direct competition does not develop between Mando Korea and us and that the interest of our independent Shareholders can be protected, Mando Korea has agreed to provide non-competition undertakings in our favor, which are described below.

Mando Korea has entered into a Non-Competition Agreement in our favor, pursuant to which Mando Korea has undertaken to us (for itself and for the benefit of its subsidiaries other than us) that for as long as (i) Mando Korea and/or any of its associate(s), individually or jointly, is our controlling shareholder; and (ii) the Shares are and remain listed on the Hong Kong Stock Exchange, it will not, whether as principal or agent or together with any third party, and will procure that its subsidiaries (other than us and our subsidiaries) will not, whether undertaken directly or indirectly (including through any associate, subsidiary, partnership, joint venture or other contractual arrangement of theirs) and whether for profit or otherwise, either on its own account or in conjunction with or on behalf of any person, firm, entity or company, among other things, carry on, engage, invest, participate, be interested in or otherwise acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or is likely to be in competition, directly or indirectly, with any business of designing, manufacturing and selling automotive parts, primarily relating to brake, steering and

RELATIONSHIP WITH MANDO KOREA

suspension components and systems, in the PRC and such other business conducted or carried on by our Group from time to time (the “**Restricted Business**”). Mando Korea was not required to obtain its shareholders’ approval to enter into the Non-Competition Agreement.

The above undertaking does not apply where:

- (a) the opportunity to carry on, engage in, invest in, participate in, be interested in or otherwise acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) such Restricted Business has first been offered or made available to us and Mando Korea shall provide such information as may reasonably be required by us in order to make an informed assessment of such business opportunity, and after review and approval by our board of directors with the affirmative vote of at least two-thirds of the Directors as required by Article 397-2 of the Korean Commercial Code, we have declined such opportunity to carry on, engage, invest, participate, be interested in or otherwise acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) such Restricted Business, provided that the principal terms by which Mando Korea (or any of its associate(s)) subsequently engages, invests, participates, is interested in or otherwise acquires or holds (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) such Restricted Business are not more favorable in any material aspect than those offered or made available to us; or
- (b) we decide and offer to invest, participate, be engaged in and/or operate any Restricted Business with Mando Korea and/or its associate(s) (or any of them, as the case may be).

Mando Korea may have interests in shares or other securities (whether or not listed on any stock exchange) of a company conducting any Restricted Business, provided that:

- (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of its consolidated turnover or consolidated assets, as shown in its latest audited consolidated financial statements; or
- (b) Mando Korea and/or its associate(s), taken together, are not interested in 5% or more of the issued shares of that class of such company so that Mando Korea and/or its associate(s) are not able to exercise or control the exercise of 5% or more of the voting power at the general meetings of such company and/or control the composition of a majority of the board of directors of such company; and at all times there is at least another independent shareholder of such company who either alone is, or together with its associate(s) taken together are, directly or indirectly interested so as its shareholdings in such company are more than the total number of shares held by Mando Korea and its associate(s) in aggregate, so that such independent shareholder alone is, or together with its associate(s) taken together are, able to exercise or control the exercise of a greater amount of voting power at the general meetings of such company than Mando Korea and its associate(s) in aggregate are able, or control the composition of a majority of the board of directors of such company.

RELATIONSHIP WITH MANDO KOREA

Pursuant to the Non-Competition Agreement, the above restrictions would only cease to have effect upon the earlier of:

- (a) the date on which Mando Korea and all its associates cease to be our controlling shareholder; and
- (b) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange.

Furthermore, our independent non-executive Directors will review, on an annual basis, Mando Korea's compliance with the Non-Competition Agreement (including any potential conflicts of interest and competition arising from Mando Korea's pursuit of any opportunities rejected by us pursuant to the Non-Competition Agreement), and we will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance with and enforcement of the Non-Competition Agreement (including any Restricted Business opportunities that are rejected and the basis for such rejections) in our annual report or by way of public announcement.

CONFIRMATION

Based on the foregoing, our Controlling Shareholder and Directors confirm that they do not have any interest in a business which competes with or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

We have entered into certain agreements with entities that will be our connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

The definition of connected persons under Chapter 14A of the Listing Rules differs from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures,” and its interpretations by the IASB. Accordingly, connected transactions or continuing connected transactions set out in this section, which are described and disclosed in accordance with Chapter 14A of the Listing Rules, differ from the related party transactions set out in Note 33 of the notes to the consolidated financial statements included in Appendix I to this prospectus.

CONNECTED PERSONS OF OUR GROUP

Following the Listing, the following entities, which have entered into certain written agreements with certain members of the Group, will be connected persons of our Group:

- **Mando Korea:** Mando Korea is our Controlling Shareholder and is therefore a connected person of our Group. Under the Listing Rules, each of the subsidiaries of Mando Korea is an associate of Mando Korea and is therefore also a connected person of our Group.
- **Geely Jirun:** Geely Jirun, our joint venture partner, is directly interested in 35% of the equity interest in Mando Ningbo and is therefore a connected person of our Group. Under the Listing Rules, each of the Geely Companies is an associate of Geely Jirun and is therefore also a connected person of our Group.

CONTINUING CONNECTED TRANSACTIONS

Set out below is further information on our continuing connected transactions that are not exempt continuing connected transactions under the Listing Rules.

CONNECTED TRANSACTIONS

Category I — Continuing connected transactions exempt from independent Shareholders' approval requirements

For each type of the continuing connected transactions under this category, each of the percentage ratios (other than the profits ratio), where applicable, calculated on the basis of projections for the years 2013 to 2015 measured against benchmarks as of December 31, 2012, is less than 5.0%. Accordingly, these transactions qualify under Rule 14A.34 of the Listing Rules as continuing connected transactions exempt from the independent Shareholders' approval requirement.

Transaction	Our Group member	Connected persons	Nature of relationship	Historical amounts	Annual caps	
<i>(in millions of RMB, except percentages)</i>						
1.	Advisory Services Framework Agreement	The Group	Mando Korea Group	Our controlling Shareholder	2010: 10 (0.3% of cost of sales) 2011: 11 (0.3% of cost of sales) 2012: 9 (0.2% of cost of sales)	2013: 9 2014: 10 2015: 10
2.	Information Technology Support Framework Agreement	The Group	Mando Korea Group	Our controlling Shareholder	2010: 7 (0.2% of cost of sales) 2011: 7 (0.2% of cost of sales) 2012: 11 (0.2% of cost of sales)	2013: 25 2014: 29 2015: 37
3.	Intellectual Property License Agreement	The Group	Mando Korea Group	Our controlling Shareholder	2010: 80 (2.4% of cost of sales) 2011: 112 (2.7% of cost of sales) 2012: 147 (3.0% of cost of sales)	2013: 143 2014: 177 2015: 224
4.	Logistics and Ancillary Services Framework Agreement	The Group	Mando Korea Group	Our controlling Shareholder	2010: 14 (0.4% of cost of sales) 2011: 58 (1.4% of cost of sales) 2012: 128 (2.6% of cost of sales)	2013: 171 2014: 201 2015: 256

CONNECTED TRANSACTIONS

Category II — Non-exempt continuing connected transactions

For each type of the continuing connected transactions under this category, each of the percentage ratios (other than the profits ratio), where applicable, calculated on the basis of projections for the years 2013 to 2015 measured against benchmarks as of December 31, 2012, is equal to or exceeds 5.0%. Accordingly, these transactions qualify under Rule 14A.35 as non-exempt continuing connected transactions.

Transaction	Our Group member	Connected persons	Nature of relationship	Historical amounts	Annual caps	
<i>(in millions of RMB, except percentages)</i>						
5.	Framework Agreement on the Supply of Raw Materials, Components and Automotive Parts from Mando Korea	The Group	Mando Korea Group	Our controlling Shareholder	2010: 642 (19.1% of cost of sales) 2011: 693 (16.8% of cost of sales) 2012: 800 (16.2% of cost of sales)	2013: 1,045 2014: 1,228 2015: 1,529
6.	Framework Agreement on the Supply of Equipment from Mando Korea	The Group	Mando Korea Group	Our controlling Shareholder	2010: 83 (87.4% of capital expenditures) 2011: 338 (60.0% of capital expenditures) 2012: 335 (42.9% of capital expenditures)	2013: 268 2014: 391 2015: 746
7.	Framework Agreement on the Supply of Automotive Parts to Mando Korea	The Group	Mando Korea Group	Our controlling Shareholder	2010: 385 (8.8% of revenue) 2011: 394 (7.4% of revenue) 2012: 586 (9.4% of revenue)	2013: 626 2014: 597 2015: 578

CONNECTED TRANSACTIONS

Transaction	Our Group member	Connected persons	Nature of relationship	Historical amounts	Annual caps	
<i>(in millions of RMB, except percentages)</i>						
8.	Framework Agreement on the Supply of Automotive Parts to the Geely Companies	The Group	Geely Companies	A substantial shareholder of our subsidiary	2011: 166 (3.1% of revenue) 2012: 583 (9.3% of revenue)	2013: 1,082 2014: 1,797 2015: 2,636

1. Advisory Services Framework Agreement

Background: During the Track Record Period, we purchased certain management services from Mando Korea Group. In anticipation of the Global Offering, we entered into the Advisory Services Framework Agreement with Mando Korea on April 30, 2013 to govern relevant transactions after the Listing. Such services have been and will be carried out by the Mando Korea Group on normal commercial terms and on a non-exclusive basis, and we believe that such advisory services can be provided on a more cost-efficient basis by Mando Korea Group as they take advantage of Mando Korea Group's accumulated know-how and experience in related activities (such as setting up similar production lines in its own manufacturing facilities).

Material terms: Pursuant to the Advisory Services Framework Agreement, Mando Korea agreed to provide (or cause its subsidiaries to provide) to our Group, on a non-exclusive basis, advisory services (primarily through site visits by or secondment of relevant Mando Korea personnel) regarding certain managerial, technical or operational functions including production line design, equipment procurement and quality assurance activities relating to the opening of new production lines or upgrades to existing production lines; planning, development and accounting functions relating to new businesses; and other advisory services as may be agreed between us and Mando Korea Group.

The Advisory Services Framework Agreement shall be effective from the Listing Date until December 31, 2015 and shall supersede any separate contracts between entities within Mando Korea Group and our Group which set out the specific terms and conditions for various services, all of which must be in accordance with the principles provided in the Advisory Services Framework Agreement.

Pricing policy: The fees for services to be provided under the Advisory Services Framework Agreement by Mando Korea Group under the Advisory Services Framework Agreement will be determined on a salary per day basis with reference to the historical rates paid by us for the provision of similar services by Mando Korea.

Historical transaction amounts: The aggregate fees paid by us for services provided to our Group by Mando Korea Group totaled approximately RMB 10 million in 2010, RMB 11 million in 2011 and RMB 9 million in 2012.

CONNECTED TRANSACTIONS

Annual caps and basis of caps: We expect that the annual aggregate fees to be paid by us for the three year period ending December 31, 2015 will not exceed RMB 9 million in 2013, RMB 10 million in 2014 and RMB 10 million in 2015. These proposed annual caps reflect (i) the expected expansion of our business, including an increase in the introduction of new production lines and systems which would require additional advisory support.

Implication under the Listing Rules: Mando Korea is our controlling Shareholder and will hold approximately 70.0% of the total equity interests in our registered capital immediately after the Listing. As such, Mando Korea is a connected person of our Group and the Advisory Services Framework Agreement constitutes a connected transaction for us under the Listing Rules.

2. Information Technology Support Framework Agreement

Background: During the Track Record Period, we purchased certain information technology-related services from Mando Korea Group. In anticipation of the Global Offering, we entered into the Information Technology Support Framework Agreement with Mando Korea on April 30, 2013 to govern relevant transactions after the Listing.

Material terms: Pursuant to the Information Technology Support Framework Agreement, Mando Korea agreed to provide (or cause its subsidiaries to provide) to our Group, on a non-exclusive basis, information technology support services, including global procurement of various computer software licenses, internet access services, enterprise resource planning system-related services and general IT system maintenance services. The global procurement arrangement by Mando Korea allows us to purchase various licenses and services at a more favourable rate than for us to do so on a standalone basis, due to economies of scale.

The Information Technology Support Framework Agreement shall be effective from the Listing Date until December 31, 2015 and shall supersede any separate contracts between entities within Mando Korea Group and our Group which set out the specific terms and conditions for various information technology services and licenses, all of which must be in accordance with the principles provided in the Information Technology Support Framework Agreement.

Pricing policy: The fees for the information technology services to be provided under the Information Technology Support Framework Agreement by Mando Korea Group will be for a pre-agreed price determined based on our pro rata (or otherwise agreed) allocation of costs incurred by Mando Korea Group in its global procurement of such information technology services.

Historical transaction amounts: The aggregate fees relating to services and licenses provided to our Group by Mando Korea Group totaled approximately RMB 7 million in 2010, RMB 7 million in 2011 and RMB 11 million in 2012.

Annual caps and basis of caps: We expect that the annual aggregate fees to be paid by us for the three year period ending December 31, 2015 will not exceed RMB 25 million in 2013, RMB 29 million in 2014 and RMB 37 million in 2015. These proposed annual caps reflect the anticipated introduction of new information technology systems and upgrades to our existing systems, increased usage volume for such information technology and general price inflation.

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Implication under the Listing Rules: Mando Korea is our controlling Shareholder and will hold approximately 70.0% of the total equity interests in our registered capital immediately after the Listing. As such, Mando Korea is a connected person of our Group and the Information Technology Support Framework Agreement constitutes a connected transaction for us under the Listing Rules.

3. Intellectual Property License Agreement

Background: During the Track Record Period, certain of our PRC Subsidiaries had historically been using certain intellectual property, including patents and trademarks, which were owned by Mando Korea Group. As a result of the Reorganization, our Group will have joint ownership (along with Mando Korea Group) in certain registered patents previously owned solely by Mando Korea Group that relate to our basic product manufacturing processes. See “Business — Intellectual Property — Patents.” With respect to other intellectual property (including more technologically advanced patents which are product specific, as well as various Mando trademarks), in anticipation of the Global Offering, we entered into the Intellectual Property License Agreement with Mando Korea on December 31, 2012 to ensure that our Group will continue to be able to use the relevant intellectual property. We believe that technologies developed and used for products serving mature markets such as the United States and Korea, where there is greater demand for vehicles with advanced functionalities and safety features that in turn require more technologically advanced automotive parts, will become increasingly important in the future in developing automobile markets such as the PRC which are currently more focused on cost effectiveness and core functionalities. Accordingly, given that Mando Korea Group has already developed and owns a large portfolio of intellectual property rights regarding advanced automotive parts technology, we believe that it would be more efficient to access these existing advanced technologies that Mando Korea Group owns and adapt and modify them for use in the PRC market, as and when these technologies become relevant for the PRC market, than to undertake efforts to develop such advanced technologies completely on our own (which would be redundant and less efficient both in terms of costs and timing).

Material terms: Pursuant to the Intellectual Property License Agreement, Mando Korea agreed to grant to our Group irrevocable licenses (which are non-exclusive outside the PRC) to use certain intellectual property of Mando Korea Group in the manufacture, use and sale of various automotive parts products in the PRC for a period of 15 years. The royalty payable for such licenses of intellectual property rights shall be calculated as a percentage of the adjusted revenue for automotive parts products (which is the revenue from the sale of such products minus the value of parts or components purchased from Mando Korea Group that were used in the manufacture of such products) which utilize such licensed intellectual property. Royalty payments will be made semi-annually. Such royalty is consistent with the historical royalties paid by us to Mando Korea Group and is in line with the recommendation as set out in an internal transfer pricing study conducted by Mando Korea. In addition, for internal cost allocation purposes, we may charge our subsidiaries royalties for use of the intellectual properties solely or jointly owned or developed by us. Such intra-group royalties may be paid by our subsidiaries to us through Mando Korea, acting as our collection agent on a free-of-charge basis, in order to minimize approvals or filings required under the relevant foreign exchange laws and regulations.

The Intellectual Property License Agreement shall be effective from December 31, 2012 for a term of 15 years, and shall be renewable for a further period of five years in our sole discretion by giving Mando Korea three months’ prior written notice before the end of the relevant term. The Sole Sponsor and the Directors are each of the view that entering into the Intellectual Property License Agreement for

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a period longer than three years promotes stability in operations and is beneficial to the Shareholders and believe that fixing the term of the Intellectual Property License Agreement with reference to the expected life cycle of the relevant technology and intellectual property rights for a period longer than three years would be considered to be within the range of normal business practices in the PRC automotive parts industry. Mando Korea can terminate the Intellectual Property License Agreement in limited circumstances such as a change of control in the Company, non-payment, improper sub-licensing or misuse of the applicable intellectual property rights. For details of the licensed intellectual property, please see “Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights of our Group” in Appendix VI to this prospectus.

Historical transaction amounts: The aggregate royalties paid to Mando Korea Group relating to intellectual property licenses provided to our Group by Mando Korea Group totaled approximately RMB 80 million in 2010, RMB 112 million in 2011 and RMB 147 million in 2012.

Annual caps and basis of caps: Under the terms of the Intellectual Property License Agreement, we expect that the annual aggregate royalties to be paid by us to Mando Korea Group with respect to such intellectual property licenses for the three year period ending December 31, 2015 will not exceed RMB 143 million in 2013, RMB 177 million in 2014 and RMB 224 million in 2015. These royalties are consistent with the historical royalties paid by us to Mando Korea Group and are in line with the recommendation as set out in an internal transfer pricing study conducted by Mando Korea.

Implication under the Listing Rules: Mando Korea is our controlling Shareholder and will hold approximately 70.0% of the total equity interests in our registered capital immediately after the Listing. As such, Mando Korea is a connected person of our Group and the Intellectual Property License Agreement constitutes a connected transaction for us under the Listing Rules.

4. Logistics and Ancillary Services Framework Agreement

Background: During the Track Record Period, we purchased certain logistics and ancillary services from Meister Logistics, a wholly-owned subsidiary of Mando Korea Group, which is principally engaged in providing logistics services, including acting as an agent to source transportation services for its customers from third party transport operators in the Beijing, Chongqing, Anhui, Guizhou, Shandong and Jiangxi regions of the PRC. We engage Meister Logistics to perform such services in locations where it has geographical coverage if the terms offered by Meister Logistics are on par with or more favorable than quotations from independent logistics service providers. See “Relationship with Mando Korea — Delineation of Business and Competition — PRC businesses retained by Mando Korea Group — Meister Logistics.” Moreover, we believe our operating costs can be reduced in the long run by outsourcing such logistics services to Meister Logistics and other logistics service providers since logistics is not a core focus of our business as an automotive parts manufacturer. Since there is an abundant supply of logistics service providers that cover the geographical areas where we operate and offer reasonable and competitive prices, we believe it would not be in our interest to perform such logistics functions ourselves. In anticipation of the Global Offering, we entered into the Logistics and Ancillary Services Framework Agreement with Mando Korea on April 30, 2013 to govern relevant transactions after the Listing.

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Material terms: Pursuant to the Logistics and Ancillary Services Framework Agreement, Mando Korea Group has agreed to provide to us, through its subsidiaries (including Meister Logistics), various logistics and ancillary services including finished goods inventory management, packaging, warehousing and related functions.

The Logistics and Ancillary Services Framework Agreement shall be effective from the Listing Date until December 31, 2015 and shall supersede any separate contracts between entities within Mando Korea Group and our Group which set out the specific terms and conditions for various logistics services, all of which must be in accordance with the principles provided in the Logistics and Ancillary Services Framework Agreement.

Pricing policy: The fees for services to be provided by Mando Korea Group under the Logistics and Ancillary Services Framework Agreement will be calculated based on an agreed price which will be generally comparable to or lower than market prices for similar services in the PRC.

Historical transaction amounts: The aggregate service fees relating to logistics and ancillary services provided to our Group by Meister Logistics totaled approximately RMB 14 million in 2010, RMB 58 million in 2011 and RMB 128 million in 2012.

Annual caps and basis of caps: We expect that the annual aggregate service fees to be paid by us for the three year period ending December 31, 2015 will not exceed RMB 171 million in 2013, RMB 201 million in 2014 and RMB 256 million in 2015. These proposed annual caps reflect expected increases in sales of our products, our expected increase in usage of logistics and ancillary services provided by Mando Korea Group (assuming that all of our logistics requirements within the PRC are serviced by Meister Logistics) to benefit from economies of scale and expected increases in logistics costs in line with general inflation in the PRC.

Implication under the Listing Rules: Mando Korea is our controlling Shareholder and will hold approximately 70.0% of the total equity interests in our registered capital immediately following the Listing. As such, Mando Korea is a connected person of our Group and the Logistics and Ancillary Services Framework Agreement constitutes a connected transaction for us under the Listing Rules.

5. Framework Agreement on the Supply of Raw Materials, Components and Automotive Parts from Mando Korea (the “Mando Materials & Parts Supply Framework Agreement”)

Background: During the Track Record Period, we had a supply relationship with Mando Korea Group for certain raw materials, components and automotive parts (primarily for plastic, electronic and mechanical components and, to a much lesser extent, materials such as rubber oil seals). We source such components and materials through Mando Korea Group in order to take advantage of economies of scale (given that many of our products and Mando Korea Group’s products are similar in design and often use identical components and materials, and we are thus able to obtain greater price reductions and bargaining leverage by aggregating our orders for such components and materials with those of Mando Korea Group) as well as to benefit from Mando Korea Group’s testing and quality assurance facilities located in Korea to ensure that the relevant components and materials adhere to our safety and quality standards before they are delivered to us in the PRC. Furthermore, we can efficiently access Mando Korea Group’s supplier network in Korea with respect to various components (generally those

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with more electronic content or advanced features which we source from Korean suppliers for quality and technology reasons), as Mando Korea's geographical proximity to such suppliers allows Mando Korea to supervise and control the supply relationship in a manner that we would find difficult or costly to do on our own. The technology for the production of certain classes of raw materials, components and parts (such as the electronic components of a braking module) is still not very mature in the PRC and it is difficult to secure reliable supplies of quality raw materials, components and parts at a commercially viable cost in the PRC. Therefore, we believe it is necessary to continue to source certain of our raw materials, components and parts supplies from suppliers based in Korea. As part of our overall quality control procedures, we undertake vigorous testing and quality assurance processes when making purchases of raw materials, components and parts. While we have appropriate resources to conduct such testing in the PRC, we have not yet established such resources in Korea, nor have we identified a reliable buying agent which is familiar with the Group's purchase requirements based in Korea. While we are able to source our raw materials, components and parts directly from Korean suppliers without the assistance of Mando Korea Group, to maintain our standard of quality, we would in such case be required to maintain a sizeable presence in Korea for quality assurance purposes. See "Business — Raw Materials, Components and Suppliers." We believe that we have readily available access to identical or similar components and materials from Independent Third Parties in Korea and elsewhere, but that such direct procurement from Independent Third Parties would not be as efficient on either a cost basis or an operational basis as our current arrangement to procure through Mando Korea Group.

In anticipation of the Global Offering, we entered into the Mando Materials & Parts Supply Framework Agreement with Mando Korea on April 30, 2013 to govern relevant transactions after the Listing.

Material terms: Pursuant to the Mando Materials & Parts Supply Framework Agreement, Mando Korea Group shall regularly supply raw materials and components (for use in our manufacturing processes) and finished automotive part products to our Group on a non-exclusive basis for an agreed price to be calculated with reference to the total cost of such products plus a profit margin within a pre-agreed range recommended by an internal transfer pricing study conducted by an independent accounting firm for Mando Korea.

The Mando Materials & Parts Supply Framework Agreement shall be effective from the Listing Date until December 31, 2015 and will be automatically renewed, subject to approval by our Shareholders in compliance with the announcement and approval requirements under Rules 14A.35(3) and 14A.35(4) of the Listing Rules, and shall supersede any separate contracts between relevant entities within Mando Korea Group and our Group which set out the specific terms and conditions for various transactions, all of which must be in accordance with the principles provided in the Mando Materials & Parts Supply Framework Agreement.

The consideration payable by us will be satisfied in cash and specific payment terms will be determined on a case by case basis in accordance with the terms of the Mando Materials & Parts Supply Framework Agreement.

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Historical transaction amounts: The aggregate purchase price amounts relating to products sold by Mando Korea Group to us were as follows:

	For the year ended December 31,		
	2010	2011	2012
	<i>(in millions of RMB)</i>		
Supply of raw materials and components and finished automotive part products by Mando Korea Group to our Group	642	693	800

Pricing policies: Raw materials and components and finished automotive part products have historically been, and will continue to be, priced based on a combination of factors, including costs of materials, labor costs and employee benefit expenses, electricity and other utility costs, depreciation, machinery maintenance costs and selling and administrative expenses which are attributable to the procurement or production of such raw materials and components and automotive part products. Based on the above factors, each raw material, component or finished automotive part product is ascribed a unit cost. Such unit cost is fixed at the start of the production life of the relevant raw materials, components or automotive part products. Subject to the approval of Mando Korea, us and third-party customers, such unit cost may vary should any of the underlying cost components fluctuate significantly. Mando Korea Group would then charge us a profit margin over such unit cost. Two internal transfer pricing studies were conducted through a benchmarking analysis of arm's length transactions by an independent accounting firm for Mando Korea in 2009 and 2011 to facilitate the implementation of a globally consistent transfer pricing regime among Mando Korea and its subsidiaries (including the Group). Mando Korea Group adopted such transfer pricing suggestions, and accordingly Mando Korea Group and we will apply profit margins within the pre-agreed arm's length range recommended by such transfer pricing studies (which we believe is in line with rates that have been observed in the market since such transfer pricing studies were based on a benchmarking analysis of various historical arm's length transactions in the market) for all continuing connected transactions newly entered into in the future for our purchase of raw materials and components and finished automotive part products supplied by Mando Korea Group to mitigate potential transfer pricing risks. Potential conflicts of interests may arise if Mando Korea Group and we were to enter into transactions with profit margins that fall outside of the range of profit margins recommended by the transfer pricing studies. To address and to mitigate such potential conflicts of interest, we have historically requested, prior to entering into individual supply agreements with Mando Korea Group, and will continue to request that Mando Korea Group provide a schedule of the costs being incurred by Mando Korea Group in respect of the raw materials, components and automotive parts being supplied by Mando Korea Group. Once such schedule is received, we have historically and will continue to (i) assess independently whether the costs incurred are fair and reasonable, (ii) request clarification and supporting documents from Mando Korea Group if we are of the view that the cost items being stated

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by Mando Korea Group are materially different from the costs that were quoted by Mando Korea Group historically and (iii) verify that the profit margin on the total costs being incurred by Mando Korea Group falls within the range of profit margins as recommended by the transfer pricing studies. As at the Latest Practicable Date, no members of the Group or the Mando Korea Group have been challenged by any tax authorities over these transfer pricing arrangements in relation to our tax position.

Annual caps and basis of caps: We expect that the annual aggregate purchase price amounts to be paid by us for products sold by Mando Korea Group to us for the three year period ending December 31, 2015 will be as follows:

	For the year ending December 31,		
	2013	2014	2015
	<i>(in millions of RMB)</i>		
Supply of raw materials and components and finished automotive part products by Mando Korea Group to our Group	1,045	1,228	1,529

The proposed annual caps set forth above are based on the expected demand by and production capacity of Mando Korea Group and our Group, the expected market conditions for the relevant period and general cost inflation. In addition, in arriving at the proposed caps, we have taken into consideration the current economic climate and in particular its effects on the PRC automotive industry. The expected amount of purchases of raw materials, components and parts from Mando Korea Group from 2013 to 2015, as a percentage of our total estimated cost of sales for the same period, is generally expected to be in line with historical levels from 2010 to 2012. The increase in the annual cap for 2015 reflects an expected increase in automotive parts demand from our major customers who, based on our discussions with them on future production plans, are expected to increase their production as new models (which typically have more components and parts sourced from Mando Korea Group for installation) are introduced.

Implication under the Listing Rules: Mando Korea is our controlling Shareholder and will hold approximately 70.0% of the total equity interests in our registered capital immediately after the Listing. As such, Mando Korea is a connected person of our Group and the Mando Materials & Parts Supply Framework Agreement constitutes a connected transaction for us under the Listing Rules.

6. Framework Agreement on the Supply of Equipment from Mando Korea (the “Mando Equipment Supply Framework Agreement”)

Background: During the Track Record Period, we had a supply relationship with Mando Korea Group for certain manufacturing equipment and we acquired joint ownership in certain registered patents related to the use of such equipment, which were previously owned solely by Mando Korea Group. See “Business — Intellectual Property — Patents.” We purchased such manufacturing equipment from Mando Korea Group, instead of purchasing them directly from the original vendors, in order to take advantage of Mando Korea Group’s customization of such equipment (and related research and development and know-how accumulated by Mando Korea Group) given that many of our products and

CONNECTED TRANSACTIONS

Mando Korea Group's products are similar in design and such customized manufacturing equipment allows us to produce our products with greater efficiency. While it is possible for us to customize the manufacturing equipment ourselves after purchasing them from the original vendors, we believe that such an approach would require us to undertake redundant customization work (and related research and development activities) and thus be less efficient, both cost-wise and operations-wise, compared to our current approach. Furthermore, the technology for the production of our manufacturing equipment is not mature in the PRC and it is not possible to secure reliable supplies of manufacturing equipment at a commercially viable cost in the PRC. Therefore, it is necessary that manufacturing equipment continue to be sourced from suppliers based in Korea. In order to adapt standard manufacturing equipment for use in high-quality automotive parts manufacturing, the equipment manufacturer must be engaged on a regular basis through frequent modifications testing and quality assurance processes prior to the delivery of such equipment, which Mando Korea is able to do efficiently with Korean equipment manufacturers due to its geographical proximity to such manufacturers. While we are able to source our equipment from Korean suppliers without the assistance of Mando Korea Group, to maintain the Group's standard of quality, the Group would be required to maintain a sizeable presence in Korea in order to effectively fulfill such quality assurance function. We do not currently have such a presence in Korea. Weighing the costs of setting up and maintaining such presence in Korea against the benefits of purchasing through Mando Korea Group to take advantage of the customization and quality assurance capabilities of Mando Korea Group in exchange for a reasonable premium, we believe that it is more advantageous and a better use of our resources to make purchases via Mando Korea Group. In anticipation of the Global Offering, we entered into the Mando Equipment Supply Framework Agreement with Mando Korea on April 30, 2013 to govern relevant transactions after the Listing. The manufacturing equipment we purchase from Mando Korea Group is new. As of December 31, 2012, the estimated average age of our manufacturing equipment was approximately 4.5 years, calculated based on the accumulated depreciation for machinery of RMB 858 million as of December 31, 2012 divided by the machinery depreciation expense of RMB 191 million for the year ended December 31, 2012. Such manufacturing equipment has not been fully depreciated.

Material terms: Pursuant to the Mando Equipment Supply Framework Agreement, Mando Korea Group shall supply, on a non-exclusive basis, manufacturing equipment to our Group for an agreed price to be calculated with reference to the total cost of such equipment plus a profit margin within a pre-agreed range recommended by an internal transfer pricing analysis conducted by an independent accounting firm for Mando Korea.

The Mando Equipment Supply Framework Agreement shall be effective from the Listing Date until December 31, 2015 and will be automatically renewed, subject to approval by our Shareholders in compliance with the announcement and approval requirements under Rules 14A.35(3) and 14A.35(4) of the Listing Rules, and shall supersede any separate contracts between relevant entities within Mando Korea Group and our Group which set out the specific terms and conditions for various transactions, all of which must be in accordance with the principles provided in the Mando Equipment Supply Framework Agreement.

The consideration payable by us will be satisfied in cash and specific payment terms will be determined on a case by case basis in accordance with the terms of the Mando Equipment Supply Framework Agreement.

CONNECTED TRANSACTIONS

Historical transaction amounts: The aggregate purchase price amounts relating to products sold by Mando Korea Group to us were as follows:

	For the year ended December 31,		
	2010	2011	2012
	<i>(in millions of RMB)</i>		
Supply of manufacturing equipment by			
Mando Korea Group to our Group	83	338	335

Pricing policies: Equipment has historically been, and will continue to be, priced based on a combination of factors, including costs of materials, design and research and development expenses, costs of assembly, quality assurance expenses, packaging expenses and logistics expenses. The total cost for the relevant equipment is assessed based on these factors. Mando Korea Group would then charge us a profit margin over such total cost. In accordance with a transfer pricing analysis conducted through a benchmarking analysis of Korean equipment manufacturers by an independent accounting firm for Mando Korea, Mando Korea Group and we will apply profit margins within the pre-agreed arm's length range recommended by such transfer pricing analysis (which we believe is in line with rates that have been observed in the market since such transfer pricing analysis was based on a benchmarking analysis of various historical arm's length transactions in the market) for all our future continuing connected transactions for our purchase of manufacturing equipment from Mando Korea Group to mitigate potential transfer pricing risks. Potential conflicts of interests may arise if Mando Korea Group and we were to enter into transactions with profit margins that fall outside of the range of profit margins recommended by the transfer pricing analysis. To address and to mitigate such potential conflicts of interest, we have historically requested, prior to entering into individual supply agreements with Mando Korea Group, and will continue to request that Mando Korea Group provide a schedule of the costs being incurred by Mando Korea Group in respect of the equipment being supplied by Mando Korea Group. Once such schedule is received, we have historically and will continue to (i) assess independently whether the costs incurred are fair and reasonable, (ii) request clarification and supporting documents from Mando Korea Group if we are of the view that the cost items being stated by Mando Korea Group are materially different from the costs that were quoted by Mando Korea Group historically and (iii) verify that the profit margin on the total costs being incurred by Mando Korea Group falls within the range of profit margins as recommended by the transfer pricing analysis. As at the Latest Practicable Date, no members of the Group or the Mando Korea Group have been challenged by any tax authorities over these transfer pricing arrangements in relation to our tax position.

CONNECTED TRANSACTIONS

Annual caps and basis of caps: We expect that the annual aggregate purchase price amounts to be paid by us for products sold by Mando Korea Group to us for the three year period ending December 31, 2015 will be as follows:

	For the year ending December 31,		
	2013	2014	2015
	<i>(in millions of RMB)</i>		
Supply of manufacturing equipment by			
Mando Korea Group to our Group	268	391	746

The proposed annual caps set forth above are based on the expected demand by and production capacity of Mando Korea Group and our Group, including the planned installation of additional equipment at Mando Suzhou which is expected to be completed in 2014, the expected market conditions for the relevant period and general cost inflation. In addition, in arriving at the proposed caps, we have taken into consideration the current economic climate and in particular its effects on the PRC automotive industry. The amount of equipment procured annually from Mando Korea Group from 2010 to 2012 (which was approximately RMB 252 million per year, on average), as a percentage of total capital expenditures, was approximately 50.7% on average for such three-year period. The fluctuation in the annual amount of equipment procurement from Mando Korea Group is primarily due to the timing of major production line expansions and upgrades. In 2015, we expect to complete a major installation of additional equipment at Mando Suzhou, which will result in a greater portion of our total capital expenditures for such year being used in the purchase of manufacturing equipment from Mando Korea Group. The increase in the annual cap for 2015 reflects our plans for major expansions and upgrades to our production facilities across the PRC in connection with the expected increase in automotive parts demand from our major customers and their launch of new models, based on our discussions with them on future production plans.

Implication under the Listing Rules: Mando Korea is our controlling Shareholder and will hold approximately 70.0% of the total equity interests in our registered capital immediately after the Listing. As such, Mando Korea is a connected person of our Group and the Mando Equipment Supply Framework Agreement constitutes a connected transaction for us under the Listing Rules.

7. Framework Agreement on the Supply of Automotive Parts to Mando Korea (the “Mando Drop Shipment Framework Agreement”)

Background: During the Track Record Period, we had a non-exclusive supply relationship with Mando Korea Group for certain automotive parts. In order to better utilize excess production capacity at our manufacturing facilities, we manufacture and sell, in our sole discretion, automotive parts to Mando Korea Group through exports for resale to global vehicle manufacturers outside the PRC, on an ad hoc basis to fill excess orders at Mando Korea Group as well as in instances where our manufacturing facility has been determined to be the most cost-efficient production site to supply a specific part product to vehicle manufacturers outside the PRC. We view such supply relationship as providing an additional source of revenue for us. In anticipation of the Global Offering, we entered into the Mando Drop Shipment Framework Agreement with Mando Korea on April 30, 2013 to govern relevant transactions after the Listing.

CONNECTED TRANSACTIONS

Material terms: Pursuant to the Mando Drop Shipment Framework Agreement, our Group shall sell finished automotive part products to Mando Korea Group through exports for an agreed price with reference to prevailing market prices on a “drop shipment” basis. Since the sales price for such exports are agreed upon with reference to prevailing market prices, we expect that the selling prices of these export products will generally be the same or higher than the selling prices of the comparable products being sold to our independent PRC customers.

The Mando Drop Shipment Framework Agreement shall be effective from the Listing Date until December 31, 2015 and shall supersede any separate contracts between relevant entities within Mando Korea Group and our Group which set out the specific terms and conditions for various transactions, all of which must be in accordance with the principles provided in the Mando Drop Shipment Framework Agreement.

The consideration payable by Mando Korea Group will be satisfied in cash and specific payment terms will be determined on a case by case basis in accordance with the terms of the Mando Drop Shipment Framework Agreement.

Historical transaction amounts: The aggregate purchase price amounts relating to products sold by us to Mando Korea Group were as follows:

	For the year ended December 31,		
	2010	2011	2012
	<i>(in millions of RMB)</i>		
Supply of finished automotive part products by our Group to Mando Korea Group	385	394	586

Annual caps and basis of caps: We expect that the annual aggregate purchase price amounts to be received by us for products sold by us to Mando Korea Group for the three year period ending December 31, 2015 will be as follows:

	For the year ending December 31,		
	2013	2014	2015
	<i>(in millions of RMB)</i>		
Supply of finished automotive part products by our Group to Mando Korea Group	626	597	578

CONNECTED TRANSACTIONS

The proposed annual caps set forth above are based on the expected demand by and production capacity of Mando Korea Group and our Group, the expected market conditions for the relevant period and general cost inflation. We also expect to invest approximately RMB 481 million and RMB 656 million in capital expenditures to expand our production capabilities in the PRC in 2013 and 2014, respectively. We expect to increase our total production capacity from 38 million units in 2012 to 48 million units in 2014, representing a 26.1% increase over such period and with much of such increase occurring in the early part of such two-year period. Typically, new production facilities will take a number of years to reach full capacity. We therefore expect to accept more export orders from Mando Korea Group while production at our new facilities is being significantly ramped up, as was the case in 2012, in order to maximize our production capacity utilization during such period, and to accept less of such export orders as we are able to utilize more of such ramped-up production capacity for our domestic orders with the passage of time, as we expect to be the case in 2013. In addition, in arriving at the proposed caps, we have taken into consideration the current economic climate and in particular its effects on the PRC automotive industry.

Implication under the Listing Rules: Mando Korea is our controlling Shareholder and will hold approximately 70.0% of the total equity interests in our registered capital immediately after the Listing. As such, Mando Korea is a connected person of our Group and the Mando Drop Shipment Framework Agreement constitutes a connected transaction for us under the Listing Rules.

8. **Framework Agreement on the Supply of Automotive Parts to the Geely Companies (the “Geely Supply Framework Agreement”)**

Background: Since the Geely Companies became our connected person with the establishment of Mando Ningbo, we have provided certain automotive components and systems to Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd. and Zhejiang Geely Automobile Parts & Components Co., Ltd. during the Track Record Period. In anticipation of the Global Offering, we entered into the Geely Supply Framework Agreement with Geely on April 25, 2013 to govern relevant transactions after the Listing.

Material terms: Pursuant to the Geely Supply Framework Agreement, we agreed to supply and the Geely Companies agreed to purchase automotive components and systems from our Group for an agreed price on an arm’s-length basis. Such agreed price will be generally comparable to the price paid by our other local PRC vehicle manufacturer customers in similar transactions.

The Geely Supply Framework Agreement shall be effective from the Listing Date until December 31, 2015 and shall supersede any separate contracts between the Geely Companies and our Group which set out the specific terms and conditions for various transactions, all of which must be in accordance with the principles provided in the Geely Supply Framework Agreement.

The consideration payable by the Geely Companies will be satisfied in cash and specific payment terms will be determined on a case by case basis in accordance with the terms of the Geely Supply Framework Agreement.

CONNECTED TRANSACTIONS

Historical transaction amounts: Prior to the Geely Companies becoming our connected person with the establishment of Mando Ningbo in 2011, we did not have any connected transactions with the Geely Companies in the years ended December 31, 2009 and 2010, respectively. The aggregate purchase price amounts relating to products sold by us to the Geely Companies totaled approximately RMB 166 million in 2011 and RMB 583 million in 2012.

Annual caps and basis of caps: We expect that the annual aggregate purchase price amounts to be received by us for the three year period ending December 31, 2015 will not exceed RMB 1,082 million in 2013, RMB 1,797 million in 2014 and RMB 2,636 million in 2015. These proposed annual caps are based on considerations of the pricing of automotive parts to be purchased by the Geely Companies, expected automotive parts demand from and vehicle production plan of the Geely Companies (which are expected to significantly increase their production in the near future as new models are introduced), the expected market conditions and the expected inflation rate in the PRC for the relevant period.

Implication under the Listing Rules: Geely Jirun, our joint venture partner, is directly interested in 35% of the equity interest in Mando Ningbo and is therefore a connected person of our Group. Under the Listing Rules, each of the associates of Geely Jirun, including Geely and its subsidiaries, is also a connected person of our Group. As such, the Geely Supply Framework Agreement constitutes a connected transaction for us under the Listing Rules.

DIRECTORS' VIEW ON CONTINUING CONNECTED TRANSACTIONS

Our Directors (including our independent non-executive Directors) are of the opinion that (1) each of the continuing connected transactions disclosed above has been entered into, and will be carried out, in the ordinary and usual course of business and on normal commercial terms; (2) each of the continuing connected transactions disclosed above is fair and reasonable and is in the interest of our Shareholders as a whole; and (3) the annual caps for the non-exempt continuing connected transactions are fair and reasonable and are in the interest of our Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS — APPLICATION FOR WAIVER

We will continue to enter into or carry out the transactions set out in this section. These transactions will constitute continuing connected transactions for us under the Listing Rules once our Shares are listed on the Hong Kong Stock Exchange. According to the Listing Rules, such transactions may, depending on the nature and value of the transactions, require disclosure and prior approval by our independent Shareholders. With respect to such transactions that are not exempt continuing connected transactions under the Listing Rules, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.42(3) of the Listing Rules for such non-exempt continuing connected transactions.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the continuing connected transactions described above in “Connected Transactions — Continuing Connected Transactions” for which waivers are sought have been entered into in the ordinary and usual course of our business, on normal commercial terms, are fair and reasonable and in the interests of our Shareholders as a whole, and that the maximum aggregate values of these continuing connected transactions are fair and reasonable, as far as our Shareholders, taken as a whole, are concerned.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Incorporation.

Name	Age	Position/Title	Roles and responsibilities	Date of Appointment ⁽¹⁾
<i>Executive Directors</i>				
Shim, Sang Deok	55	Chairman, chief executive officer, executive Director, member of remuneration committee, chairman of nomination committee	Overall business development and strategic planning	August 17, 2012
Kim, Hoon Tae	49	Chief financial officer and executive Director	Overall administration, strategic planning, financial planning and reporting	August 17, 2012
<i>Non-Executive Directors</i>				
Shin, Sahyeon	62	Non-executive Director	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	August 17, 2012
Chung, Frank Kun	57	Non-executive Director, member of audit committee	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	August 17, 2012
Jeong, Dae Jong	47	Non-executive Director	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	August 17, 2012

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Roles and responsibilities	Date of Appointment ⁽¹⁾
<i>Independent Non-Executive Director</i>				
Choi, Sang Tai	56	Independent non-executive Director, chairman of audit committee, member of nomination committee	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	August 17, 2012
Rhee, Nam Uh	49	Independent non-executive Director, member of audit committee, chairman of remuneration committee	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	August 17, 2012
Lim, Sang Soo	59	Independent non-executive Director, member of remuneration committee and nomination committee	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	April 8, 2013

⁽¹⁾ Pursuant to the Korean Commercial Code, directors of a Korean corporation must be appointed before the incorporation of a company, since a company is incorporated by registering with the commercial registry office after the convocation of the general meeting of incorporators at which directors are appointed. Our current Directors, other than Mr. Lim, Sang Soo, were appointed at our general meeting of incorporators held on August 17, 2012, and we were incorporated by registering with the relevant commercial registry office on August 20, 2012. Mr. Lim, Sang Soo was appointed at a general meeting of Shareholders held on April 8, 2013.

Executive Directors

Shim, Sang Deok. Mr. Shim, Sang Deok, aged 55, has been our executive Director since August 2012 and is also currently serving as our chairman of the board and chief executive officer. He is primarily responsible for the overall business development and strategic planning of our Group. He has over five years of experience in the automotive parts industry at Mando Korea, where Mr. Shim previously served in our Group as head of the PRC operations of Mando Korea from March 2008 until our establishment in August 2012. He served as a vice president in Halla Climate Control Corporation, an automotive climate control products manufacturer, from March 2007 to March 2008 and as head of the Shanghai office of Modine Korea LLC, a heat transfer product manufacturer, from September 2004 to April 2006. From December 1999 to September 2004, Mr. Shim held various positions as an employee in the PRC operations of Winia Mando Inc., a household appliance manufacturer, and from March 1989 to December 1999, Mr. Shim held various positions as an employee in Mando Machinery Corporation. Mr. Shim received a bachelor's degree in Chinese from Sungkyunkwan University in February 1986. Mr.

DIRECTORS AND SENIOR MANAGEMENT

Shim has no interest in the Shares within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Shim is independent from and not related to any other Directors, senior management or our Controlling Shareholder. Mr. Shim has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Kim, Hoon Tae. Mr. Kim, Hoon Tae, aged 49, has been our executive Director since August 2012 and is also currently serving as our chief financial officer. He is primarily responsible for the overall administration, strategic planning, financial planning and reporting of our Group. He has over 20 years of experience in the automotive parts industry, mainly at Mando Korea and Mando Machinery Corporation as described below. Mr. Kim served our Group as a vice president in the China planning department of Mando Korea from January 2011 until our establishment in August 2012. He previously held various other positions in Mando Korea from December 1999 to December 2010, including head of the business management team. From 1990 to 1999, Mr. Kim held various positions as an employee in Mando Machinery Corporation. Mr. Kim received a bachelor's degree in industrial engineering and a master's degree in industrial engineering from Kyunghee University in February 1988 and August 1990, respectively. Mr. Kim has no interest in the Shares within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Kim is independent from and not related to any other Directors, senior management or our Controlling Shareholder. Mr. Kim has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Non-executive Directors

Shin, Sahyeon. Mr. Shin, Sahyeon, aged 62, has been our non-executive Director since August 2012 and has over 15 years of experience in the automotive parts industry, mainly at Mando Korea and Valeo Electrical Systems Korea Ltd. as described below. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but does not participate in the day-to-day management of our business operations. Mr. Shin currently is the president and chief executive officer of Mando Korea, having served in such position since October 2011. Mr. Shin has held various other positions in Mando Korea from March 2008 to September 2011, including chief marketing officer and head of Korea operations and Mr. Shin has served our Group as a director since June 2008. Mr. Shin served in various positions in Valeo Electrical Systems Korea Ltd., an automotive components manufacturer, from January 1997 to March 2008. From January 1997 to June 1999, Mr. Shin served as a vice president in sales in Mando Machinery Corporation. Mr. Shin held various positions as an employee at Samsung C&T Co., a general trading company engaged in a variety of businesses including engineering and construction, from November 1977 to November 1996. He is also a director of Mando Korea, a company whose shares are listed on the Korea Exchange. Mr. Shin received a bachelor's degree in business administration from Korea University in February 1978. Mr. Shin has no interest in the Shares within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Shin is independent from and not related to any other Directors, senior management or our Controlling Shareholder. Save as disclosed herein, Mr. Shin has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Chung, Frank Kun. Mr. Chung, Frank Kun, aged 57, has been our non-executive Director since August 2012 and has over 30 years of experience in the automotive parts industry, mainly at Mando Korea, Johnson Controls Inc., Alcoa Inc. and TRW Inc. as described below. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but does not participate in

DIRECTORS AND SENIOR MANAGEMENT

the day-to-day management of our business operations. Mr. Chung has been an executive vice president and head of sales and marketing of Mando Korea since January 2010. He is also currently head of corporate planning of Mando Korea. Mr. Chung served in various positions in Johnson Controls Inc., a diversified manufacturer of automotive parts, building-related systems and batteries, from July 2004 to December 2009, including vice president and general manager of Johnson Controls Dongsung Co., Ltd. From January 2001 to June 2004, Mr. Chung held various positions in Alcoa Inc., an aluminum products manufacturer, including director of corporate development. From January 1978 to December 1999, Mr. Chung served in various positions in TRW Inc., an automotive parts company, including as an executive vice president. Mr. Chung received a bachelor's degree in aerospace engineering from the Massachusetts Institute of Technology in June 1978 and a master's degree in business administration from Stanford University in June 1982. Mr. Chung has no interest in the Shares within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Chung is independent from and not related to any other Directors, senior management or our Controlling Shareholder. Mr. Chung has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Jeong, Dae Jong. Mr. Jeong, Dae Jong, aged 47, has been our non-executive Director since August 2012 and has over 20 years of experience in the automotive parts industry, mainly at Mando Korea and Mando Machinery Corporation as described below. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but does not participate in the day-to-day management of our business operations. Mr. Jeong has been serving our Group as head of Mando Beijing R&D since December 2010, and in such role is the head of our research and development. Mr. Jeong served in various other positions in Mando Korea from December 1999 to November 2010, including head of R&D planning and support. From March 1990 to December 1999, Mr. Jeong held various positions as a researcher in Mando Machinery Corporation. Mr. Jeong received a bachelor's degree in mechanical engineering from Seoul National University in February 1988 and a master's degree in production engineering from the Korea Advanced Institute of Science and Technology in February 1990. Mr. Jeong has no interest in the Shares within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Jeong is independent from and not related to any other Directors, senior management or our Controlling Shareholder. Mr. Jeong has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Independent Non-executive Directors

Choi, Sang Tai. Mr. Choi, Sang Tai, aged 56, is our independent non-executive Director. Mr. Choi has been a visiting professor at Ulsan National Institute of Science and Technology since August 2011. Mr. Choi served in various positions in Samil PricewaterhouseCoopers, an accounting firm, from September 1981 to August 2011, including senior executive partner. He is also a director of LG Corporation, a company whose shares are listed on the Korea Exchange. Mr. Choi received a bachelor's degree in business administration in February 1978 and a master's degree in accounting in August 1995 from Korea University and a Ph.D. in business administration from Hanyang University in February 2010. Mr. Choi is a certified public accountant granted by the Korean Institute of Certified Public Accountants

DIRECTORS AND SENIOR MANAGEMENT

and the California Society of Certified Public Accountants in 1981 and 1987, respectively. Mr. Choi has no interest in the Shares within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Choi is independent from and not related to any other Directors, senior management or our Controlling Shareholder. Save as disclosed herein, Mr. Choi has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Rhee, Nam Uh. Mr. Rhee, Nam Uh, aged 49, is our independent non-executive Director. Mr. Rhee has been deputy president in Taurus Investment & Securities, a financial services firm, since November 2011. Mr. Rhee served in various positions at Merrill Lynch, a financial services firm, including managing director and head of Asia small-cap research and country representative for research. Mr. Rhee served as founder and chief investment officer in Rhee Capital, a financial services firm, from 2002 to 2005, head of research and a member of the management committee in Samsung Securities, a financial services firm, from 1998 to 2002, vice president in J.P. Morgan, a financial services firm, from 1991 to 1993 and as an analyst in Daewoo Securities, a financial services firm, from 1988 to 1991. Mr. Rhee received a bachelor's degree in economics from Seoul National University in February 1986 and a master's degree in business administration from the University of Chicago in June 1988. Mr. Rhee has no interest in the Shares within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Rhee is independent from and not related to any other Directors, senior management or our Controlling Shareholder. Mr. Rhee has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Lim, Sang Soo. Mr. Lim, Sang Soo, aged 59, is our independent non-executive Director. Mr. Lim served as an internal auditor of Korea Port Processings Co., Ltd., a logistics company, from August 2011 to December 2012. Mr. Lim served in various positions, including in research and international operations, at Korea Development Bank, a banking institution, from 1977 to 2008. Mr. Lim received a bachelor's degree in economics from Sungkyunkwan University in February 1977. Mr. Lim has no interest in the Shares within the meaning of Part XV of the SFO. Save as disclosed herein, Mr. Lim is independent from and not related to any other Directors, senior management or our Controlling Shareholder. Mr. Lim has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there is no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our senior management team is as follows:

Shim, Sang Deok. Mr. Shim, Sang Deok, aged 54, is also our chief executive officer. For details of his biography, please refer to “Directors and Senior Management — Executive Directors.”

DIRECTORS AND SENIOR MANAGEMENT

Kim, Hoon Tae. Mr. Kim, Hoon Tae, aged 49, is also our chief financial officer. For details of his biography, please refer to the paragraph headed “Directors and Senior Management — Executive Directors.”

JOINT COMPANY SECRETARIES

Park, Seong Ryong. Mr. Park, Seong Ryong, aged 43, is our joint company secretary and was appointed on February 25, 2013. He has over 10 years of experience in the automotive parts industry. Mr. Park has been with our Group since October 2012. From September 2004 to October 2012, Mr. Park held various positions in WABCO Korea Ltd., an automotive parts company, including as finance controller. From 1995 to 1999, Mr. Park held various positions as an employee of Mando Machinery Corporation. Mr. Park received a bachelor’s degree in economics from Yonsei University.

Pau, Lai Mei. Ms. Pau, Lai Mei, aged 53, is our joint company secretary and was appointed on August 30, 2012. Ms. Pau has been with the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services, since 2004 and she is currently a director thereof. Ms. Pau is a Chartered Secretary and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also the company secretary of Goodbaby International Holdings Limited (Stock Code: 1086), a company whose shares are listed on the Hong Kong Stock Exchange, and a joint company secretary of Baoxin Auto Group Limited (Stock Code: 1293), a company whose shares are listed on the Hong Kong Stock Exchange. She has more than 25 years of working experience in the field of corporate secretarial services.

AUDIT COMMITTEE

We have established an audit committee with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 of the Listing Rules. The audit committee consists of three members, namely Mr. Choi, Sang Tai, Mr. Rhee, Nam Uh and Mr. Chung, Frank Kun, two-thirds of whom are independent non-executive Directors. The primary duties of the audit committee are to review and supervise our financial reporting processes, internal control and risk management systems, nominate and monitor external auditors and provide advice and comments to the Directors. Mr. Choi is the chairman of our audit committee. For further details on our audit committee, please see “Summary of Our Articles of Incorporation and the Korean Commercial Code — Summary of Key Korean Corporate Law and our Articles of Incorporation — Audit Committee” in Appendix V to this prospectus.

REMUNERATION COMMITTEE

We have established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Mr. Rhee, Nam Uh, Mr. Lim, Sang Soo and Mr. Shim, Sang Deok, a majority of whom are independent non-executive Directors. The primary duties of the remuneration committee are to evaluate the performance and determine the remuneration packages of

DIRECTORS AND SENIOR MANAGEMENT

our senior management and key employees and to make recommendations to the Board of Directors on our policy and structure of the remuneration of our Directors and senior management for the approval by our Shareholders at a general meeting of Shareholders. Mr. Rhee is the chairman of our remuneration committee.

NOMINATION COMMITTEE

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. Shim, Sang Deok, Mr. Choi, Sang Tai and Mr. Lim, Sang Soo, a majority of whom are independent non-executive Directors. The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis, and to make recommendations to our Board regarding the nomination of suitable candidates to fill vacancies on our Board. Mr. Shim is the chairman of our nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The remunerations (including salaries, allowances, discretionary bonuses and pensions) paid to our Directors in aggregate for the three years ended December 31, 2010, 2011 and 2012 were approximately RMB 1 million, RMB 6 million and RMB 9 million, respectively. These amounts included certain remuneration for expatriate management which was borne by our controlling Shareholder, Mando Korea. The remuneration paid by Mando Korea was not subsequently charged back to the Group because invoices have already been issued and taxes have already been paid in Korea by Mando Korea, and it would be unduly burdensome for Mando Korea to reissue the relevant invoices and recalculate and repay its taxes in order to charge such remuneration cost back to the Group. We do not expect any further payment by Mando Korea of such staff costs and Directors' emoluments for the Group after the Listing, and there are no other material costs or expenses of the Group which were paid and borne by Mando Korea but have not been charged back to the Group. For further details of our Directors' compensation, see "Statutory and General Information — C. Further Information About our Directors and Substantial Shareholder — 2. Particulars of Service Contracts" in Appendix VI to this prospectus. None of our Directors waived any of their emoluments during the Track Record Period.

The remunerations (including salaries, allowances and bonuses) paid to our Group's five highest paid individuals in aggregate for the three years ended December 31, 2010, 2011 and 2012 were approximately RMB 6 million, RMB 5 million and RMB 9 million, respectively.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended December 31, 2010, 2011 and 2012 by any member of the Group to any of our Directors and the Group's five highest paid individuals.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending December 31, 2013 to be approximately RMB 9 million (of which approximately RMB 1 million is attributable to the independent non-executive Directors).

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed Quam Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full fiscal year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDER

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to us and the Hong Kong Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10.0% or more of the par value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Shareholders:

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding in our Company</u>
Mando Korea.....	Beneficial owner	567,450,000	70.0%

Except as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, have an interest or a short position in the Shares which will be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10.0% or more of the par value of any class of share capital carrying rights to vote in all circumstances at general meetings of Shareholders.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized and issued share capital in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

	<u>Number of Shares</u>	<u>Total par value (Korean Won)</u>
<i>Authorized share capital:</i>		
Shares	5,000,000,000	500,000,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
Shares in issue as of the date of this prospectus	750,000,000	75,000,000,000
Shares to be issued pursuant to the Global Offering	<u>60,850,000</u>	<u>6,085,000,000</u>
Total	<u><u>810,850,000</u></u>	<u><u>81,085,000,000</u></u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are common shares in our share capital and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot and issue Shares, provided that the aggregate par value of Shares allotted or agreed to be allotted by the Directors shall not exceed 18% of the total par value of our share capital in issue immediately following the completion of the Global Offering.

This general mandate to issue Shares will expire:

- (1) at the conclusion of our next annual general meeting; or

SHARE CAPITAL

(2) at the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders in the general meeting,

whichever is the earliest.

For further details of this general mandate, please see “Statutory and General Information — A. Further Information About our Group — 4. Resolutions in writing of our Controlling Shareholder passed on March 11, 2013” in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering,” our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase Shares with a total par value of not more than 10% of the total par value of our share capital in issue immediately following the completion of the Global Offering.

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange and in accordance with the laws and regulations of Hong Kong and the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information About our Group — 6. Repurchases of our own securities” in Appendix VI to this prospectus.

This general mandate to repurchase Shares will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) at the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see “Statutory and General Information — A. Further Information About our Group — 4. Resolutions in writing of our Controlling Shareholder passed on March 11, 2013” in Appendix VI to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our consolidated financial statements, including the notes thereto, as of and for the years ended December 31, 2010, 2011 and 2012 included in Appendix I to this prospectus. Such financial statements have been prepared in accordance with IFRS. The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We design, manufacture and sell a wide variety of automotive parts, primarily relating to brake, steering and suspension components and systems. We sell our products to the PRC operations of some of the world's largest vehicle manufacturers as well as major local PRC vehicle manufacturers. To a lesser extent, we sell automotive parts manufactured at our plants to Mando Korea for resale to global vehicle manufacturers operating outside of the PRC (principally the operations of Hyundai-Kia and General Motors outside the PRC). Our business currently comprises four main product categories: brake products, steering products, suspension products and others (mainly iron casting products). We have established a substantial presence in the PRC with a network of manufacturing facilities and a research and development center operated by wholly-owned subsidiaries and joint ventures strategically located throughout the PRC. Our five production facilities across the PRC supply products to our customers on an original equipment manufacture basis.

Our total revenue amounted to RMB 4,388 million in 2010, RMB 5,339 million in 2011 and RMB 6,259 million in 2012, and total comprehensive income attributable to the equity holder of the Company amounted to RMB 498 million in 2010, RMB 500 million in 2011 and RMB 498 million in 2012. Our adjusted profit for the year (calculated by adding back to total comprehensive income an amount equal to the effect of applicable deferred income tax on the distributable profits of the PRC Subsidiaries for the year, which was RMB 24 million in 2010, RMB 29 million in 2011 and RMB 4 million in 2012, respectively) amounted to RMB 527 million in 2010, RMB 526 million in 2011 and RMB 500 million in 2012. We had total assets of RMB 5,491 million and total equity of RMB 2,900 million as of December 31, 2012.

The Directors confirm that, as of the Latest Practicable Date, there has not been any material adverse change relating to our operations, financial performance, expectations of financial performance or financial condition as a result of recent changes in economic conditions subsequent to the Track Record Period.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

We have prepared our consolidated financial statements in accordance with IFRS. Mando Korea owned and controlled the PRC Subsidiaries prior to the Reorganization and has continued to own and control us after the Reorganization. Accordingly, our consolidated financial statements have been prepared as if our current corporate structure had been in existence throughout the Track Record Period or since the respective dates on which the PRC Subsidiaries first came under the control of Mando Korea. See Note 3.1 of the notes to the consolidated financial statements included in Appendix I to this prospectus.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2010, 2011 and 2012, derived from the Accountant's Report set out in Appendix I to this prospectus.

Consolidated Statements of Comprehensive Income

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Revenue	4,388	5,339	6,259
Cost of sales	<u>(3,360)</u>	<u>(4,134)</u>	<u>(4,944)</u>
Gross profit	1,028	1,205	1,315
Selling and administrative expenses	(327)	(457)	(563)
Research and development expenses	(47)	(53)	(89)
Other income.....	3	1	11
Net other gains	<u>8</u>	<u>3</u>	<u>2</u>
Operating profit	665	699	676
Finance income	3	11	11
Finance costs	<u>(10)</u>	<u>(12)</u>	<u>(16)</u>
Net finance costs	<u>(7)</u>	<u>(1)</u>	<u>(5)</u>
Profit before income tax	658	698	670
Income tax expense.....	<u>(155)</u>	<u>(201)</u>	<u>(174)</u>
Profit/total comprehensive income for the year	<u>503</u>	<u>497</u>	<u>496</u>
Total comprehensive income attributable to:			
Equity holder of the Company.....	498	500	498
Non-controlling interests.....	5	(3)	(2)

FINANCIAL INFORMATION

Our adjusted profit for the year (calculated by adding back to total comprehensive income an amount equal to the effect of applicable deferred income tax on the distributable profits of the PRC Subsidiaries for the year, which was RMB 24 million in 2010, RMB 29 million in 2011 and RMB 4 million in 2012, respectively) amounted to RMB 527 million in 2010, RMB 526 million in 2011 and RMB 500 million in 2012.

Consolidated Statements of Financial Position

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Assets			
Current assets.....	1,832	2,710	3,278
Non-current assets.....	1,173	1,606	2,213
Total assets.....	<u>3,005</u>	<u>4,316</u>	<u>5,491</u>
Liabilities			
Current liabilities.....	1,081	1,648	2,042
Non-current liabilities.....	63	340	549
Total liabilities.....	<u>1,144</u>	<u>1,988</u>	<u>2,591</u>
Equity			
Equity attributable to the equity holder of the Company.....	1,838	2,221	2,730
Non-controlling interest.....	23	107	170
Total equity.....	<u>1,861</u>	<u>2,328</u>	<u>2,900</u>
Total liabilities and equity.....	<u>3,005</u>	<u>4,316</u>	<u>5,491</u>

FINANCIAL INFORMATION

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by trends and developments, many of which are outside our control, including the following:

Cyclical and Volatile Market Conditions

A substantial majority of our business consists of sales of automotive parts to vehicle manufacturers in the PRC, and general conditions in the PRC automotive market significantly affect our results of operations. Automotive sales and production are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences as well as changes in interest rate levels, consumer confidence, fuel costs and the availability of consumer financing. In addition, automotive sales and production in the PRC and elsewhere are significantly impacted by government policies, regulations and initiatives. These conditions and factors may change suddenly and dramatically. In recent years, sales of automotive vehicles have grown rapidly in the PRC, reflecting overall strong economic growth during such period as well as favorable policies regarding the automobile industry that were implemented by the PRC Government. However, the PRC economy has begun to show signs of a potential slowdown in recent months, including decreased gross domestic product growth rates in 2012 and falling real estate price levels in certain urban areas. Any future deterioration of the PRC economy or the adoption by the PRC Government of policies detrimental to the automobile industry could materially and adversely affect our business, results of operations and financial condition. See “Risk Factors — Risks Relating to Conducting Business in the PRC — Changes in economic, political and social conditions and government policies in the PRC could have a material adverse effect on our business, financial condition, results of operations and prospects.”

Our sales are also affected by vehicle inventory levels, which are often difficult for us to predict with any degree of certainty. This may result in volatility in our results of operations and financial condition, and such volatility may be further exacerbated by favorable consumer financing programs initiated by vehicle manufacturers in periods of low consumer demand (which may have the effect of accelerating vehicle sales that otherwise would occur in future periods), shutdowns of vehicle manufacturers (which may be scheduled by the vehicle manufacturer or result from unforeseen events) and other events beyond our control. If we were to experience any significant decline in our sales and production, we would be forced to take actions in order to reduce costs. However, our high levels of fixed costs may make it difficult to adjust our cost base to the extent necessary or to make such adjustments on a timely basis.

In addition, the rate at which our customers build vehicles, and accordingly our sales of automotive parts to such customers, are moderately seasonal as our primary vehicle manufacturer customers typically halt their vehicle production for approximately one week in July or August, approximately one week for the PRC National Day holiday in October and approximately one week for the Lunar New Year holiday in either January or February. Accordingly, our results of operations generally reflect this seasonality.

FINANCIAL INFORMATION

Customers and Product Mix

Our customer base includes the PRC operations of some of the world's largest vehicle manufacturers as well as major local PRC vehicle manufacturers. However, a substantial portion of our sales is attributable to a limited number of customers. In particular, Beijing Hyundai and Dongfeng Kia are and have been during the Track Record Period our largest and second largest customer, respectively. Sales of our products to Beijing Hyundai and Dongfeng Kia accounted for approximately 40.6% and 19.8% of our total revenue in 2010, 33.3% and 21.6% in 2011 and 27.9% and 23.3% in 2012, respectively. In addition, Shanghai GM is and has been during the Track Record Period our third largest customer, and sales of our products to Shanghai GM accounted for approximately 16.0%, 14.1% and 13.1% of our total revenue in 2010, 2011 and 2012, respectively. See "Business — Customers, Sales and Marketing." We expect that Beijing Hyundai and Dongfeng Kia will remain our largest and second largest customer, respectively, for the foreseeable future due to forward supply relationships currently in place for vehicle models as well as our strong historical and ongoing relationship with them. We also anticipate that General Motors in the PRC will remain a key customer for the foreseeable future, including due to forward supply relationships currently in place for vehicle models and our strong ongoing relationship with General Motors. See "Risk Factors — Risks Relating to Our Business — We depend on the Hyundai-Kia Automotive Group as a customer, and declines in its level of business with us may materially and adversely affect our results of operations and financial condition" and "Risk Factors — Risks Relating to Our Business — General Motors is one of our largest customers, and our sales and profitability may be adversely impacted if General Motors' business or market share in the PRC declines." Accordingly, we believe that our results of operations and financial condition will continue to be significantly affected by the business, market share and vehicle production volume of Beijing Hyundai, Dongfeng Kia and Shanghai GM for the near to medium term. In addition, the Geely Companies have become some of our most significant local vehicle manufacturer customers since we first began supplying master cylinders and boosters in 2007. In 2011, Mando Ningbo, in which we hold a 65.0% equity interest, was established pursuant to a strategic joint venture entered into with Geely Jirun.

Furthermore, the mix of vehicle offerings by our vehicle manufacturer customers impacts our sales, as our supply relationships with vehicle manufacturers, which typically extend over the life of the related vehicle models, are for specific parts tailored for the particular vehicles. We generally enter into supply contracts with our customers which provide for the supply of a customer's annual requirements of the relevant product in the PRC for a particular vehicle model, rather than for the purchase of a specific quantity of products. Furthermore, such supply contracts can typically be unilaterally terminated by the vehicle manufacturer prior to the annual automatic renewal of the term, in the case of Beijing Hyundai and Dongfeng Kia, or terminated in the event of a cancellation or modification of the related vehicle model, in the case of Shanghai GM. In addition, in exceptional cases involving local PRC vehicle manufacturers whose standard supply contracts contain onerous penalty provisions or other terms that we are not willing to accept, we may begin and continue supply relationships on the basis of purchase orders without entering into a master supply contract. In either case, any discontinuation or decrease by our customers in the production volume of particular vehicle models for which we are a significant supplier may significantly impact our results of operations and financial condition.

FINANCIAL INFORMATION

Product Pricing

Downward pricing pressures from vehicle manufacturers are a characteristic of the automotive parts industry. Vehicle manufacturers historically have had significant bargaining power over their outside suppliers because the automotive parts industry is fragmented and serves a limited number of vehicle manufacturers. Vehicle manufacturers generally select automotive parts suppliers on the basis of a competitive bidding process and we are subject to downward pricing pressures from the initial bidding stage and throughout the term of the supply relationship. Such downward pricing pressure is expected to continue and may escalate in the future if vehicle manufacturers pursue additional cost-cutting or restructuring initiatives in the event of deteriorating conditions in the global automotive markets. For example, most of our customers require step-downs in parts pricing over the period of supply, generally ranging, on average, from 3% to 5% per year during the Track Record Period. Such price reductions are typically negotiated on an annual basis between us and vehicle manufacturers such as Beijing Hyundai, Dongfeng Kia and local PRC vehicle manufacturers (which is in line with the general practice in the PRC automotive industry) or, in the case of vehicle manufacturers which are affiliated with a global vehicle manufacturer based in the United States or Europe such as Shanghai GM, the range of such price reductions may be set forth in the supply contracts for each vehicle program. See “Business — Customers, Sales and Marketing.” Such arrangements expose us to risks, as any price reductions are a result of negotiations and other factors, and we must be able to correspondingly reduce our operating costs in order to maintain profitability. We endeavor to reduce our operating costs through various initiatives which include regular assessments of sourcing alternatives and changes in raw material and components costs (including our ability to obtain cost reductions from our suppliers), design-related cost improvements and manufacturing productivity enhancements. See “Risk Factors — Risks Relating to Our Business — Escalating pricing pressures from our customers, through price reductions that may be negotiated annually or set forth in the relevant supply contracts, may adversely affect our business.”

Availability and Cost of Raw Materials and Components

Our business and results of operations depend significantly on our ability to secure a sufficient and reliable supply of key raw materials and components used in our manufacturing processes, including metal parts, petroleum-based products, molded plastic components and various electronic and mechanical components, at reasonable prices to meet our production schedules. Raw materials and components, which we source mainly from PRC suppliers and, to a lesser extent, from overseas suppliers (primarily for knock-down components) including Mando Korea, accounted for a substantial majority of our cost of sales in each of 2010, 2011 and 2012. We source key raw materials and components from a limited group of suppliers in order to ensure timely supply and consistent quality. We also source certain key materials and components through Mando Korea in order to take advantage of economies of scale and to efficiently access Mando Korea’s supplier network in Korea. See “Connected Transactions — Continuing Connected Transactions — 5. Framework Agreement on the Supply of Raw Materials, Components and Automotive Parts from Mando Korea.” Shortages or delays in the supply of raw materials and components experienced by such suppliers, whether due to unexpected increases in demand, capacity limitations, financial distress, changes in government policies or otherwise, would impact our ability to meet our production schedules to the extent that we cannot procure them on acceptable terms from other sources, and in turn adversely affect our sales, profitability and customer relations. In addition, surcharges and other cost increases or financial support to our suppliers may be necessary to ensure the continued financial viability of key suppliers in especially difficult market conditions, which may reduce our earnings.

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Price volatility in the supply of raw materials and components also significantly affects our operating costs and profit margins. In past years, there have been significant increases in the global prices of steel, aluminum, petroleum-based products, rare earth minerals and other raw materials, which have had an unfavorable impact on our results of operations and financial condition. We seek to manage these and other materials-related cost pressures using a combination of strategies, and certain of our supply contracts with our vehicle manufacturer customers enable us to pass on some of the price increases in raw materials to our customers and thereby partially offset the impact of increased materials costs on our profit margin for the related products. However, our ability to pass on raw material and component cost increases to our customers is substantially limited by competitive and market pressures, including the step-downs in parts pricing generally required by our customers. Moreover, even in instances where we are able to pass price increases through to the customer, there is typically a lapse of time before we can do so. See “Risk Factors — Risks Relating to Our Business — We may be adversely affected by price volatility or shortages in raw materials and components used in the manufacture of our products, and we are dependent on limited sources of supply (including Mando Korea) for certain key raw materials and components.”

CRITICAL ACCOUNTING POLICIES

We have identified the accounting policies summarized below as critical to an understanding of our financial condition and results of operations, because they require us to make difficult, complex and subjective judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observation of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. While we believe our estimates and judgments to be reasonable under the circumstances, there can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. In addition, other companies may utilize different accounting policies, which may impact the comparability of our results of operations to those of companies in similar businesses. For a discussion of our other significant accounting policies, see Note 3 of the notes to the consolidated financial statements included in Appendix I to this prospectus.

Revenue Recognition

We recognize our revenue upon delivery of goods or products, where the amount of revenue and costs can be measured reliably and the economic benefits associated with the transaction will probably flow to us. In making our judgment in applying this recognition method, we make reference to various factors which include, among others, contracts signed with certain customers and the actual sales amount of similar historical transactions, as well as confirmations received from our customers.

Provision for Accounts Receivable

We apply provisions for impairment to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed.

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Income Taxes and Deferred Income Tax

The income generated from our operations is subject to income taxes based on tax laws and interpretations of the PRC and Korean tax authorities. There are many transactions and calculations for which the ultimate tax determination is uncertain. We recorded, based on our best estimates, current taxes and deferred taxes that we will be liable for in the future in our operating results as of the end of the applicable reporting periods. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which the relevant determination is made. Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it likely that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

Provisions

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and those amounts are reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, no provision is recognized for costs that need to be incurred to operate in the future.

Pension Benefit

The present value of our pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, including the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. We determine the appropriate discount rate at the end of each year. In determining the appropriate discount rate, we consider the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. For additional information, see Note 16 of the notes to the consolidated financial statements included in Appendix I to this prospectus.

Useful Lives of Property, Plant and Equipment

We determine the estimated useful lives and related depreciation charges for our property, plant and equipment based on the historical experience with respect to the actual useful lives of property, plant and equipment of a similar nature and functions and the practice in the industry. Actual useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. We revise depreciation charges where useful lives are different from those previously estimated, and we write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

FINANCIAL INFORMATION

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 3.1 of the notes to the consolidated financial statements included in Appendix I to this prospectus for a description of recent accounting pronouncements relevant to us under IFRS.

DESCRIPTION OF LINE ITEMS OF THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue is generated from one operating segment, comprising the manufacture and sale of chassis-related automotive parts, primarily brake, steering and suspension components and systems.

Cost of Sales

Our cost of sales comprises manufacturing costs, which principally include the cost of raw materials consumed (net of changes in inventories of finished goods and work-in-progress), depreciation and amortization expenses, employee benefit expenses and utilities expenses.

Selling and Administrative Expenses

Our selling and administrative expenses mainly comprise royalty expenses paid to Mando Korea in connection with certain intellectual property rights that we license from Mando Korea (see “Connected Transactions — Continuing Connected Transactions — 3. Intellectual Property License Agreement”), amortization expenses of intangible assets such as software licenses and the right to use certain intellectual property of Mando Korea, which are not related to the manufacturing of inventory (and which typically comprise a significant proportion of our total amortized intangible assets), freight and packing expenses, employee benefit expenses, commissions and fees, various taxes and surcharges, warranty expenses and other sales related costs.

Research and Development Expenses

Our research and development expenses primarily comprise depreciation and amortization, employee benefit expenses and various other expenses related to our research and development activities.

Other Income and Net Other Gains

Our other income comprises subsidy income, while our net other gains mainly comprise gains from sales of moulds and scrap, net gain (loss) on foreign exchange, net gain (loss) on disposal of property, plant and equipment and net miscellaneous other gains (losses).

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Finance Income and Costs

Our finance income comprises interest income on cash and cash equivalents and associated foreign exchange gains. Our finance costs comprise interest expense on bank and other borrowings and associated foreign exchange losses.

Income Tax Expense

Our income tax expense comprises current income tax payable by us and our subsidiaries under relevant PRC income tax laws and regulations, as adjusted for deferred income tax items. For example, entities incorporated in the PRC are subject to the PRC Enterprise Income Tax (“EIT”) at applicable rates ranging from 15% to 33% before January 1, 2008. Effective from January 1, 2008, subsidiaries incorporated in the PRC are required to determine and pay the EIT in accordance with the Corporate Income Tax Law of the PRC (the “New EIT Law”) as approved by the National People’s Congress on March 16, 2007 and the Detailed Implementations Regulations of the Corporate Income Tax Law (the “DIR”) as approved by the State Council on December 6, 2007. In accordance with the New EIT Law and DIR, the EIT rate applicable to subsidiaries incorporated in the PRC would be 25% for those with original applicable EIT rates higher than 25%, or gradually increased to 25% during the five-year period from 2008 to 2012 for those with original applicable EIT rates lower than 25%. Pursuant to the New EIT Law, 10% withholding income tax is levied on foreign investors from dividend distributions from foreign-invested PRC enterprises’ profit earned after January 1, 2008. For qualified investors incorporated in Korea, a treaty rate of 5% will be applicable. See “Financial Information — Critical Accounting Policies — Income Taxes and Deferred Income Tax” and Note 27 of the notes to the consolidated financial statements included in Appendix I to this prospectus.

RECENT DEVELOPMENTS

The following table sets forth a summary derived from our unaudited consolidated financial information for the three months ended March 31, 2012 and 2013, which has been reviewed by our auditors, Samil PricewaterhouseCoopers, with reference to the principles set out in ISRE 2410. We do not intend to report our results of operations or financial condition on a quarterly basis after Listing except as described below under “— Quarterly Reporting of Mando Korea.”

	For the Three Months Ended	
	March 31,	
	2012	2013
	<i>(In millions of RMB)</i>	
Revenue	1,479	1,756
Gross profit	305	382
EBITDA	215	281
Operating profit	172	215
Profit for the period	121	155

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Our adjusted profit for the period (calculated by adding back to total comprehensive income an amount equal to the effect of applicable deferred income tax on the distributable profits of the PRC Subsidiaries for the applicable period, which was RMB 6 million for the three months ended March 31, 2012 and RMB 2 million for the three months ended March 31, 2013, respectively) amounted to RMB 127 million for the three months ended March 31, 2012 and RMB 157 million for the three months ended March 31, 2013.

Quarterly Reporting of Mando Korea

As a company that is listed on the KRX KOSPI Market of the Korea Exchange under Article 160 of the Korean Financial Investment Services and Capital Market Act and is subject to ongoing reporting requirements thereunder, Mando Korea is required to file quarterly financial reports. Since we are a material consolidated subsidiary of Mando Korea, Mando Korea's quarterly reports would contain material information concerning our results of operations. In order to provide our Shareholders with material information that is available to Mando Korea's shareholders on a quarterly basis, we would need to provide unaudited quarterly financial information in Hong Kong in compliance with Rule 13.09 of the Listing Rules. When Mando Korea issues a press release relating to its quarterly financial information (which contains financial information relating to us) in Korea, we will simultaneously make a Rule 13.09 announcement attaching a copy of such press release. The financial information relating to us contained in such press release will be presented under Korean IFRS and there will not be any reconciliation of such financial information to the financial information of our Group presented under IFRS. When Mando Korea files its quarterly financial report (which will contain financial information relating to us), which typically takes place approximately four weeks after a press release regarding the quarterly financial information, we will make a Rule 13.09 announcement attaching a copy of such quarterly financial report. The financial information relating to us contained in such report will be presented under Korean IFRS, but we will also disclose in that announcement our relevant quarterly financial information presented under IFRS. These reporting procedures will impose an additional administrative burden on us in terms of the need to prepare and disclose quarterly financial information.

Our interim and final reports will be presented under IFRS and will comply with all relevant Listing Rule requirements, including as to timing and required content.

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RESULTS OF OPERATIONS

2012 Compared to 2011

The following table presents selected income statement data and changes therein for 2011 and 2012.

	For the Year Ended		Changes	
	December 31,			
	2011	2012	Amount	%
<i>(In millions of RMB, except percentages)</i>				
Revenue	5,339	6,259	920	17.2%
Cost of sales	(4,134)	(4,944)	(810)	19.6
Gross profit.....	1,205	1,315	110	9.1
Selling and administrative expenses.....	(457)	(563)	(106)	23.2
Research and development expenses.....	(53)	(89)	(36)	67.9
Other income.....	1	11	10	1,000.0
Net other gains.....	3	2	(1)	(33.3)
Operating profit.....	699	676	(23)	(3.3)
Finance income	11	11	—	—
Finance costs	(12)	(16)	(4)	33.3
Profit before income tax	698	670	(28)	(4.0)
Income tax expense	(201)	(174)	27	(13.4)
Profit/total comprehensive income for the year	<u>497</u>	<u>496</u>	<u>(1)</u>	(0.2)

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Revenue

The following table presents a breakdown of our revenue by product type and changes therein for 2011 and 2012.

	For the Year Ended		Changes	
	December 31,		Amount	%
	2011	2012		
<i>(In millions of RMB, except percentages)</i>				
Revenue:				
Brake products.....	2,447	2,694	247	10.1%
Electronic ⁽¹⁾	975	911	(64)	(6.6)
Conventional ⁽²⁾	1,472	1,783	311	21.1
Steering products.....	1,534	2,038	504	32.9
Electronic ⁽³⁾	118	533	415	351.7
Conventional ⁽⁴⁾	1,416	1,505	89	6.3
Suspension products ⁽⁵⁾	1,184	1,376	192	16.2
Others ⁽⁶⁾	175	151	(24)	(13.7)
Total	<u>5,339</u>	<u>6,259</u>	<u>920</u>	17.2

(1) Includes sales of anti-lock brake systems, electronic stability control systems and electronic parking brakes.

(2) Includes sales of master cylinders and boosters, caliper brakes, drum brakes and brake corner modules.

(3) Includes sales of electric power steering systems.

(4) Includes sales of steering columns and rack and pinion steering gear boxes.

(5) Includes sales of shock absorbers, suspension struts and damper spring modules.

(6) Includes iron casting sales.

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The following table presents the sales volume and average selling price for each of our brake, steering and suspension products for 2011 and 2012.

Product Category	For the Year Ended December 31,			
	2011		2012	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	<i>(thousands of units sold, except prices in RMB)</i>			
Brake products:				
Electronic ⁽¹⁾	1,127	864	1,052	866
Conventional ⁽²⁾	8,242	179	10,763	166
Steering products:				
Electronic ⁽³⁾	42	2,837	213	2,504
Conventional ⁽⁴⁾	2,699	524	3,069	491
Suspension products ⁽⁵⁾	7,861	151	10,580	130
Total	<u>19,971</u>	<u>259</u>	<u>25,677</u>	<u>238</u>

(1) Includes anti-lock brake systems, electronic stability control systems and electronic parking brakes.

(2) Includes master cylinders and boosters, caliper brakes, drum brakes and brake corner modules.

(3) Includes electric power steering systems.

(4) Includes manual rack and pinion steering gear boxes and power rack and pinion steering gear boxes and columns.

(5) Includes shock absorbers, suspension struts and damper spring modules.

Our revenue increased by 17.2%, or RMB 920 million, to RMB 6,259 million in 2012 from RMB 5,339 million in 2011. Such increase reflected a general growth in sales across most of our product categories in 2012.

Brake products. Revenue from brake components and systems, which accounted for 43.0% of our total revenue in 2012, increased by 10.1%, or RMB 247 million, to RMB 2,694 million in 2012 from RMB 2,447 million in 2011. Such increase was primarily due to increased sales volume for our conventional brake products, reflecting the commencement of sales of brake corner modules at our Ningbo plant to the Geely Companies in the second half of 2011, as well as a general increase in sales volume to our existing customers, the impact of which was offset in part by a decrease in the average selling price for our conventional brake products and a decrease in sales volume for our electronic brake products in 2012 compared to 2011.

Steering products. Revenue from steering components and systems, which accounted for 32.6% of our total revenue in 2012, increased by 32.9%, or RMB 504 million, to RMB 2,038 million in 2012 from RMB 1,534 million in 2011, mainly as a result of increases in sales volume of our electric power steering and conventional steering products in 2012, the impact of which was offset in part by an overall decrease in the average selling price of our steering products in 2012 compared to 2011.

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Suspension products. Revenue from suspension components and systems, which accounted for 22.0% of our total revenue in 2012, increased by 16.2%, or RMB 192 million, to RMB 1,376 million in 2012 from RMB 1,184 million in 2011. Such increase was due to increased sales volume, mainly reflecting sales of damper springs produced at our Ningbo plant to the Geely Companies, the impact of which was offset in part by an overall decrease in the average selling price of our suspension products in 2012 compared to 2011.

Cost of Sales

The following table presents a breakdown of our cost of sales and changes therein for 2011 and 2012.

	For the Year Ended		Changes	
	December 31,			
	2011	2012	Amount	%
<i>(In millions of RMB, except percentages)</i>				
Cost of sales:				
Raw materials consumed	3,689	4,374	685	18.6%
Changes in inventories of finished goods and work-in-progress	(44)	(43)	1	(2.3)
Provision for write-down of inventories ...	0	0	0	N/M ⁽¹⁾
Employee benefit expenses	138	182	44	31.9
Depreciation and amortization	164	211	47	28.7
Commission and fees	4	5	1	25.0
Utilities	51	65	14	27.5
Repair and maintenance	24	22	(2)	(8.3)
Freight expenses	6	15	9	150.0
Supplies expenses	30	39	9	30.0
Others	72	74	2	2.8
Total	<u>4,134</u>	<u>4,944</u>	<u>810</u>	19.6

(1) "N/M" = not meaningful.

Our cost of sales increased by 19.6%, or RMB 810 million, to RMB 4,944 million in 2012 from RMB 4,134 million in 2011, primarily due to an increase in the cost of raw materials consumed. The cost of raw materials consumed increased by 18.6%, or RMB 685 million, to RMB 4,374 million in 2012 from RMB 3,689 million in 2011, principally as a result of a general increase in our sales in 2012. Employee benefit expenses included in cost of sales also increased by 31.9%, or RMB 44 million, to RMB 182 million in 2012 from RMB 138 million in 2011, primarily as a result of a significant increase in the number of our employees reflecting the ramp up of production activities at our newly-opened Ningbo plant.

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Gross Profit and Gross Margin

As a result of the cumulative effect of the factors described above, our gross profit increased by 9.1%, or RMB 110 million, to RMB 1,315 million in 2012 from RMB 1,205 million in 2011. However, our gross margin, which represents gross profit as a percentage of net sales, decreased to 21.0% in 2012 from 22.6% in 2011 as a 17.2% increase in revenue to RMB 6,259 million in 2012 from RMB 5,339 million in 2011 was outpaced by a 19.6% increase in cost of sales to RMB 4,944 million in 2012 from RMB 4,134 million in 2011. Such decrease in our gross margin was primarily due to greater competition from automotive parts suppliers in the PRC market and continuing downward pricing pressure from vehicle manufacturers.

Selling and Administrative Expenses

The following table presents a breakdown of our selling and administrative expenses and changes therein for 2012 and 2011.

	For the Year Ended		Changes	
	December 31,			
	2011	2012	Amount	%
<i>(In millions of RMB, except percentages)</i>				
Selling and administrative expenses:				
Employee benefit expenses	60	92	32	53.3%
Depreciation and amortization.....	11	17	6	54.5
Commission and fees	40	36	(4)	(10.0)
Utilities	3	4	1	33.3
Repair and maintenance	3	4	1	33.3
Freight expenses	84	94	10	11.9
Packing expenses.....	54	62	8	14.8
Royalty expenses	103	123	20	19.4
Warranty expenses.....	25	21	(4)	(16.0)
Stamp duty, property tax and other surcharges.....	34	39	5	14.7
Supplies expenses.....	3	13	10	333.3
Others	37	58	21	56.8
Total	<u>457</u>	<u>563</u>	<u>106</u>	23.2

Our selling and administrative expenses increased by 23.2%, or RMB 106 million, to RMB 563 million in 2012 from RMB 457 million in 2011. Such increase was primarily due to increases in our employee benefit expenses, other expenses and royalty expenses. Employee benefit expenses included in selling and administrative expenses increased by 53.3%, or RMB 32 million, to RMB 92 million in 2012 from RMB 60 million in 2011, which was principally due to a significant increase in the number of our employees reflecting the ramp up of production activities at our newly-opened Ningbo plant as well as

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our hiring of certain employees who were previously seconded to our subsidiaries from Mando Korea, after our incorporation in August 2012. Other selling and administrative expenses increased by 56.8%, or RMB 21 million, to RMB 58 million in 2012 from RMB 37 million in 2011 primarily as a result of an increase in shipping expenses reflecting increased exports, as well as an increase in rent expenses reflecting the increased number of our employees in 2012. Our royalty expenses increased by 19.4%, or RMB 20 million, to RMB 123 million in 2012 from RMB 103 million in 2011, primarily due to a general increase in sales in 2012.

As set out in Note 33(5) of the notes to the consolidated financial statements included in Appendix I to this prospectus, Mando Korea incurred expenses on our behalf which have not historically been charged back to us. These expenses, which related to salary costs of management and expatriate staff of Mando Korea seconded to us, amounted to RMB 4 million and RMB 8 million in 2011 and 2012, respectively. Future expenses of such nature will be charged to us pursuant to the Advisory Services Framework Agreement. See “Connected Transactions — Continuing Connected Transactions — 1. Advisory Services Framework Agreement.”

Research and Development Expenses

The following table presents a breakdown of our research and development expenses and changes therein for 2011 and 2012.

For the Year Ended		Changes	
December 31,			
2011	2012	Amount	%
<i>(In millions of RMB, except percentages)</i>			

Research and development expenses:

Employee benefit expenses	27	39	12	44.4%
Depreciation and amortization.....	6	9	3	50.0
Others	20	41	21	105.0
Total	53	89	36	67.9

Our research and development expenses increased by 67.9%, or RMB 36 million, to RMB 89 million in 2012 from RMB 53 million in 2011, primarily due to an increase in other research and development expenses. Other research and development expenses increased by 105.0%, or RMB 21 million, to RMB 41 million in 2012 from RMB 20 million in 2011, primarily due to an increase in commissions and fees for technical support services reflecting a greater amount of such services provided by Mando Korea to Mando Suzhou in 2012 compared to 2011 in connection with upgrades to our electronic power steering production lines for new products.

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Other Income and Net Other Gains

The following table presents a breakdown of our other income and net other gains and changes therein for 2011 and 2012.

	For the Year Ended		Changes	
	December 31,			
	2011	2012	Amount	%
<i>(In millions of RMB, except percentages)</i>				
Other income:				
Subsidy income	<u>1</u>	<u>11</u>	<u>10</u>	1,000.0%
Net other gains:				
Net foreign exchange (losses) gains.....	(2)	0	2	(100.0)
Loss on disposal of property, plant and equipment.....	(4)	(4)	0	0.0
Sales of moulds and scrap.....	4	2	(2)	(50.0)
Other gains (losses)	<u>5</u>	<u>3</u>	<u>(2)</u>	(40.0)
Total	<u>3</u>	<u>2</u>	<u>(1)</u>	(33.3)

Our other income, which comprises subsidy income, increased by RMB 10 million to RMB 11 million in 2012 from RMB 1 million in 2011 mainly as a result of the implementation of PRC local subsidy schemes under which new tax rebates were provided to our Mando Beijing Chassis and Mando Suzhou subsidiaries by local governmental authorities in 2012.

Our net other gains decreased by 33.3%, or RMB 1 million, to RMB 2 million in 2012 from RMB 3 million in 2011, primarily due to a 40.0%, or RMB 2 million, decrease in other gains to RMB 3 million in 2012 from RMB 5 million in 2011 and a 50.0%, or RMB 2 million, decrease in sales of moulds and scrap to RMB 2 million in 2012 from RMB 4 million in 2011.

Operating Profit and Operating Margin

As a result of the cumulative effect of the factors described above, our operating profit decreased by 3.3%, or RMB 23 million, to RMB 676 million in 2012 from RMB 699 million in 2011. Our operating margin, which represents operating profit as a percentage of revenue, decreased to 10.8% in 2012 from 13.1% in 2011 as a 17.2% increase in revenue to RMB 6,259 million in 2012 from RMB 5,339 million in 2011 was outpaced by a 20.3% increase in cost of sales, selling and administrative expenses, research and development expenses, other income and net other gains, on an aggregate basis, to RMB 5,583 million in 2012 from RMB 4,640 million in 2011. Such decrease in our operating margin was primarily due to greater competition and continuing pricing pressure.

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Finance Income and Costs

The following tables present a breakdown of our finance income and finance costs and changes therein for 2011 and 2012.

	For the Year Ended December 31,		Changes	
	2011	2012	Amount	%
<i>(In millions of RMB, except percentages)</i>				
Finance income:				
Interest income	4	3	(1)	(25.0)%
Foreign exchange gains	7	8	1	14.3
Total	11	11	—	—

	For the Year Ended December 31,		Changes	
	2011	2012	Amount	%
<i>(In millions of RMB, except percentages)</i>				
Finance costs:				
Interest expense	5	12	7	140.0%
Foreign exchange losses.....	7	4	(3)	(42.8)
Total	12	16	4	33.3

Our finance income remained stable at RMB 11 million in 2011 and 2012.

Our finance costs increased by 33.3%, or RMB 4 million, to RMB 16 million in 2012 from RMB 12 million in 2011 as a result of a 140.0%, or RMB 7 million, increase in our interest expense to RMB 12 million in 2012 from RMB 5 million in 2011, which mainly reflected an increase in our borrowings between such periods. Such increase was offset in part by a 42.8%, or RMB 3 million, decrease in our financing-associated foreign exchange losses to RMB 4 million in 2012 from RMB 7 million in 2011, primarily reflecting the relatively smaller appreciation of the Renminbi against the U.S. dollar during 2012 as compared to 2011 and its impact on the Renminbi value of our U.S. dollar holdings.

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Income Tax Expense

Our income tax expense decreased by 13.6%, or RMB 27 million, to RMB 174 million in 2012 from RMB 201 million in 2011, primarily due to a decrease in the effect of deferred income tax on the distributable profits of our subsidiaries as a result of accrual for deferred income tax on a reduced proportion of our distributable profits in 2012. The weighted average PRC tax rate applicable to our subsidiaries remained stable at 25.0% in 2011 and 2012. Our effective tax rate decreased to 25.9% in 2012 from 28.8% in 2011, as the effect of the 13.6% decrease in our income tax expense outpaced a 4.0% decrease in profit before income tax to RMB 670 million in 2012 from RMB 698 million in 2011. Excluding the effect of deferred income tax on the distributable profits of the PRC Subsidiaries, our adjusted effective tax rate would have been 24.6% and 25.3% in 2011 and 2012, respectively. See Note 27 of the notes to the consolidated financial statements included in Appendix I to this prospectus.

Profit for the Period and Net Margin

As a result of the cumulative effect of the factors described above, our profit for the period decreased by 0.2%, or RMB 1 million, to RMB 496 million in 2012 from RMB 497 million in 2011. Our net margin, which represents profit for the period as a percentage of revenue, decreased to 7.9% in 2012 from 9.3% in 2011 as a 17.2% increase in revenue to RMB 6,259 million in 2012 from RMB 5,339 million in 2011 was outpaced by a 19.0% increase in cost of sales, selling and administrative expenses, research and development expenses, other income, net other gains, net finance costs and income tax expense, on an aggregate basis, to RMB 5,763 million in 2012 from RMB 4,842 million in 2011. Total comprehensive income attributable to the equity holder of the Company decreased by 0.3%, or RMB 2 million, to RMB 498 million in 2012 from RMB 500 million in 2011.

Excluding the effect of deferred income tax on the distributable profits of the PRC Subsidiaries, our adjusted profit for the period (calculated by adding back to total comprehensive income an amount equal to the effect of applicable deferred income tax on the distributable profits of the PRC Subsidiaries for the period, which was RMB 29 million and RMB 4 million in 2011 and 2012, respectively) amounted to RMB 526 million and RMB 500 million in 2011 and 2012, respectively, which would represent an adjusted net margin of 9.9% and 8.0% for the same periods.

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2011 Compared to 2010

The following table presents selected income statement data and changes therein for 2010 and 2011.

	For the Year Ended		Changes	
	December 31,			
	2010	2011	Amount	%
	<i>(In millions of RMB, except percentages)</i>			
Revenue	4,388	5,339	951	21.7%
Cost of sales	(3,360)	(4,134)	(774)	23.0
Gross profit.....	1,028	1,205	177	17.2
Selling and administrative expenses.....	(327)	(457)	(130)	39.8
Research and development expenses.....	(47)	(53)	(6)	12.8
Other income.....	3	1	(2)	(66.7)
Net other gains	8	3	(5)	(62.5)
Operating profit.....	665	699	34	5.1
Finance income	3	11	8	266.7
Finance costs	(10)	(12)	(2)	20.0
Profit before income tax	658	698	40	6.1
Income tax expense	(155)	(201)	(46)	29.7
Profit/total comprehensive income for the period	<u>503</u>	<u>497</u>	<u>(6)</u>	(1.2)

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Revenue

The following table presents a breakdown of our revenue by product type and changes therein for 2010 and 2011.

	For the Year Ended		Changes	
	December 31,		Amount	%
	2010	2011		
<i>(In millions of RMB, except percentages)</i>				
Revenue:				
Brake products.....	1,986	2,447	461	23.2%
Electronic ⁽¹⁾	864	975	111	12.8
Conventional ⁽²⁾	1,122	1,472	350	31.2
Steering products.....	1,310	1,534	224	17.1
Electronic ⁽³⁾	—	118	118	N/M ⁽⁷⁾
Conventional ⁽⁴⁾	1,310	1,416	106	8.1
Suspension products ⁽⁵⁾	933	1,184	251	26.9
Others ⁽⁶⁾	158	175	17	10.8
Total	4,388	5,339	951	21.7

(1) Includes sales of anti-lock brake systems, electronic stability control systems and electronic parking brakes.

(2) Includes sales of master cylinders and boosters, caliper brakes, drum brakes and brake corner modules.

(3) Includes sales of electric power steering systems.

(4) Includes sales of steering columns and rack and pinion steering gear boxes.

(5) Includes sales of shock absorbers, suspension struts and damper spring modules.

(6) Includes iron casting sales.

(7) "N/M" = not meaningful.

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The following table presents the sales volume and average selling price for each of our brake, steering and suspension products for 2010 and 2011.

Product Category	For the Year Ended December 31,			
	2010		2011	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	<i>(thousands of units sold, except prices in RMB)</i>			
Brake products:				
Electronic ⁽¹⁾	969	892	1,127	864
Conventional ⁽²⁾	5,702	197	8,242	179
Steering products:				
Electronic ⁽³⁾	—	—	42	2,837
Conventional ⁽⁴⁾	2,255	581	2,699	524
Suspension products ⁽⁵⁾	6,464	144	7,861	151
Total	<u>15,390</u>	275	<u>19,971</u>	259

(1) Includes anti-lock brake systems, electronic stability control systems and electronic parking brakes.

(2) Includes master cylinders and boosters, caliper brakes, drum brakes and brake corner modules.

(3) Includes electric power steering systems.

(4) Includes manual rack and pinion steering gear boxes and power rack and pinion steering gear boxes and columns.

(5) Includes shock absorbers, suspension struts and damper spring modules.

Our revenue increased by 21.7%, or RMB 951 million, to RMB 5,339 million in 2011 from RMB 4,388 million in 2010. Such increase reflected a general growth in sales volume across our product categories in 2011.

Brake products. Revenue from brake components and systems, which accounted for 45.8% of our total revenue in 2011, increased by 23.2%, or RMB 461 million, to RMB 2,447 million in 2011 from RMB 1,986 million in 2010. Such increase was primarily due to the commencement of sales of brake corner modules produced at our Ningbo plant to the Geely Companies in 2011 as well as a general increase in sales volume to our existing customers, the impact of which was offset in part by an overall decrease in the average selling price for our brake products in 2011 compared to 2010.

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Steering products. Revenue from steering components and systems, which accounted for 28.7% of our total revenue in 2011, increased by 17.1%, or RMB 224 million, to RMB 1,534 million in 2011 from RMB 1,310 million in 2010, mainly as a result of the commencement of sales of electric power steering systems to our existing customers in 2011 as well as increased sales volume for power rack and pinion steering gear boxes. The impact of such increase in sales volume was offset in part by a decrease in the average selling price for conventional steering products in 2011 compared to 2010, which was primarily attributable to an increased relative proportion of lower-priced conventional steering products in our sales mix in 2011.

Suspension products. Revenue from suspension components and systems, which accounted for 22.2% of our total revenue in 2011, increased by 26.9%, or RMB 251 million, to RMB 1,184 million in 2011 from RMB 933 million in 2010. Such increase primarily reflected increased sales volume for damper spring modules and other suspension products to our existing customers in 2011. The effect of such increase in sales volume was enhanced by an increase in the average selling price of our suspension products in 2011, which mainly reflected an increase in the relative proportion of higher-priced damper spring modules in our sales mix in 2011.

Cost of Sales

The following table presents a breakdown of our cost of sales and changes therein for 2010 and 2011.

	For the Year Ended		Changes	
	December 31,			
	2010	2011	Amount	%
<i>(In millions of RMB, except percentages)</i>				
Cost of sales:				
Raw materials consumed	2,987	3,689	702	23.5%
Changes in inventories of finished goods and work-in-progress	(39)	(44)	(5)	12.8
Provision for write-down of inventories ..	0	0	0	N/M ⁽¹⁾
Employee benefit expenses	97	138	41	42.3
Depreciation and amortization.....	149	164	15	10.1
Commission and fees	0	4	4	N/M ⁽¹⁾
Utilities	48	51	3	6.3
Repair and maintenance	14	24	10	71.4
Freight expenses	1	6	5	500.0
Supplies expenses.....	31	30	(1)	(3.2)
Others	72	72	—	—
Total	<u>3,360</u>	<u>4,134</u>	<u>774</u>	23.0

(1) "N/M" = not meaningful.

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Our cost of sales increased by 23.0%, or RMB 774 million, to RMB 4,134 million in 2011 from RMB 3,360 million in 2010, primarily due to an increase in the cost of raw materials consumed. The cost of raw materials consumed increased by 23.5%, or RMB 702 million, to RMB 3,689 million in 2011 from RMB 2,987 million in 2010, principally as a result of a general increase in our sales in 2011. Employee benefit expenses included in cost of sales also increased by 42.3%, or RMB 41 million, to RMB 138 million in 2011 from RMB 97 million in 2010, primarily as a result of a significant increase in the number of our employees reflecting the establishment of Mando Ningbo in 2011.

Gross Profit and Gross Margin

As a result of the cumulative effect of the factors described above, our gross profit increased by 17.2%, or RMB 177 million, to RMB 1,205 million in 2011 from RMB 1,028 million in 2010. However, our gross margin decreased to 22.6% in 2011 from 23.4% in 2010 as a 21.7% increase in revenue to RMB 5,339 million in 2011 from RMB 4,388 million in 2010 was outpaced by a 23.0% increase in cost of sales to RMB 4,134 million in 2011 from RMB 3,360 million in 2010. Such decrease in our gross margin was primarily due to greater competition from automotive parts suppliers in the PRC market and continuing downward pricing pressure from vehicle manufacturers.

Selling and Administrative Expenses

The following table presents a breakdown of our selling and administrative expenses and changes therein for 2010 and 2011.

	For the Year Ended		Changes	
	December 31,			
	2010	2011	Amount	%
<i>(In millions of RMB, except percentages)</i>				
Selling and administrative expenses:				
Employee benefit expenses	42	60	18	42.9%
Depreciation and amortization	10	11	1	10.0
Commission and fees	31	40	9	29.0
Utilities	2	3	1	50.0
Repair and maintenance	3	3	—	—
Freight expenses	69	84	15	21.7
Packing expenses	34	54	20	58.8
Royalty expenses	80	103	23	28.8
Warranty expenses	14	25	11	78.6
Stamp duty, property tax and other surcharges	10	34	24	240.0
Supplies expenses	6	3	(3)	(50.0)
Others	26	37	11	42.3
Total	327	457	130	39.8

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Our selling and administrative expenses increased by 39.8%, or RMB 130 million, to RMB 457 million in 2011 from RMB 327 million in 2010. Such increase, which occurred for substantially all expense line items, was primarily due to increases in our stamp duty, property tax and other surcharges, royalty expenses, packing expenses, employee benefit expenses, freight expenses and warranty expenses. Our stamp duty, property tax and other surcharge increased by 240.0%, or RMB 24 million, to RMB 34 million in 2011 from RMB 10 million in 2010, which reflected increased PRC tax liabilities resulting mainly from the application of the City Maintenance and Construction Tax to foreign-invested enterprises (such as us) beginning in 2011 as well as increases in tax rates for education tax and other taxes. Our royalty expenses increased by 28.8%, or RMB 23 million, to RMB 103 million in 2011 from RMB 80 million in 2010, primarily due to a general increase in sales in 2011. Our packing expenses increased by 58.8%, or RMB 20 million, to RMB 54 million in 2011 from RMB 34 million in 2010, which mainly reflected a general increase in sales, particularly exports, in 2011. Employee benefit expenses included in selling and administrative expenses increased by 42.9%, or RMB 18 million, to RMB 60 million in 2011 from RMB 42 million in 2010, which was principally due to a significant increase in the number of our employees reflecting the establishment of Mando Ningbo in 2011. Our freight expenses increased by 21.7%, or RMB 15 million, to RMB 84 million in 2011 from RMB 69 million in 2010, which was principally due to a general increase in sales, particularly exports, in 2011. Our warranty expenses increased by 78.6%, or RMB 11 million, to RMB 25 million in 2011 from RMB 14 million in 2010, mainly due to one-time re-work and related costs regarding certain defective brake product exports.

As set out in Note 33(5) of the notes to the consolidated financial statements included in Appendix I to this prospectus, Mando Korea incurred expenses on our behalf which have not historically been charged back to us. These expenses, which related to salary costs of management and expatriate staff of Mando Korea seconded to us, amounted to RMB 17 million and RMB 25 million in 2010 and 2011, respectively. Future expenses of such nature will be charged to us pursuant to the Advisory Services Framework Agreement. See “Connected Transactions — Continuing Connected Transactions — 1. Advisory Services Framework Agreement.”

Research and Development Expenses

The following table presents a breakdown of our research and development expenses and changes therein for 2010 and 2011.

For the Year Ended		Changes	
December 31,			
2010	2011	Amount	%
<i>(In millions of RMB, except percentages)</i>			

Research and development expenses:

Employee benefit expenses	17	27	10	58.8%
Depreciation and amortization	5	6	1	20.0
Others	25	20	(5)	(20.0)
Total	47	53	6	12.8

FINANCIAL INFORMATION

Our research and development expenses increased by 12.8%, or RMB 6 million, to RMB 53 million in 2011 from RMB 47 million in 2010, primarily due to an increase in employee benefit expenses. Employee benefit expenses included in research and development expenses increased by 58.8%, or RMB 10 million, to RMB 27 million in 2011 from RMB 17 million in 2010, which mainly reflected an increase in the number of employees at Mando Beijing R&D.

Other Income and Net Other Gains

The following table presents a breakdown of our other income and net other gains and changes therein for 2010 and 2011.

	For the Year Ended		Changes	
	December 31,		Amount	%
	2010	2011		
<i>(In millions of RMB, except percentages)</i>				
Other income:				
Subsidy income	3	1	(2)	(66.7)%
Net other gains:				
Net foreign exchange gains (losses).....	2	(2)	(4)	N/M ⁽¹⁾
Loss on disposal of property, plant and equipment.....	(1)	(4)	(3)	300.0
Sales of moulds and scrap.....	3	4	1	33.3
Other gains (losses)	4	5	1	25.0
Total	8	3	(5)	(62.5)

(1) N/M = Not meaningful.

Our other income, which comprises subsidy income, decreased by 66.7%, or RMB 2 million, to RMB 1 million in 2011 from RMB 3 million in 2010 mainly as a result of a decrease in tax rebates provided to our PRC Subsidiaries by local governmental authorities, as stimulus measures put in place following the 2008 global financial crisis continued to be phased out.

Our net other gains decreased by 62.5%, or RMB 5 million, to RMB 3 million in 2011 from RMB 8 million in 2010, primarily due to a change to RMB 2 million in net foreign exchange losses in 2011 from RMB 2 million in net foreign exchange gains in 2010 and a 300.0% increase in loss on disposal of property, plant and equipment to RMB 4 million in 2011 from RMB 1 million in 2010. The change to net losses in 2011 from net gains in 2010 for foreign exchange mainly reflected the fluctuation of the exchange rate of the Renminbi against the U.S. dollar during 2011 and its impact on the Renminbi value of our export sales (which are mainly denominated in U.S. dollars). The increase in loss on disposal of property, plant and equipment primarily reflected a significant disposal of obsolete equipment in connection with production line upgrades at our Suzhou plant in 2011 where the consideration received was less than the net book value of the equipment disposed.

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Operating Profit and Operating Margin

As a result of the cumulative effect of the factors described above, our operating profit increased by 5.1%, or RMB 34 million, to RMB 699 million in 2011 from RMB 665 million in 2010. However, our operating margin decreased to 13.1% in 2011 from 15.2% in 2010 as a 21.7% increase in revenue to RMB 5,339 million in 2011 from RMB 4,388 million in 2010 was outpaced by a 24.6% increase in cost of sales, selling and administrative expenses, research and development expenses, other income and net other gains, on an aggregate basis, to RMB 4,640 million in 2011 from RMB 3,723 million in 2010. Such decrease in our operating margin was primarily due to greater competition and continuing pricing pressure.

Finance Income and Costs

The following tables present a breakdown of our finance income and finance costs and changes therein for 2010 and 2011.

For the Year Ended December 31,		Changes	
2010	2011	Amount	%
<i>(In millions of RMB, except percentages)</i>			

Finance income:

Interest income	3	4	1	33.3%
Foreign exchange gains	0	7	7	N/M ⁽¹⁾
Total	3	11	8	266.7

(1) "N/M" = not meaningful.

For the Year Ended December 31,		Changes	
2010	2011	Amount	%
<i>(In millions of RMB, except percentages)</i>			

Finance costs:

Interest expense	5	5	—	—
Foreign exchange losses.....	5	7	2	40.0%
Total	10	12	2	20.0

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Our finance income increased by 266.7%, or RMB 8 million, to RMB 11 million in 2011 from RMB 3 million in 2010, primarily due to a RMB 7 million increase in our financing-associated foreign exchange gains to RMB 7 million in 2011 from less than RMB 1 million in 2010. Such increase mainly reflected the appreciation of the Renminbi against the U.S. dollar during 2011 and its impact on our U.S. dollar-denominated borrowings. The effect of such increase was offset in part by an increase in financing-associated foreign exchange losses in 2011 as compared to 2010, which is recorded as a part of our finance costs. On a net basis, our net financing-associated foreign exchange losses decreased by RMB 5 million to less than RMB 1 million in 2011 from RMB 5 million in 2010.

Our finance costs increased by 20.0%, or RMB 2 million, to RMB 12 million in 2011 from RMB 10 million in 2010 as a result of a 40.0%, or RMB 2 million, increase in financing-associated foreign exchange losses to RMB 7 million in 2011 from RMB 5 million in 2010. Such increase mainly reflected the appreciation of the Renminbi against the U.S. dollar during 2011 and its impact on the Renminbi value of our U.S. dollar holdings.

Income Tax Expense

Our income tax expense increased by 29.7%, or RMB 46 million, to RMB 201 million in 2011 from RMB 155 million in 2010, primarily due to an increase in the weighted average PRC tax rate applicable to our subsidiaries to 25.0% in 2011 compared to 21.1% in 2010, which mainly reflected the expiration in 2011 of the applicability of reduced PRC enterprise income tax rates for “high and new technology enterprises” with respect to Mando Suzhou (one of our principal subsidiaries), as well as an increase in our overall profit before income tax. Our effective tax rate increased to 28.8% in 2011 from 23.6% in 2010, as the effect of a 29.7% increase in our income tax expense (principally reflecting the expiration of the applicability of certain reduced PRC income tax rates as discussed above) outpaced a 6.1% increase in profit before income tax to RMB 698 million in 2011 from RMB 658 million in 2010. Excluding the effect of deferred income tax on the distributable profits of the PRC Subsidiaries, our adjusted effective tax rate would have been 19.9% and 24.6% in 2010 and 2011, respectively. See Note 27 of the notes to the consolidated financial statements included in Appendix I to this prospectus.

Profit for the Period and Net Margin

As a result of the cumulative effect of the factors described above, our profit for the period decreased by 1.2%, or RMB 6 million, to RMB 497 million in 2011 from RMB 503 million in 2010. Our net margin decreased to 9.3% in 2011 from 11.5% in 2010 as a 21.7% increase in revenue to RMB 5,339 million in 2011 from RMB 4,388 million in 2010 was outpaced by a 24.6% increase in cost of sales, selling and administrative expenses, research and development expenses, other income, net other gains, net finance costs and income tax expense, on an aggregate basis, to RMB 4,842 million in 2011 from RMB 3,885 million in 2010. Total comprehensive income attributable to the equity holder of the Company increased by 0.4%, or RMB 2 million, to RMB 500 million in 2011 from RMB 498 million in 2010. Excluding the effect of deferred income tax on the distributable profits of the PRC Subsidiaries, our adjusted profit for the period (calculated by adding back to total comprehensive income an amount equal to the effect of applicable deferred income tax on the distributable profits of the PRC Subsidiaries for the period, which was RMB 24 million and RMB 29 million in 2010 and 2011, respectively) amounted to RMB 527 million and RMB 526 million in 2010 and 2011, respectively, which would represent an adjusted net margin of 12.0% and 9.9% for the same periods.

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SELECTED RATIOS

Return Ratios

The following table sets forth a summary of our return ratios for the periods indicated.

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(Percentages)</i>		
Return on equity ⁽¹⁾	30.9 ⁽³⁾	24.6	20.1
Return on assets ⁽²⁾	17.5 ⁽⁴⁾	13.7	10.2

(1) Represents profit attributable to the equity holder of the Company divided by the average of the equity attributable to the equity holder of the Company at the beginning and the end of the respective periods, expressed as a percentage.

(2) Represents profit attributable to the equity holder of the Company divided by the average of total assets at the beginning and the end of the respective periods, expressed as a percentage.

(3) The equity attributable to the equity holder of the Company at January 1, 2010 was RMB 1,379 million.

(4) Total assets at January 1, 2010 was RMB 2,677 million.

Our return on equity decreased from 30.9% in 2010 to 24.6% in 2011 and to 20.1% in 2012, primarily reflecting capital contributions to our Group by Mando Korea combined with greater competition in the PRC automotive parts market and continuing downward pricing pressure from vehicle manufacturers. Our return on assets decreased from 17.5% in 2010 to 13.7% in 2011 and to 10.2% in 2012, primarily due to the same reasons as well as the establishment of our Mando Ningbo joint venture and the time required to fully ramp up production and sales of such new subsidiary.

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Liquidity Ratios

The following table sets forth a summary of our liquidity ratios for the periods indicated.

	For the Year Ended December 31,		
	2010	2011	2012
Current ratio ⁽¹⁾	1.7x	1.6x	1.6x
Quick ratio ⁽²⁾	1.5x	1.5x	1.5x

(1) Represents current assets divided by current liabilities, expressed as a multiple.

(2) Represents current assets minus inventories, then divided by current liabilities, expressed as a multiple.

Our current ratio remained relatively stable at 1.7 in 2010, 1.6 in 2011 and 1.6 in 2012. Our quick ratio also remained stable at 1.5 in each of 2010, 2011 and 2012.

Other Financial Ratios

The following table sets forth a summary of certain financial ratios for the periods indicated.

	For the Year Ended December 31,		
	2010	2011	2012
Gearing ratio ⁽¹⁾	0.0%	12.7%	21.7%
Debt to equity ratio ⁽²⁾	N/M ⁽⁴⁾	N/M ⁽⁴⁾	0.9%
Interest coverage ratio ⁽³⁾	145.3x	155.6x	56.4x

(1) Represents total debt divided by total equity, expressed as a percentage.

(2) Represents net debt divided by total equity as of the end of each period, expressed as a percentage.

(3) Represents profit before interest and tax divided by interest recorded during the period, expressed as a multiple.

(4) "N/M" = not meaningful. Not meaningful because we had net cash positions.

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Our gearing ratio increased from 0.0% as of December 31, 2010 to 12.7% as of December 31, 2011 and to 21.7% as of December 31, 2012, primarily due to increases in our total debt of RMB 296 million in 2011 and RMB 629 million in 2012.

We have had net cash positions as of December 31, 2010 and 2011. Our debt to equity ratio was 0.9% as of December 31, 2012.

Our interest coverage ratio decreased from 155.6 as of December 31, 2011 to 56.4 as of December 31, 2012, primarily due to an increase in our interest expense reflecting the increase in our total debt. Our interest coverage ratio increased from 145.3 as of December 31, 2010 to 155.6 as of December 31, 2011.

LIQUIDITY AND CAPITAL RESOURCES

Capital Requirements

Our capital requirements have consisted primarily of financing our operating and investing activities, including payment of trade and notes payable and purchases of property, plant and equipment, and repayment of principal and interest on short-term and long-term borrowings. We recorded increases in trade and notes payable of RMB 50 million in 2010, RMB 347 million in 2011 and RMB 261 million in 2012. Acquisitions of property, plant and equipment amounted to RMB 89 million in 2010, RMB 470 million in 2011 and RMB 670 million in 2012, consisting primarily of our capital expenditures related to the expansion of, and upgrades to, our manufacturing facilities and research and development facilities and purchases of tools and machinery. See “Financial Information — Capital Expenditures.”

The following table sets forth a summary of our repayment of borrowings for the periods indicated.

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Repayment of short-term borrowings	204	—	10
Payment of current portion of long-term borrowings	119	—	19
Total	323	—	29

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The following table sets forth our long-term borrowing repayment obligations as of December 31, 2012 and the maturity schedule of such obligations. Other than long-term borrowing repayment obligations, we did not have any material long-term contractual payment obligations as of December 31, 2012.

	Payment due by period			
	0 to 1 year	1 to 2 years	2 to 5 years	More than 5 years
	<i>(In millions of RMB)</i>			
Long-term borrowings	175	269	185	—

Capital Resources

We have historically financed our operations primarily through cash provided by operations, including payments of trade and notes receivable, as well as proceeds from long-term borrowings and short-term borrowings (principally working capital loans from financial institutions).

The following table sets forth our proceeds from financing activities for the periods indicated.

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Proceeds from borrowings	—	302	363
Issuance of common stock	—	249	237
Total	—	551	600

We have entered into various short-term and long-term banking facilities to fund our operations. As of December 31, 2012, we had Renminbi-denominated banking facilities with an aggregate available principal amount of RMB 450 million, of which RMB 13 million was utilized. In addition, as of the same date, we had U.S. dollar-denominated banking facilities with an aggregate available principal amount of US\$72 million, of which US\$8 million was utilized. We also had Korean Won-denominated banking facilities with an aggregate available principal amount of KRW 7 billion, all of which was utilized. These banking facilities are unrestricted and can be drawn down by us at any time. See Note 15 of the notes to the consolidated financial statements included in Appendix I to this prospectus.

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The following table sets forth our borrowings as of the dates indicated.

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Short-term borrowings.....	—	—	142
Current portion of long-term borrowings.....	—	19	33
Long-term borrowings	—	277	454
Total.....	—	296	629

We intend to meet our working capital and other capital requirements principally from cash provided by operations, including payments of trade and notes receivable, while meeting the remainder of our requirements primarily through debt financing. From time to time, we may also rely on additional equity offerings to raise capital. Our ability to rely on these sources of funding could be affected by our results of operations and financial condition and by the liquidity of the PRC and global financial markets. See “Risk Factors — Risks Relating to Our Business — We may require additional funding in the future and may not be able to secure such funding on favorable terms, if at all.”

We currently anticipate that our net proceeds from the sale of newly issued Shares in the Global Offering and the cash flow that we generate from our operations, together with our existing cash and cash equivalents and credit sources, will be sufficient to meet our currently anticipated needs for working capital, capital expenditures and business expansion for the next 12 months from the date of this prospectus.

Our total equity was RMB 1,861 million as of December 31, 2010, RMB 2,328 million as of December 31, 2011 and RMB 2,900 million as of December 31, 2012. Mando Korea, our controlling shareholder, and Geely contributed capital of RMB 249 million in the aggregate in connection with establishment of our Mando Ningbo joint venture in 2011 and contributed additional capital of RMB 107 million in the aggregate to Mando Ningbo in 2012.

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Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Net cash generated from operating activities	534	383	605
Net cash used in investing activities.....	(94)	(560)	(826)
Net cash (used in)/generated from financing activities	(365)	318	327
Net increase in cash and cash equivalents.....	75	141	106
Cash and cash equivalents at the beginning of the year	292	362	496
Exchange (loss)/gain on cash and cash equivalents.....	(5)	(7)	2
Cash and cash equivalents at the end of the year.....	362	496	604

Cash Flows in 2012

Net cash generated from operating activities was RMB 605 million in 2012, comprising RMB 825 million of cash generated from operations and RMB 3 million of interest received, which were offset in part by RMB 211 million of income taxes paid and RMB 12 million of interest paid. Cash generated from operations is calculated by adjusting profit before income tax for the effects of non-cash and non-operating items, such as depreciation and amortization, and applying the amounts of cash provided or used as a result of increases or decreases in operating assets and liabilities. The adjustments for non-cash items in 2012 consisted primarily of depreciation of RMB 226 million. Cash used as a result of changes in operating assets and liabilities consisted primarily of increases in trade receivables of RMB 382 million, other assets of RMB 29 million and inventories of RMB 26 million, which were offset in part by increases in trade payables of RMB 261 million and accruals and other payables of RMB 24 million as well as retirement benefit obligations transferred from the Controlling Shareholder of RMB 33 million and decreases in other receivables and deposits of RMB 19 million. The increase in trade receivables reflected a general increase in sales as well as an increase in our average accounts and notes receivable turnover days, from 107.3 days in 2011 to 121.4 days in 2012, which was primarily attributable to the increased relative proportion of our sales made to local PRC vehicle manufacturers (which are typically subject to longer payment terms than sales made to the PRC operations of global vehicle manufacturers). The increase in trade payables was mainly the result of the effect of increased production of our products to keep up with increased sales.

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Net cash used in investing activities in 2012 was RMB 826 million, primarily due to RMB 670 million used in the acquisition of property, plant and equipment for our manufacturing facilities across the PRC and RMB 98 million used in the acquisition of intangible assets, of which RMB 70 million was used in the acquisition of joint ownership in certain registered patents previously owned solely by Mando Korea Group. See “Business — Intellectual Property — Patents.”

Net cash generated from financing activities in 2012 was RMB 327 million, due to RMB 363 million of proceeds from long-term borrowings and RMB 239 million provided by issuance of common stock primarily in connection with the contribution of capital to our Mando Ningbo joint venture by Mando Korea and Geely and the contribution of capital to Mando Shenyang, us and Mando Beijing R&D by Mando Korea, which were offset in part by RMB 244 million used in the payment of dividends and associated tax.

Cash Flows in 2011

Net cash generated from operating activities was RMB 383 million in 2011, comprising RMB 561 million of cash generated from operations and RMB 4 million of interest received, which were offset in part by RMB 179 million of income taxes paid (which reflected an increase in our income tax expense in 2011 primarily due to an increase in the weighted average PRC tax rate applicable to the PRC Subsidiaries to 25.0% in 2011 compared to 21.1% in 2010, as discussed under “Financial Information — Results of Operations — 2011 Compared to 2010 — Income Tax Expense”) and RMB 4 million of interest paid. The adjustments for non-cash items in 2011 consisted primarily of depreciation of RMB 175 million. Cash used as a result of changes in operating assets and liabilities consisted primarily of increases in trade receivables of RMB 645 million, inventories of RMB 57 million, other assets of RMB 5 million and other receivables and deposits of RMB 31 million, which were offset in part by increases in trade payables of RMB 347 million and accruals and other payables of RMB 55 million. The increase in trade receivables reflected a general increase in sales as well as an increase in our average accounts and notes receivable turnover days, from 94.2 days in 2010 to 107.3 days in 2011, which was primarily attributable to the increased relative proportion of our sales made to local PRC vehicle manufacturers (which are typically subject to longer payment terms than sales made to the PRC operations of global vehicle manufacturers). The increase in trade payables was mainly the result of the effect of increased production of our products to keep up with increased sales.

Net cash used in investing activities in 2011 was RMB 560 million, primarily due to RMB 470 million used in the acquisition of property, plant and equipment for our manufacturing facilities across the PRC, RMB 33 million used in the acquisition of intangible assets and RMB 24 million used in the payment of consideration for the acquisition of certain assets (mainly machinery, equipment and software) from Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd., a wholly-owned subsidiary of Geely.

Net cash generated from financing activities in 2011 was RMB 318 million, due to RMB 302 million of proceeds from long-term borrowings and RMB 249 million provided by issuance of common stock in the establishment of our Mando Ningbo joint venture with capital contributed by Mando Korea and Geely Jirun, which were offset in part by RMB 233 million used in the payment of dividends and associated tax.

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Cash Flows in 2010

Net cash generated from operating activities was RMB 534 million in 2010, comprising RMB 620 million of cash generated from operations and RMB 3 million of interest received, which were offset in part by RMB 85 million of income taxes paid and RMB 4 million of interest paid. The adjustments to profit before income tax for non-cash and non-operating items in 2010 consisted primarily of depreciation of RMB 158 million. Cash used as a result of changes in operating assets and liabilities consisted primarily of increases in trade receivables of RMB 229 million and inventories of RMB 55 million, which were offset in part by increases in trade payables of RMB 50 million and accruals and other payables of RMB 29 million. The increase in trade receivables reflected a general increase in sales as well as an increase in our average accounts and notes receivable turnover days from 89.8 days in 2009 to 94.2 days in 2010, which was primarily attributable to the increased relative proportion of our sales made to local PRC vehicle manufacturers (which are typically subject to longer payment terms than sales made to the PRC operations of global vehicle manufacturers). The increase in trade payables was mainly the result of the effect of increased production of our products to keep up with increased sales.

Net cash used in investing activities in 2010 was RMB 94 million, due to RMB 89 million used in the acquisition of property, plant and equipment for our manufacturing facilities across the PRC and RMB 6 million used in the acquisition of intangible assets.

Net cash used in financing activities in 2010 was RMB 365 million, due to RMB 204 million used in the repayment of short-term borrowings, RMB 119 million used in the repayment of the current portion of long-term borrowings and RMB 41 million used in the payment of dividends and associated tax.

FINANCIAL INFORMATION

NET CURRENT ASSETS AND LIABILITIES

The following table sets forth a summary of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2010	2011	2012	March 31, 2013
	<i>(In millions of RMB)</i>			<i>(unaudited)</i>
Current assets:				
Inventories	206	263	289	272
Trade receivables	1,247	1,892	2,274	2,232
Other receivables and deposits	7	38	19	14
Other current assets	10	15	42	58
Restricted bank deposits	—	6	50	142
Cash and cash equivalents	362	496	604	856
Total	<u>1,832</u>	<u>2,710</u>	<u>3,278</u>	<u>3,574</u>
Current liabilities:				
Trade payables	845	1,192	1,453	1,477
Accruals and other payables	146	319	327	194
Other current liabilities	13	19	18	42
Current income tax liabilities	57	68	38	47
Short-term borrowings	—	—	142	313
Current portion of long-term borrowings .	—	19	33	47
Provisions	20	31	31	33
Total	<u>1,081</u>	<u>1,648</u>	<u>2,042</u>	<u>2,153</u>
Net current assets	<u>751</u>	<u>1,062</u>	<u>1,236</u>	<u>1,421</u>

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March 31, 2013 Compared to December 31, 2012

Our net current assets increased by 15.0%, or RMB 185 million, to RMB 1,421 million as of March 31, 2013 from RMB 1,236 million as of December 31, 2012, mainly as a result of increases in cash and cash equivalents and restricted bank deposits as well as a decrease in other payables, which were offset in part by increases in short-term borrowings.

December 31, 2012 Compared to December 31, 2011

Our net current assets increased by 16.4%, or RMB 173 million, to RMB 1,236 million as of December 31, 2012 from RMB 1,063 million as of December 31, 2011, mainly as a result of increases in cash and cash equivalents, accounts receivable and notes receivable, which were offset in part by increases in short-term borrowings and accounts payable.

December 31, 2011 Compared to December 31, 2010

Our net current assets increased by 41.5%, or RMB 312 million, to RMB 1,063 million as of December 31, 2011 from RMB 751 million as of December 31, 2010, mainly as a result of increases in accounts receivable, cash and cash equivalents and inventories, which were offset in part by increases in accounts payable and other payables.

CAPITAL EXPENDITURES

Our capital expenditures, including capital investments to upgrade our production facilities to increase operational efficiency and reduce operating costs, purchases of land use rights, purchases of intangible assets and acquisitions of businesses, amounted to RMB 95 million in 2010, RMB 563 million in 2011 and RMB 780 million in 2012. Such capital expenditures principally related to the expansion of, and upgrades to, our manufacturing facilities and purchase of tools and machinery, including expenditures to expand our electronic power steering production lines at Mando Suzhou.

Government grants relating to capital expenditure are included in non-current liabilities as deferred income and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected lives of the related assets. The Group's deferred income during the Track Record Period relates to a grant received from the Finance Bureau of the Suzhou municipal government in 2005 relating to the purchase of property, plant and equipment by Mando Suzhou.

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We plan to invest RMB 481 million in 2013 and RMB 656 million in 2014, respectively (of which RMB 11 million had been committed as of December 31, 2012), to expand and upgrade our production facilities. See “Business — Production Facilities.” We intend to continue expanding and upgrading the production capacity of each of our five existing manufacturing facilities across the PRC. We intend to establish, subject to market conditions, a manufacturing facility in Sichuan Province to support our existing customers in the West Region, such as FAW-Volkswagen and the Geely Companies, as well as to secure orders from Volvo which is planning to build a manufacturing plant in the region that is expected to commence operations in 2015. Furthermore, we intend to construct, subject to market conditions, a plant in Guangdong Province to fulfill orders received from BYD, Guangzhou Automobile Group Co., Ltd. and SGMW. In addition, we are constructing a new plant in Shenyang in close proximity to Shanghai GM (Shenyang) Norsom Motors Co., Ltd. and established a new wholly-owned subsidiary, Mando Shenyang, in August 2012 for such purpose. See “Business — Strategies — Continue to strengthen manufacturing capabilities and expand and upgrade production capacity.”

INVENTORY ANALYSIS

The following table sets forth a summary of our total inventories as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Raw material and consumables	81	94	78
Work-in-progress	28	27	26
Finished goods	97	142	185
Total.....	206	263	289

Our inventories increased by 9.7%, or RMB 26 million, to RMB 289 million as of December 31, 2012 from RMB 263 million as of December 31, 2011, primarily due to increases in our inventories of finished goods. Our inventories of finished goods increased by 30.3%, or RMB 43 million, to RMB 185 million as of December 31, 2012 from RMB 142 million as of December 31, 2011. Such increase was primarily due to a general increase in sales volume. The impact of such increase was offset in part by a 17.0%, or RMB 16 million, decrease in our inventories of raw materials, which reflected increased inventory utilization as well as ordinary course variance in inventory levels.

Our inventories increased by 27.7%, or RMB 57 million, to RMB 263 million as of December 31, 2011 from RMB 206 million as of December 31, 2010, primarily due to increases in our inventories of finished goods, merchandise and raw materials. Our inventories of finished goods increased by 46.4%, or RMB 45 million, to RMB 142 million as of December 31, 2011 from RMB 97 million as of December 31, 2010. Our inventories of raw materials increased by 16.1%, or RMB 13 million, to RMB 94 million as of December 31, 2011 from RMB 81 million as of December 31, 2010. All such increases were primarily due to a general increase in sales volume.

FINANCIAL INFORMATION

Approximately RMB 287 million of our inventory balance as of December 31, 2012, representing 99.3% of our total outstanding inventory balance as of such date, has been utilized or sold as of March 31, 2013.

The following table sets forth our average inventory turnover days for the periods indicated:

	For the Year Ended December 31,		
	2010	2011	2012
Average inventory turnover days ⁽¹⁾	19.4	20.7	20.4

(1) Represents the average of the opening and closing inventory balances divided by the cost of sales for the relevant period and multiplied by 365 days.

Our average inventory turnover days decreased to 20.4 days in 2012 from 20.7 days in 2011, having previously increased to 20.7 days in 2011 from 19.4 days in 2010, all of which were within the range we aim for in managing such inventory turnover days in accordance with our internal management policies.

We assess our inventories on a monthly basis and write down inventories below cost to net realizable value when there is a significant decline in the market value for such inventories. We write down the entire carrying amount of inventories where inventories are not likely to be used in the future due to damage, specification changes or discontinuance, and for inventories with over 365 turnover days.

The following table sets forth our inventory provision amounts for the periods indicated:

	For the Year Ended December 31,		
	2010	2011	2012
	<i>(In thousands of RMB)</i>		
Opening provision	0	0	300
Additional write down	0	300	399
Utilized	<u>0</u>	<u>0</u>	<u>(300)</u>
Closing provision	<u><u>0</u></u>	<u><u>300</u></u>	<u><u>399</u></u>

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TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

The balance of accounts receivable at the end of each period represents the outstanding amounts payable to us from our customers. The following table sets forth a summary of our trade receivables, other receivables and deposits as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Trade receivables:			
Accounts receivable	1,149	1,514	1,778
Notes receivable	98	377	496
	1,246	1,891	2,274
Other receivables	5	36	12
Guarantee deposits	2	2	7
Total	1,254	1,929	2,293

Our trade receivables (which comprise accounts receivable and notes receivable) increased by 20.3% between December 31, 2011 and 2012 and by 51.8% between December 31, 2010 and 2011, in each case reflecting a general increase in sales as well as the effect of an increase in the relative proportion of sales made to local PRC vehicle manufacturers (which are typically subject to payment terms of 120 to 300 days on average, which are longer than those for the PRC operations of global vehicle manufacturers whose payment terms average from 60 to 90 days). Approximately RMB 1,793 million of our trade receivables as of December 31, 2012, representing 78.9% of our total outstanding trade receivables as of such date, has been settled as of March 31, 2013.

Our other receivables increased by 620.0% between December 31, 2010 and 2011, principally due to a RMB 30 million down payment made by us to Halla (Tianjin) Real Estate Development Co., Ltd. pursuant to a contract for the purchase of office space in Tianjin that was subsequently cancelled. Such down payment was returned to us in 2012. Our guarantee deposits consist primarily of rent for office buildings. In accordance with the terms of an arrangement between us and our Controlling Shareholder (the “**IPO Expense Sharing Arrangement**”), the underwriting commission payable to the Underwriters and other expenses payable to the Joint Global Coordinators in connection with the Global Offering will be borne and paid by (i) us based on the proportion to which the underwriting commission and such other expenses are directly attributable to the issue of our new Shares; and (ii) our Controlling Shareholder based on the proportion to which the underwriting commission and such other expenses are directly attributable to the offering of Sale Shares. Our Controlling Shareholder will initially pay all expenses (other than those payable to the Joint Global Coordinators) relating to the Global Offering, and the amount of such expenses directly attributable to the issue of our new Shares will be charged back to us by our Controlling Shareholder. As of December 31, 2012, our Controlling Shareholder had incurred RMB 30 million of expenses relating to the Global Offering and Listing and, as of the same date, we had accrued RMB 2 million of expenses to be charged back to us by the Controlling Shareholder. Such expenses have been deferred and are recorded within other receivables (with a corresponding payable recorded within “other payables”) and will be charged against equity on completion of the Global Offering

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and Listing. Other than expenses related to the Global Offering, as of December 31, 2012, our other receivables and deposits balance with related parties amounted to approximately RMB 2 million. As of May 13, 2013, approximately RMB 2 million of the other receivables and deposits balance with related parties as at December 31, 2012 had been settled. In addition to the amounts recorded as of December 31, 2012 set out above, we estimate that an additional RMB 37 million of expenses related to the Global Offering (other than those payable to the Joint Global Coordinators) will be incurred by our Controlling Shareholder, of which an estimated RMB 3 million will be charged back to us and charged against equity on completion of the Global Offering and Listing.

The following table sets forth our average accounts and notes receivable turnover days for the periods indicated:

	For the Year Ended December 31,		
	2010	2011	2012
Average accounts and notes receivable turnover days ⁽¹⁾	94.2	107.3	121.4

(1) Represents the average of the opening and closing accounts and notes receivable balances divided by revenue for the relevant period and multiplied by 365 days.

Our average accounts receivable turnover days increased to 121.4 days in 2012 from 107.3 days in 2011 primarily as a result of an increase in the relative proportion of sales made to local PRC vehicle manufacturers, as described above. Our average accounts receivable turnover days increased to 107.3 days in 2011 from 94.2 days in 2010 mainly due to the same reason.

The following table sets forth the aging analysis of our trade receivables, based on the transaction date, as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Within 1 month	510	631	706
1 month to 3 months	586	827	1,008
3 months to 6 months	123	333	388
6 months to 1 year	27	98	161
1 year to 2 years	0	2	11
Over 2 years	0	0	—
Total	<u>1,246</u>	<u>1,891</u>	<u>2,274</u>

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We assess whether a loss event exists for accounts receivable, such as a customer's financial difficulty, and recognize an allowance for doubtful accounts based on such assessment. If we do not identify any loss events for accounts receivable that are not past due, we do not recognize any impairment loss. We have not recognized any impairment losses to trade receivables during the Track Record Period. See Note 11 of the notes to the consolidated financial statements included in Appendix I to this prospectus.

TRADE PAYABLES

The balance of trade payables at the end of each period represents the outstanding amounts payable by us to suppliers for goods and services received. The following table sets forth a summary of our trade payables as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Accounts payable	744	1,159	1,440
Notes payable	101	33	13
Total	845	1,192	1,453

Our trade payables increased by 21.9% between December 31, 2011 and 2012 and by 41.1% between December 31, 2010 and 2011. The increases between December 31, 2010 and 2012 were mainly as a result of increases in accounts payable, which in turn reflected the effect of increased production of our products to keep up with increased sales during such periods.

Our trade payables mainly relate to purchases of various manufactured components and raw materials for use in our manufacturing processes. The supply contracts with our suppliers typically provide for a payment period, on average, of approximately 30 to 120 days after delivery. Our notes payable primarily relate to our use of bank acceptance notes to finance our purchases of certain manufactured components and raw materials.

The following table sets forth our average accounts and notes payable turnover days for the periods indicated:

	For the Year Ended December 31,		
	2010	2011	2012
Average accounts and notes payable turnover days ⁽¹⁾	89.1	89.9	97.6

(1) Represents the average of the opening and closing accounts payable balances divided by the cost of sales for the relevant period and multiplied by 365 days.

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Our average accounts payable turnover days increased to 97.6 days 2012 from 89.9 days in 2011 primarily as a result of our efforts to manage our internal working capital requirements in line with the increase in our average accounts receivable turnover days during the same period, and also reflected an increase in the relative proportion of purchases made from local PRC suppliers (which typically offer longer payment terms than international suppliers). Our average accounts payable turnover days remained relatively constant at 89.9 days in 2011 compared to 89.1 days in 2010.

The following table sets forth the aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Within 1 month	460	404	609
1 month to 3 months.....	365	778	802
3 months to 6 months.....	18	8	37
6 months to 1 year.....	2	1	4
1 year to 2 years.....	0	1	1
Over 2 years	0	0	0
Total.....	<u>845</u>	<u>1,192</u>	<u>1,453</u>

OTHER PAYABLES

The following table sets forth a summary of our other payables as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Other payables.....	57	108	126

Our other payables increased by 16.7% between December 31, 2011 and 2012 and by 89.5% between December 31, 2010 and 2011, in each case principally due to increases in royalty fees payable and other service fees payable, which reflected a general increase in sales. The increases in other payables also reflected ordinary course variability in the amount of payments which become due at any given time with respect to our other payables in the ordinary course of our operations. As of December 31, 2012, our accruals and other payables balance with related parties amounted to RMB 176 million. As of May 13, 2013, approximately RMB 158 million of the accruals and other payables balance with related parties as at December 31, 2012 had been settled. Of the RMB 18 million that remains unsettled, RMB 2 million relates to accrued costs for the Global Offering which will be paid on completion of the Global Offering. For the remaining balance of RMB 16 million, we will set aside such funds from our cash reserves and will settle the outstanding amount as soon as the relevant approvals are obtained. Such outstanding amount is due to be paid to our Controlling Shareholder (RMB 14 million) and other parties (RMB 2 million). The settlement by us of such amount with our Controlling Shareholder and other related parties after Listing will not constitute a continuing connected transaction as such amount was accrued in relation to transactions prior to the Listing.

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INTANGIBLE ASSETS

The following table sets forth a summary of our intangible assets as of the dates indicated.

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Intangible assets	39	68	155

Our intangible assets increased by 127.2% between December 31, 2011 and 2012 primarily due to the acquisition of joint ownership in certain patents previously owned solely by our Controlling Shareholder, for which we paid it a one-time fee of approximately RMB 70 million. See “Business — Intellectual Property — Patents.” Our intangible assets increased by 74.4% between December 31, 2010 and December 31, 2011 primarily due to the capitalization of RMB 13 million in development costs, consisting of RMB 6 million related to research and development activities at Mando Beijing R&D, RMB 4 million related to the development of automotive parts applications for the Geely Companies at Mando Ningbo and RMB 3 million related to the purchase of intellectual property from the Geely Companies by Mando Ningbo, and, to a lesser extent, the recognition of Mando Suzhou’s right to use certain intellectual property of Mando Korea, for which Mando Suzhou paid Mando Korea a one-time fixed royalty fee of approximately RMB 9 million.

CAPITAL AND OTHER COMMITMENTS

Capital Commitments

The following table sets forth a summary of our capital commitments in respect of property, plant and equipment as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Contracted but not provided	1	74	11
Authorized but not contracted	—	—	—
Total	1	74	11

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Capital commitments that were contracted but not provided represent commitments arising out of a contractual relationship where the relevant property, plant and equipment were not provided as of the end of the relevant period. Our capital commitments decreased from RMB 74 million as of December 31, 2011 to RMB 11 million as of December 31, 2012, which primarily reflected the progress of construction at Mando Beijing R&D in 2012 and its effect on the corresponding amounts for property, plant and equipment contracted for in 2011 but not provided. Our capital commitments increased from RMB 1 million as of December 31, 2010 to RMB 74 million as of December 31, 2011, principally due to building and production line additions at Mando Tianjin and building construction at Mando Beijing R&D. Such capital commitments were funded using our cash and cash equivalents, borrowings from financial institutions and additional equity capital injection.

Operating Lease Commitments

The following table sets forth a summary of our total minimum lease payment commitments under non-cancellable operating leases for offices, equipment and vehicles, by lease term, as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	<i>(In millions of RMB)</i>		
Less than 1 year	14	11	12
Between 1 and 2 years	3	3	4
Between 2 and 3 years	1	2	2
More than 3 years	26	24	34
Total	44	40	52

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STATEMENT OF INDEBTEDNESS

The following table sets forth a summary of our outstanding borrowings as of the dates indicated. As of March 31, 2013 (being the latest practicable date for the purpose of this indebtedness statement), except as disclosed in the table below, we did not have any outstanding debt securities, borrowings, indebtedness, mortgages, contingent liabilities and guarantees on a consolidated basis. Since March 31, 2013, there has been no material adverse change in our indebtedness.

	As of December 31,			As of
	2010	2011	2012	March 31, 2013
	<i>(In millions of RMB)</i>			<i>(unaudited)</i>
Current				
Short-term borrowings.....	—	—	142	312
Long-term borrowings — current portion....	—	19	33	48
	—	19	175	360
Non-current				
Long-term borrowings	—	277	454	438
	—	296	629	798
	—	296	629	798
Representing:				
Unsecured	—	296	579	678
Secured ⁽¹⁾	—	—	50	120
	—	296	629	798
	—	296	629	798

(1) Bank borrowings of nil, nil, RMB 50 million and RMB 121 million were secured by bank deposits as of December 31, 2010, 2011 and 2012 and March 31, 2013, respectively.

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CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on the information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated. Since the Latest Practicable Date, there has been no material adverse change in our contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, we enter into operating lease commitments as set out in “Financial Information — Capital and Other Commitments — Operating Lease Commitments.” These transactions are recognized in our financial statements in accordance with IFRS. As of March 31, 2013, we had not entered into any material off-balance sheet transactions. As of the Latest Practicable Date, we had no material off-balance sheet arrangements.

MARKET RISK

Market risk is the risk of loss related to adverse changes in market rates, including interest rates and foreign exchange rates, or in the creditworthiness of our transaction counterparties. We are exposed to various financial market risks in our ordinary course business transactions, primarily from changes in foreign exchange rates and interest rates.

Foreign Exchange Risk

While our transactions are denominated mainly in Renminbi, a portion of our sales of products as well as our purchases of raw materials, components and equipment are denominated in other currencies, including U.S. dollars and Euros. In 2012, 13.4% of our total revenue and 3.0% of our total purchases of raw materials, components and equipment were denominated in currencies other than Renminbi. Accordingly, fluctuations in exchange rates, in particular between the U.S. dollar and the Renminbi, affect our profit margins and our operating and pre-tax income. See “Risk Factors — Risks Relating to Our Business — Our results of operations are subject to exchange rate fluctuations.”

We generally do not use forward contracts or other derivative instruments to hedge our exchange rate exposures, as we have historically had limited exposures and the impact of exchange rate fluctuations on our results of operations has in the past been partially mitigated by the natural offset of our foreign currency receivables with our foreign currency payables.

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Interest Rate Risk

Our exposure to interest rate risk relates primarily to our long-term debt obligations, which are generally incurred to fund capital expenditures and repay maturing debt, as well as for working capital and other general corporate purposes. As of December 31, 2012, we had RMB 629 million in outstanding borrowings, of which RMB 588 million was subject to variable interest rates and the remaining RMB 41 million was subject to fixed interest rates. We may also be exposed to interest rate risks on additional debt financing that we undertake to fund capital expenditures and expand our business. Upward fluctuations in interest rates increase the cost of new debt financings. The interest rate that we will be able to obtain in a new debt financing will depend on market conditions at that time and may differ from the rates we have secured on current debt.

We generally do not enter into interest rate swap contracts or similar hedging arrangements in connection with our exposure to interest rate risk.

Credit Risk

We are exposed to credit risk in the event of non-performance by counterparties to various agreements and sales transactions that we have entered into. We manage such credit risk by carefully evaluating the financial position and creditworthiness of such counterparties and by establishing allowances for doubtful accounts. Our policy regarding credit is to aim to collect payments, on average, within 30 to 120 days from delivery. The vast majority of our receivables have been collected within the required collection period. We manage our accounts receivable and credit exposure to customers in accordance with our internal credit management guidelines, pursuant to which our management receives monthly reports on the status of outstanding accounts receivable (including the total amount and overdue amounts). For certain customers who we view as having higher credit risk, we generally require additional credit support, such as a letter of credit issued by a reputable financial institution, and we apply additional credit monitoring and collection procedures to customers who show signs of financial distress or are otherwise viewed as having higher credit risk.

DISTRIBUTABLE RESERVES

We were incorporated on August 20, 2012 and there was no reserve available for distribution to Shareholders as of December 31, 2012.

DIVIDEND POLICY

We may declare dividends in the future at the discretion of our Directors, taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Incorporation and the Korean Commercial Code, including the approval of our Shareholders. Under the Korean Commercial Code, we may pay an annual dividend only out of the excess of our net assets, on a non-consolidated basis, over the sum of (1) our stated capital, (2) the total amount of our capital surplus reserve and earned surplus reserve which have accumulated up to the end of the previous fiscal year, (3) our earned surplus required to be accumulated for the then current fiscal year and (4) the net assets stated in our balance sheet as being increased as

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a result of the evaluation of our assets and liabilities in accordance with our accounting principles without being set off against any unrealized losses. We may not pay any dividend unless we have set aside as a legal reserve an amount equal to 10% of the cash portion of the annual dividend or unless we have accumulated a legal reserve of not less than one-half of our stated capital. We may not use our legal reserve to pay cash dividends but may transfer amounts from our legal reserve to our capital stock or use our legal reserve to reduce an accumulated deficit. See “Summary of our Articles of Incorporation and the Korean Commercial Code” in Appendix V to this prospectus. In addition, our controlling shareholder, Mando Korea, will be able to influence the approval by our Shareholders in a general meeting for any payment of dividends. See “Risk Factors — Risks Relating to Our Company Structure and Korea — As a substantial Shareholder, Mando Korea exercises significant control over the direction of our business, and the concentrated ownership of our issued Shares and certain governance arrangements will prevent you and other Shareholders from influencing significant decisions.” As of December 31, 2012, we had no declared but unpaid dividends.

Cash dividends on our Shares, if any, will be paid in Korean Won, except that we will make arrangements to effect payment in Hong Kong dollars of any cash dividends payable to shareholders resident in Hong Kong. Other distributions, if any, will be paid to our Shareholders by any means which our Directors deem legal, fair and practicable. Dividends paid on our Shares will be subject to Korean withholding tax and other distributions (including a distribution of free Shares) may also be subject to Korean withholding tax. See “Risk Factors — Risks Relating to the Global Offering — You will be subject to taxes in respect of our Shares, including Korean withholding tax on dividends” and “Taxation — Korean Taxation — Taxation of Dividends on the Shares” in Appendix IV to this prospectus.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require our subsidiaries in the PRC to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our operating subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or our subsidiaries may enter into in the future. See “Risk Factors — Risks Relating to Our Company Structure and Korea — We rely principally on dividends and other distributions paid by our subsidiaries, and limitations on their ability to pay dividends to us could have a material adverse effect on our business, results of operations and financial condition.”

Our PRC Subsidiaries declared and paid dividends and associated tax in an aggregate amount of RMB 41 million, RMB 307 million and RMB 170 million for the years ended December 31, 2010, 2011 and 2012, respectively, to Mando Korea and other shareholders. You should note that such historical dividend distributions are not indicative of our future dividend distribution policy.

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RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant, has valued our property interests as of February 28, 2013. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are included in Appendix III to this prospectus.

The table below sets forth the reconciliation between the net book value of our property interests as of December 31, 2012 and the valuation of such property interest as of February 28, 2013 in millions of RMB:

Net book value of property interests as of December 31, 2012	
Buildings, land use rights and construction in progress.....	535
Movements for the two months ended February 28, 2013	
Less: net disposals during the period (unaudited)	(14)
Less: depreciation and amortization during the period (unaudited).....	<u>(4)</u>
Net book value as of February 28, 2013 (unaudited).....	517
Less: net book value of certain properties as of February 28, 2013 (unaudited) ⁽¹⁾	(269)
Capital value of property interests as of February 28, 2013, as set out in the property valuation report in Appendix III to this prospectus.....	<u>401</u>
Valuation surplus	<u><u>153</u></u>

(1) As of February 28, 2013, we had not yet obtained value titles or rights to use certain land use rights and properties with an aggregate net book value of RMB 269 million. Our property valuer has valued such titles and rights of no commercial value as they are not freely transferable.

(2) Capital value of property interests attributable to us as of February 28, 2013, as set out in the property valuation report in Appendix III to this prospectus, was RMB 401 million.

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UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following table, which has been prepared in accordance with Rule 4.29 of the Listing Rules, sets forth our unaudited pro forma adjusted net tangible assets for the purpose of illustrating the effect of the Global Offering on the net tangible assets of our Group as of December 31, 2012 as if the Global Offering had taken place on that date.

	Audited consolidated net tangible assets attributable to our equity holders as of December 31, 2012 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to our equity holders ⁽³⁾⁽⁶⁾	Unaudited pro forma adjusted net tangible assets per Share ^{(3) (4) (5)}	
	<i>(in thousands of RMB)</i>			<i>(RMB)</i>	<i>(HK\$)</i>
Based on an Offer Price of HK\$6.80 per Share	2,587,313	314,227	2,901,540	3.58	4.41
Based on an Offer Price of HK\$8.60 per Share	2,587,313	403,052	2,990,365	3.69	4.55

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to our equity holder as of December 31, 2012 have been extracted from our consolidated financial statements included in Appendix I to this prospectus and are based on the audited consolidated net assets of our Group attributable to our equity holder as of December 31, 2012 of RMB 2,729,946,000 with an adjustment for the intangible assets of the Group attributable to our equity holder as of December 31, 2012 of RMB 142,633,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price range of HK\$6.80 per Share and HK\$8.60 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by us.
- (3) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2012.
- (4) The unaudited pro forma adjusted net tangible assets per Share are arrived at after the adjustments referred to in the preceding notes and on the basis that 810,850,000 Shares were in issue assuming that the Global Offering had been completed on December 31, 2012.
- (5) The unaudited pro forma adjusted net tangible assets per Share amount in RMB has been converted to HK\$ at an exchange rate of RMB 1.00 to HK\$1.233, which is the PBOC rate prevailing on December 31, 2012. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) As at February 28, 2013, the Group's property interests were revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the full text of the letter, summary of valuation and valuation certificates with regard to such property interests are included in Appendix III to this prospectus. The revaluation surplus as at February 28, 2013, representing the excess of market value of the property interests over their book value, was approximately RMB 153 million. Such revaluation surplus has not been included in the Group's consolidated financial information as at December 31, 2012. The above adjustments do not take into account the above revaluation surplus. Had the property interests been stated at such valuation, additional depreciation of RMB 4 million per annum would be charged against the consolidated statement of comprehensive income.

See "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

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DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

The Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Hong Kong Stock Exchange.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since December 31, 2012, being the date of the latest audited consolidated financial position of the Group as set out in Appendix I to this prospectus.

CONFIRMATION FROM THE HONG KONG STOCK EXCHANGE IN RESPECT OF SAMIL PRICEWATERHOUSECOOPERS, KOREA

Rule 19.20 of the Listing Rules provides that our annual accounts must be audited by a practicing accountant of good standing who is independent of us and who must be either: (i) qualified under the Professional Accountants Ordinance (Cap. 50) for appointment as our auditor; or (ii) a firm of accountants acceptable to the Hong Kong Stock Exchange which has an international name and reputation and is a member of a recognized body of accountants.

Samil PricewaterhouseCoopers in Korea has been the auditor of Mando Korea and its subsidiaries since April 30, 2008.

We have sought, and the Hong Kong Stock Exchange has given, a confirmation that Samil PricewaterhouseCoopers in Korea is a firm of accountants acceptable to the Hong Kong Stock Exchange in accordance with the requirements of Rule 19.20(2) of the Listing Rules on the basis that:

- our consolidated financial statements will be audited in accordance with International Standards on Auditing;
- both Samil PricewaterhouseCoopers and PricewaterhouseCoopers in Hong Kong are member firms of PricewaterhouseCoopers International Limited;
- it is a 'registered firm' with the Financial Services Commission in Korea, which is a signatory to the Multilateral Memorandum of Understanding adopted by the International Organization of Securities Commissions; and
- Samil PricewaterhouseCoopers is independent of us to the same extent as that required of an auditor under the Company Ordinance and in accordance with the standards on independence issued by the International Ethics Standards Board Accountants in their Code of Ethics for Professional Accountants. These statements are incorporated and expanded upon in Section 290 of the Code of Ethics for Professional Accountants "Independence - Assurance Engagements" issued by the Korean Institute of Certified Public Accountants (the "KICPA") and its rulings and interpretations in accepting the appointment.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$7.70 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$442 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

We intend to use the net proceeds of the Global Offering for the following purposes:

- capacity expansion and related investments;
 - approximately 30.0% of the net proceeds, or HK\$133 million, will be used for the expansion and upgrade of our brake product manufacturing capacity;
 - approximately 25.0% of the net proceeds, or HK\$111 million, will be used for the expansion and upgrade of our steering product manufacturing capacity; and
 - approximately 15.0% of the net proceeds, or HK\$66 million, will be used for the expansion and upgrade of our suspension product manufacturing capacity

We also set out below a further breakdown of our use of proceeds and our capital expenditure plan for 2013 and 2014 by different locations and functions:

	For the Year Ending December 31, 2013	For the Year Ending December 31, 2014	Description of capital expenditure	Source of funding
<i>(In millions of HK\$)</i>				
Capacity Expansion and Related Investments by Location				
Mando Beijing			Primarily construction of new buildings and new production lines and upgrading of existing production lines as well as related facilities and equipment (such as quality control, logistics and IT systems)	A combination of cash generated from operations, bank borrowings and approximately 24% of the net proceeds (approximately HK\$106 million based on the mid-point of the offering price range) from the Global Offering
Chassis, Mando Beijing Trading and Mando Beijing R&D.....	89	351		

FUTURE PLANS AND USE OF PROCEEDS

	For the Year Ending December 31, 2013	For the Year Ending December 31, 2014	Description of capital expenditure	Source of funding
<i>(In millions of HK\$)</i>				
Mando Suzhou	107	210	Primarily construction of new production lines and upgrading of existing product lines as well as related facilities and equipment (such as quality control, logistics and IT systems)	A combination of cash generated from operations, bank borrowings and approximately 17% of the net proceeds (approximately HK\$75 million based on the mid-point of the offering price range) from the Global Offering
Mando Ningbo	83	55	Primarily construction of new buildings and new production lines and upgrading of existing production lines as well as related facilities and equipment (such as quality control, logistics and IT systems)	A combination of cash generated from operations, bank borrowings and approximately 7% of the net proceeds (approximately HK\$31 million based on the mid-point of the offering price range) from the Global Offering
Mando Shenyang ...	263	97	Primarily construction of new buildings and new production lines as well as related facilities and equipment (such as quality control, logistics and IT systems)	A combination of cash generated from operations, bank borrowings and approximately 20% of the net proceeds (approximately HK\$88 million based on the mid-point of the offering price range) from the Global Offering
Others ⁽¹⁾	19	12	Primarily construction of new buildings and new production lines and upgrading of existing production lines as well as related facilities and equipment (such as quality control, logistics and IT systems)	A combination of cash generated from operations, bank borrowings and approximately 2% of the net proceeds (approximately HK\$9 million based on the mid-point of the offering price range) from the Global Offering
Total	<u>561</u>	<u>725</u>		A combination of cash generated from operations, bank borrowings and approximately 70.0% of the net proceeds from the Global Offering.

(1) Includes Mando Harbin and Mando Tianjin.

- approximately 20.0% of the net proceeds, or HK\$88 million, will be used for research and development activities; and

FUTURE PLANS AND USE OF PROCEEDS

- the remaining amount of approximately HK\$44 million, representing approximately 10.0% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

If the Offer Price is fixed at HK\$8.60 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$55 million.

If the Offer Price is fixed at HK\$6.80 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK\$55 million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholder in the Global Offering. The Selling Shareholder estimates that the net proceeds of the Global Offering which it will receive, assuming an Offer Price of HK\$7.70 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$1,268 million, after deduction of underwriting fees and commissions and estimated expenses payable by it in connection with the Global Offering.

UNDERWRITING

HONG KONG UNDERWRITERS AND JOINT LEAD MANAGERS

Deutsche Bank AG, Hong Kong Branch
Morgan Stanley Asia Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 24,340,000 Hong Kong Offer Shares and the International Offering of initially 219,060,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this prospectus.

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Selling Shareholder is offering the Hong Kong Offer Shares for purchase by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Underwriters), us and the Selling Shareholder agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to purchase or procure purchasers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Purchase Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The obligations of the Hong Kong Underwriters to purchase or procure purchasers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 9:00 a.m. on the date immediately preceding the Listing Date:

- (a) there shall develop, occur, exist or come into force:
 - (i) any change or any event or series of events which may result in or representing a change or prospective change, in local, national, regional or international financial, political, regulatory, military, industrial, economic, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, Germany, France, Italy, Korea or any other jurisdiction relevant to any other member of our Group (the “**Relevant Jurisdictions**”); or
 - (ii) any new laws and regulations or any change or prospective change in the existing laws and regulations, or any change or prospective change in the interpretation or application of the laws and regulations by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared) or other state of emergency, acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting any of the Relevant Jurisdictions; or
 - (iv) any moratorium, suspension or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Korea Exchange; or
 - (v) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions, declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (vi) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations, which adversely affects any of the Relevant Jurisdictions; or
- (vii) the commencement by any regulatory body or organisation of any investigation or public action against a Director or any member of our Group or an announcement by any regulatory body or organisation that it intends to investigate or take any such action against a Director or any member of our Group; or
- (viii) any litigation or claim being threatened or instigated against any member of our Group; or
- (ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from being a director or taking part in the management of a company; or
- (x) the chairman or chief executive officer of our Company vacating his office; or
- (xi) a prohibition on our Company for whatever reason from allotting Shares pursuant to the terms of the Global Offering; or
- (xii) a prohibition on the Selling Shareholder for whatever reason from selling Shares pursuant to the terms of the Global Offering; or
- (xiii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xiv) a material contravention by any member of our Group of the Listing Rules or applicable laws and regulations,

and which, individually or in the aggregate, in the opinion of the Joint Global Coordinators (for itself and on behalf of the Hong Kong Underwriters),

- (A) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, management, prospects, shareholders' equity, results of operations, position or condition, business, financial, trading or otherwise, or performance of our Group as a whole; or
- (B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

UNDERWRITING

- (C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed; or
 - (D) has or will have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (i) any statement contained in this prospectus, the Application Forms, the formal notice and any announcements issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was at their respective dates or has become untrue, incorrect or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation contained in this prospectus, the Application Forms and/or the formal notice (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus (or any supplement or amendment thereto), not having been disclosed in this prospectus (or, as the case may be, any supplement or amendment thereto), constitute a material omission therefrom; or
 - (iii) any of the representations and warranties given by our Company or the Selling Shareholder in the Hong Kong Underwriting Agreement or the International Purchase Agreement, as applicable, is (or would when repeated be) untrue or misleading in any material respect; or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of our Company pursuant to the indemnities given by our Company or the Selling Shareholder under the Hong Kong Underwriting Agreement; or
 - (v) our Company withdraws any of this prospectus, the Application Forms and/or the formal notice (including any supplement or amendment thereto); or
 - (vi) any breach of any of the obligations or undertakings of our Company or the Controlling Shareholder (or the Selling Shareholder, as the case may be) under the Hong Kong Underwriting Agreement or the International Purchase Agreement, as applicable, which has a material adverse effect on the Global Offering; or
 - (vii) any material adverse change or prospective material adverse change in the condition, financial or otherwise, or in the earnings, business or operations of our Group as a whole.

UNDERWRITING

The obligations of the Hong Kong Underwriters to purchase or procure purchasers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination at any time prior to 9:00 a.m. on the date immediately preceding the Listing Date, unlike most other initial public offerings in Hong Kong where the latest time which the underwriting agreements can be terminated is 8:00 a.m. on the date of listing. Accordingly, even if any of the events described above occurs between 9:00 a.m. on the date immediately preceding the Listing Date and 9:00 a.m. on the Listing Date when dealings in the Shares on the Hong Kong Stock Exchange commence, the Hong Kong Underwriters will not be able to terminate the Hong Kong Underwriting Agreement at or after 9:00 a.m. on the date immediately preceding the Listing Date and any application made for the Hong Kong Offer Shares cannot be revoked or rescinded as a result of such occurrence.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by Us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholder

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholder has undertaken to the Hong Kong Stock Exchange and to us that, except pursuant to the Global Offering, it will not and will procure that the relevant registered holder(s) will not, without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the controlling shareholder of us.

UNDERWRITING

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholder has undertaken to the Hong Kong Stock Exchange and to us that within the period commencing on the date by reference to which disclosure of its shareholding in us is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (i) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by Us

We have undertaken to each of the Sole Sponsor, the Joint Lead Managers and the Hong Kong Underwriters that at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the expiry of six months from the Listing Date (the “**First Six-Month Period**”), we will not without the prior written consent of the Joint Lead Managers (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise dispose of or create a mortgage, charge, pledge, lien or other security interest, or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any

UNDERWRITING

interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable);

- (c) enter into any transactions with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce, or publicly disclose any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed within the aforesaid period), provided that the foregoing restrictions shall not apply to the issue of Shares by us pursuant to the Global Offering.

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), we enter into any of the transactions specified in paragraph (a), (b) or (c) above or offer to or agree to or announce, or publicly disclose, any intention to effect any such transaction, we have undertaken to take all reasonable steps to ensure that such transaction, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company.

Nothing in the foregoing will restrict (i) any transfers within the Group of shares or securities of any member of the Group or (ii) the liquidation of any member of the Group resulting from any reorganization of the Group or any member of the Group.

(B) Undertakings by the Controlling Shareholder

The Controlling Shareholder has undertaken to the Company, the Sole Sponsor, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Joint Lead Managers (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules or pursuant to the Global Offering:

- (a) it will not, at any time during the First Six-Month Period:
 - (i) sell, offer to sell, contract or agree to sell, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares, any other securities of the Company or any interest in any

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of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) held by it as of the date of the Hong Kong Underwriting Agreement (the “**Locked-up Shares**”);

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Shares;
- (iii) enter into any transactions with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or
- (iv) offer to or agree to or announce, or publicly disclose any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or any other securities of the Company, or in cash or otherwise (whether or not the allotment or issue of Shares or other securities of the Company will be completed within the First Six-Month Period);

- (b) it will not, at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above in respect of the Locked-up Shares or offer to or agree to or announce or publicly disclose any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it ceases to be a “controlling shareholder ” (as such term is defined in the Listing Rules) of us; and
- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announces, or publicly discloses, any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or any other securities of the Company.

The Controlling Shareholder has further undertaken to each of the Sole Sponsor, the Joint Lead Managers and the Hong Kong Underwriters that it will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

- (l) upon any pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or other securities of the Company beneficially owned by it, promptly inform us and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or other securities of the Company which are so pledged or charged; and

UNDERWRITING

- (II) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities of the Company will be disposed of, promptly inform us and the Joint Global Coordinators in writing of such indication.

We have agreed and undertaken to each of the Sole Sponsor, the Joint Lead Managers and the Hong Kong Underwriters that upon receiving such information in writing from the Controlling Shareholder, we will, as soon as possible, notify the Hong Kong Stock Exchange and make a public disclosure in relation to such information in accordance with the Listing Rules.

Indemnity

We and the Selling Shareholder have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in Us

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in us or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Purchase Agreement

In connection with the International Offering, it is expected that we and the Selling Shareholder will enter into the International Purchase Agreement with, among others, the International Underwriters. Under the International Purchase Agreement, subject to the conditions set out therein, the International Underwriters would severally agree to procure purchasers for or to purchase Offer Shares being offered pursuant to the International Offering. It is expected that the International Purchase Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that (i) in the event that the International Purchase Agreement is not entered into, the Global Offering will not proceed and (ii) pursuant to the terms of the International Purchase Agreement to be entered into, the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) will not be entitled to terminate the International Purchase Agreement at or after 9:00 a.m. on the date immediately preceding the Listing Date.

Commissions and Expenses

The Underwriters will receive a commission of US\$9 million, out of which they will pay any sub-underwriting commissions.

UNDERWRITING

The Joint Global Coordinators may receive an additional discretionary incentive fee of US\$1 million at the sole discretion of us and the Selling Shareholder.

For unsold Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the Joint Global Coordinators and the relevant International Underwriters.

The aggregate commissions and fees, together with the Hong Kong Stock Exchange listing fees, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK\$163 million (RMB 133 million) (assuming an Offer Price at the mid-point of the indicative Offer Price range stated in this prospectus and the full payment of the discretionary incentive fee). The Selling Shareholder has signed service contracts with service providers for the Global Offering and Listing. Accordingly, with the exception of underwriting commission payable to the Underwriters and other expenses payable to the Joint Global Coordinators in connection with the Global Offering, the Selling Shareholder will make payment to other service providers for any such services provided or to be provided. In accordance with the terms of the IPO Expense Sharing Arrangement, the underwriting commission payable to the Underwriters and other expenses payable to the Joint Global Coordinators in connection with the Global Offering will be borne and paid by (i) us based on the proportion to which the underwriting commission and such other expenses are directly attributable to the issue of our new Shares; and (ii) our Controlling Shareholder based on the proportion to which the underwriting commission and such other expenses are directly attributable to the offering of Sale Shares. Our Controlling Shareholder will initially pay all expenses (other than those payable to the Joint Global Coordinators) relating to the Global Offering, and the amount of such expenses directly attributable to the issue of our new Shares will be charged back to us by our Controlling Shareholder. The amount of expenses to be charged back to us is estimated to amount to approximately RMB 5 million (of which approximately RMB 2 million had been charged back to us as of December 31, 2012). The underwriting commission payable to the Underwriters and expenses payable to the Joint Global Coordinators and borne by us are estimated to amount to approximately HK\$20 million (RMB 16 million). The underwriting commission payable to the Underwriters and expenses payable to the Joint Global Coordinators and borne by the Selling Shareholder are estimated to amount to approximately HK\$60 million (RMB 49 million).

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting process.

UNDERWRITING

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Deutsche Bank AG, Hong Kong Branch and Morgan Stanley Asia Limited are the Joint Global Coordinators and Joint Bookrunners of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 24,340,000 Sale Shares (subject to adjustment as mentioned below) for purchase by the public in Hong Kong as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” below; and
- (b) the International Offering of an aggregate of 219,060,000 Shares (comprising 60,850,000 new Shares and 158,210,000 Sale Shares, and subject to adjustment as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

The Selling Shareholder is initially offering 24,340,000 Sale Shares for purchase by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 3.0% of our enlarged issued share capital immediately following the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “Structure of the Global Offering — Conditions of the Global Offering” below.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 12,170,000 and 12,170,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are unsold, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 12,170,000 Hong Kong Offer Shares (being 50% of the 24,340,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for purchase under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 24,340,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering;

STRUCTURE OF THE GLOBAL OFFERING

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for purchase under the Hong Kong Public Offering, then Offer Shares (all of the reallocated Offer Shares being Sale Shares) will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 73,020,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for purchase under the Hong Kong Public Offering, then the number of Offer Shares (all of the reallocated Offer Shares being Sale Shares) to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 97,360,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for purchase under the Hong Kong Public Offering, then the number of Offer Shares (all of the reallocated Offer Shares being Sale Shares) to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 121,700,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully purchased, the Joint Global Coordinators have the authority to reallocate all or any unsold Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators deem appropriate. If the International Offering is not fully subscribed, the Joint Global Coordinators may decide in their absolute discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$8.60 per Offer Share plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “Structure of the Global Offering — Pricing and Allocation” below, is less than the maximum price of HK\$8.60 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an initial offering of 219,060,000 Offer Shares, comprising 60,850,000 new Shares and 158,210,000 Sale Shares, and representing 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “Structure of the Global Offering — Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Friday, May 24, 2013 and in any event no later than Monday, May 27, 2013.

The Offer Price will not be more than HK\$8.60 per Offer Share and is expected to be not less than HK\$6.80 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of us and the Selling Shareholder, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website (www.mandochina.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

STRUCTURE OF THE GLOBAL OFFERING

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of us and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. However, the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Thursday, May 30, 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website (www.mandochina.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk), and are also expected to be made available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — VII. Publication of Results" in this prospectus from Thursday, May 30, 2013.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Purchase Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Purchase Agreement are summarized in the section headed "Underwriting" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;
- (b) the Offer Price having been duly agreed between us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date;
- (c) the execution and delivery of the International Purchase Agreement on the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Purchase Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Purchase Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) on or before Monday, May 27, 2013, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified in the Underwriting Agreements, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Hong Kong Offer Shares — VIII. Dispatch/Collection of Share Certificates/e-Auto Refund Payment Instructions/Refund Cheques” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

STRUCTURE OF THE GLOBAL OFFERING

Subject to (i) the Hong Kong Public Offering having become unconditional in all respects; and (ii) the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination” not having been exercised before 9:00 a.m. on Thursday, May 30, 2013, the Share certificates issued in respect of the Hong Kong Offer Shares will become valid certificates of title and will be despatched or made available for personal collection on Thursday, May 30, 2013. Capital gains earned from an off-exchange transfer of Shares may be subject to Korean Capital Gains Tax, unless exempt under an applicable tax treaty. As applied to transactions involving our Shares after the completion of the Global Offering, off-exchange transactions are defined under Korean law to encompass all transactions which are not traded through the AMS on the Hong Kong Stock Exchange and would include, without limitation, transfers of Shares in physical certificate form and through CCASS by way of Settlement Instructions and Investor Settlement Instructions as defined in the General Rules of CCASS and CCASS Operational Procedures. Accordingly, **potential investors are strongly recommended not to conduct any off-exchange transactions (including any transfer of physical Shares).**

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering.

No part of our share capital or debentures is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 9:00 a.m. on Thursday, May 30, 2013, being the date immediately preceding the Listing Date, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, May 31, 2013.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

I. CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three channels to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form, (ii) applying online through the designated website of the HK eIPO White Form Service Provider, referred to herein as the “**HK eIPO White Form**” service, or (iii) by giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC.

II. HOW TO APPLY FOR HONG KONG OFFER SHARES

1. Who Can Apply for Hong Kong Offer Shares

You can apply for the Hong Kong Offer Shares available for purchase by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not inside the United States (within the meaning of Regulation S) when completing and submitting the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- are not a “resident” of Korea, as defined under Article 3, Paragraph 1, Subparagraph 14 of the Foreign Exchange Transaction Act of Korea; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If an application is made by a person duly authorized under a valid power of attorney, the Company and the Joint Global Coordinators (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

HK eIPO White Form service is only available to individual applicants. Corporations or joint applicants may not apply by means of HK eIPO White Form.

We, the Joint Global Coordinators or the HK eIPO White Form Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without giving any reason.

Unless permitted by the Listing Rules, the Hong Kong Offer Shares are not available to existing beneficial owners of the Shares, or Directors or chief executive of us or any of our subsidiaries, or their respective associates or any of our other connected persons or persons who will become our connected persons immediately following the completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

2. Applying By Using An Application Form

Which Application Form to Use

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to Collect the **WHITE** and **YELLOW** Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Monday, May 20, 2013 until 12:00 noon on Thursday, May 23, 2013 from:

- (i) any of the following addresses of the Hong Kong Underwriters:

Deutsche Bank AG, Hong Kong Branch	Level 52 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
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HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Morgan Stanley Asia Limited

Level 46
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

(ii) any of the following branches of **Standard Chartered Bank (Hong Kong) Limited**:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
	Mei Foo Manhattan Branch	Shop Nos. 07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

	<u>Branch Name</u>	<u>Address</u>
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O
	New Town Plaza Branch	Shop 215, 222 & 223, Phase 1, New Town Plaza, Shatin

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Monday, May 20, 2013 until 12:00 noon on Thursday, May 23, 2013 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

How to Complete the **WHITE** and **YELLOW** Application Form

- (i) Obtain an Application Form as described in the paragraph headed “— Where to Collect the **WHITE** and **YELLOW** Application Forms” above.
- (ii) Complete the Application Form in blue or black ink and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque or banker’s cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.
- (iii) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker’s cashier order. You should read the detailed instructions set out in the Application Form carefully as an application is liable to be rejected if the cheque or banker’s cashier order does not meet the requirements set out in the **WHITE** and **YELLOW** Application Form.
- (iv) Lodge the **WHITE** or **YELLOW** Application Form in one of the collection boxes by the time and at one of the locations as described in paragraph headed “— Where to Collect the **WHITE** and **YELLOW** Application Forms” above.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

In order for the **YELLOW** Application Forms to be valid, you, as an applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted:

(i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

- the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) **If the application is made by an individual CCASS Investor Participant:**

- the Application Form must contain the CCASS Investor Participant's full name and Hong Kong Identity Card number; and
- the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

- the Application Form must contain all joint CCASS Investor Participants' full names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
- the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

- the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and
- the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If your application is made through a duly authorized attorney, the Company, the Selling Shareholder and the Joint Global Coordinators (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney. We, the Selling Shareholder and the Joint Global Coordinators, in their capacity as our agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

3. Terms and Conditions of an Application

There are detailed instructions on each Application Form. You should read and follow these instructions carefully. If you do not strictly follow the instructions, your application may be rejected.

You should note that by completing and submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) instruct and authorize us, the Selling Shareholder, Tricor (the IPO processing agent) and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents on your behalf and to do on your behalf all things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or in the name of HKSCC Nominees, as the case may be, required by the Articles of Incorporation, and otherwise to give effect to the arrangements described in this prospectus, the Application Forms and/or the **HK eIPO White Form** service designated website at www.hkeipo.hk (as the case may be);
- (ii) undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares to be allocated to you, and as required by the Articles of Incorporation;
- (iii) agree with us and each of our shareholders, and we agree with each of our shareholders, to observe and comply with the Korean Commercial Code, the Companies Ordinance and the Articles of Incorporation;
- (iv) agree with us and each of our shareholders that the Shares in the Company are freely transferable by the holders thereof;
- (v) confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form (and in the case of an application through the **HK eIPO White Form** service, additionally the terms and conditions of the **HK eIPO White Form** service designated website at www.hkeipo.hk) and agree to be bound by them;
- (vi) confirm that you have received and/or read a copy of this prospectus (and in the case of an application through the **HK eIPO White Form** service, the terms and conditions of the **HK eIPO White Form** service designated website at www.hkeipo.hk) and have only relied on the information and representations contained in this prospectus (and additionally in the case

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

of an application through the **HK eIPO White Form** service, the **HK eIPO White Form** service designated website at www.hkeipo.hk) in making your application and will not rely on any other information or representations save as set out in any supplement to this prospectus and the Application Form;

- (vii) confirm that you are aware of the restrictions on the Global Offering disclosed in this prospectus and the Application Form;
- (viii) agree that none of us, the Selling Shareholder, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto) and the Application Form;
- (ix) undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor otherwise participated in the International Offering;
- (x) agree to disclose to us, the Selling Shareholder, Tricor (the IPO processing agent), receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters and/or their respective advisors and agents any personal data and any information which they may require about you and the person(s) for whose benefit you have made the application;
- (xi) if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of us, the Selling Shareholder, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters nor any of their respective officers or advisors will infringe any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the **HK eIPO White Form** service designated website at www.hkeipo.hk;
- (xii) agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;
- (xiii) (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on the agent all necessary power and authority to make the application;
- (xiv) agree that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;
- (xv) agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (xvi) represent, warrant and undertake that you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and you and any person for whose account or benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) when completing and submitting any Application Form or applying through the **HK eIPO White Form** service or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xvii) represent, warrant and undertake that you are not, and none of other person(s) for whose benefit you are applying is, a “resident” of Korea, as defined under Article 3, Paragraph 1, Subparagraph 14 of the Foreign Exchange Transaction Act of Korea;
- (xviii) warrant the truth and accuracy of the information contained in the application;
- (xix) undertake and agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xx) authorize us to place your name(s) or the name of the HKSCC Nominees, as the case may be, on the register of our shareholders as the holder(s) of any Hong Kong Offer Shares allocated to you, and we and/or our agents to dispatch any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or (in case of joint applicants) the first-named applicant in the application by ordinary post at your own risk to the address stated on the application, except that if you have indicated in the relevant application that you will collect the share certificate(s) and/or refund cheque(s) in person, you may do so in the manner as described in the section headed “— VIII. Dispatch/Collection of Share Certificates/e-Auto Refund Payment Instructions/Refund Cheques” below in this section or on such other date as notified by the Company in the newspapers as the respective dates of dispatch/collection of share certificates and the e-Auto Refund payment instructions/refund cheques; and
- (xxi) understand that these declarations and representations will be relied upon by us, the Selling Shareholder, the Joint Global Coordinators and the Hong Kong Underwriters in deciding whether or not to allocate any Hong Kong Offer Shares in response to this application and you may be prosecuted for making a false declaration.

Additional Terms and Conditions for YELLOW Application Form

If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements above, you (and if you are joint applicants, each of you jointly and severally) agree that:

- any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;

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- each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allocated Hong Kong Offer Shares transferred in the name of HKSCC Nominees or not to accept such allocated Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allocated Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are a joint applicant, to the first-named applicant) at your own risk and costs; and (3) to cause such allocated Hong Kong Offer Shares to be transferred in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the Share certificates for such allocated Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;
- each of HKSCC and HKSCC Nominees may adjust the number of allocated Hong Kong Offer Shares transferred in the name of HKSCC Nominees;
- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

We, the Selling Shareholder, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters and their respective directors, officers, employees, partners, agents, advisors, and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

4. Applying Through HK eIPO White Form

General

- (i) If you are an individual and meet the criteria set out in the section headed “How to Apply for the Hong Kong Offer Shares — II. How to Apply for Hong Kong Offer Shares — 1. Who Can Apply for the Hong Kong Offer Shares” above, you may apply through **HK eIPO White Form** by submitting an application through the designated website at www.hkeipo.hk. If you apply through **HK eIPO White Form**, the Hong Kong Offer Shares will be issued in your own name.
- (ii) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the HK eIPO White Form Service Provider and may not be submitted to us.
- (iii) If you give electronic application instructions through the designated website at www.hkeipo.hk, you will have authorized the designated HK eIPO White Form Service Provider to apply the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (iv) In addition to the terms and conditions set out in this prospectus, the HK eIPO White Form Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (v) By submitting an application to the HK eIPO White Form Service Provider through the **HK eIPO White Form** service, you are deemed to have authorized the HK eIPO White Form Service Provider to transfer the details of your application to us, the Selling Shareholder and Tricor.
- (vi) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 500 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.hkeipo.hk.
- (vii) You may submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Monday, May 20, 2013 until 11:30 a.m. on Thursday, May 23, 2013 or such later time as described in the section headed “How to Apply for the Hong Kong Offer Shares — III. When May Applications Be Made — 4. Effect of Bad Weather on the Opening of the Application Lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, May 23, 2013, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed “— III. When May Applications Be Made — 4. Effect of Bad Weather on the Opening of the Application Lists” below.
- (viii) You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the website prior to 11:30 a.m. on Thursday, May 23, 2013, you will be permitted to continue the application process (by completing full payment of application monies) until 12:00 noon on the last day for submitting applications (that is Thursday, May 23, 2013), when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, May 23, 2013, or such later time as described in the section headed “How to Apply for the Hong Kong Offer Shares — III. When May Applications Be Made — 4. Effect of Bad Weather on the Opening of the Application Lists” below, the HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (ix) Once you have completed payment in respect of any electronic application instruction given by you or for your benefit to the HK eIPO White Form Service Provider to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular payment reference number will not constitute an actual application.

- (x) Warning: The application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the HK eIPO White Form Service Provider to public investors. We, our Directors, the Selling Shareholder and its directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters and the HK eIPO White Form Service Provider take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to us or that you will be allocated any Hong Kong Offer Shares.

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS. See the section headed “How to Apply for the Hong Kong Offer Shares — IV. How Many Applications You May Make” below.

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an electronic application instruction through the **HK eIPO White Form** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **HK eIPO White Form** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **HK eIPO White Form** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through **HK eIPO White Form** service to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk will be treated as an applicant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the HK eIPO White Form Service Provider, the HK eIPO White Form Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the HK eIPO White Form Service Provider on the designated website at www.hkeipo.hk.

Otherwise, any monies payable to you due to a refund for any other reasons set out below in the section headed “How to Apply for the Hong Kong Offer Shares — VIII. Dispatch/Collection of Share Certificates/e-Auto Refund Payment Instructions/Refund Cheques” will be refunded in accordance with that section.

5. Applying By Giving Electronic Application Instructions to HKSCC

General

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form. Prospectuses are available for collection from the above address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to us, the Selling Shareholder and Tricor.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC to Apply for Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - agrees that the Hong Kong Offer Shares to be allocated shall be transferred to the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - undertakes and confirms that that person has not indicated an interest for, applied for or taken up or indicated an interest for, any Offer Shares under the International Offering nor otherwise participated in the International Offering;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
 - understands that the above declaration will be relied upon by us, the Directors and the Joint Global Coordinators in deciding whether or not to make any allocation of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
 - authorizes us to place the name of HKSCC Nominees on our register of shareholders as the holder of the Hong Kong Offer Shares allocated in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
 - confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

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- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations, save as set out in any supplement to this prospectus, and that person agrees that none of us, the Directors, the Selling Shareholder and its directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters and any of the parties involved in the Global Offering will have any liability for any such other information or representation;
- agrees that we, the Selling Shareholder, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are not liable for any information and representations not contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to us, the Selling Shareholder, Tricor (the IPO processing agent), the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters and any of our and their respective advisors and agents and any information which they may require about you or that person(s) for whose benefit you have made the application;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation and you may not revoke it;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when that person gives the **electronic application instructions** and such collateral contract to be in consideration of us agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by us;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- agrees with us, for us and for the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for us and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Korean Commercial Code, the Companies Ordinance and the Articles of Incorporation; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the offer price per Hong Kong Offer Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 500 Hong Kong Offer Shares. Such instructions in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by us, the Selling Shareholder, Tricor, the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters and any of our and their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The application for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Selling Shareholder and its directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form or (ii) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, May 23, 2013 or such later time as described in the section headed “How to Apply for the Hong Kong Offer Shares — III. When May Applications Be Made — 4. Effect of Bad Weather on the Opening of the Application Lists” below.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

III. WHEN MAY APPLICATIONS BE MADE

1. Application on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, May 23, 2013, or, if the application lists are not open on that day, then by the time and date stated in the section headed “— 4. Effect of Bad Weather on the Opening of the Application Lists” below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of **Standard Chartered Bank (Hong Kong) Limited** listed above in the section headed “II. How to Apply for Hong Kong Offer Shares — 2. Applying by Using an Application Form — Where to Collect the **WHITE** and **YELLOW** Application Forms” at the specified times on the following dates:

Monday, May 20, 2013 — 9:00 a.m. to 5:00 p.m.
Tuesday, May 21, 2013 — 9:00 a.m. to 5:00 p.m.
Wednesday, May 22, 2013 — 9:00 a.m. to 5:00 p.m.
Thursday, May 23, 2013 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, May 23, 2013.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allocation of any such Hong Kong Offer Shares will be made until after the closing of the application lists.

2. HK eIPO White Form

You may submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. Monday, May 20, 2013 until 11:30 a.m. on Thursday, May 23, 2013 or such later time as described in the section headed “How to Apply for the Hong Kong Offer Shares — III. When May Applications be Made — 4. Effect of Bad Weather on the Opening of the Application Lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, May 23, 2013, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed “How to Apply for the Hong Kong Offer Shares — III. When May Applications be Made — 4. Effect of Bad Weather on the Opening of the Application Lists” below.

You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon or such later time as described in the section headed “How to Apply for the Hong Kong Offer Shares — III. When May Applications be Made — 4. Effect of Bad Weather on the Opening of the Application Lists” below, the HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk.

3. Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, May 20, 2013 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, May 21, 2013 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, May 22, 2013 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, May 23, 2013 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, May 20, 2013 until 12:00 noon on Thursday, May 23, 2013 (24 hours daily, except on the last application day).

The latest time for inputting **electronic application instructions** via CCASS will be 12:00 noon on Thursday, May 23, 2013, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed “How to Apply for the Hong Kong Offer Shares — III. When May Applications be Made — 4. Effect of Bad Weather on the Opening of the Application Lists” below.

4. Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, May 23, 2013. Instead the last application day will be postponed and the application lists will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If the application lists of the Hong Kong Public Offering do not open and close on Thursday, May 23, 2013 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. An announcement will be made in such event.

IV. HOW MANY APPLICATIONS YOU MAY MAKE

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Offer Shares only if you are a **nominee**, in which case you may give both electronic application instructions to HKSCC (if you are a CCASS Participant) and lodge more than one **WHITE** and **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code

for **each** beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If you apply by means of the **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the HK eIPO White Form Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you are suspected of submitting more than one application through the **HK eIPO White Form** service by giving electronic application instructions through the designated website at www.hkeipo.hk and completing payment in respect of such electronic application instructions, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

It will be a term and condition of all applications that by completing and delivering a **WHITE** or **YELLOW** Application Form or giving **electronic application instructions** to HKSCC or HK eIPO White Form Service Provider through the **HK eIPO White Form** service, you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider through **HK eIPO White Form** service; or
- (if you are an agent for another person) represent and warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider through **HK eIPO White Form** service, and that you are duly authorized to sign the Application Form or give **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider through **HK eIPO White Form** service; or
- apply both (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or the HK eIPO White Form Service Provider through **HK eIPO White Form** service; or
- apply (whether individually or jointly) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the HK eIPO White Form Service Provider through **HK eIPO White Form** service for more than 12,170,000 Hong Kong Offer Shares (being 50% of the 24,340,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering), as more particularly described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus; or

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) any of the International Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC is made for your **benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“Unlisted company” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

V. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allocated the Hong Kong Offer Shares are set out in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or giving electronic application instruction to HKSCC to cause HKSCC Nominees to apply on your behalf or through the designated website of the HK eIPO White Form Service Provider), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allocated to you:

- **If your application is revoked:**

By completing and submitting an Application Form or giving an **electronic application instruction** to HKSCC or the HK eIPO White Form Service Provider through **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees or HK eIPO White Form Service Provider on your behalf cannot be revoked before the fifth day after the time of the opening of

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

the application lists (excluding for this purpose any day which is not a business day), unless a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

This agreement will take effect as a collateral contract with us and will become binding when you lodge your Application Form or give your electronic application instruction to HKSCC or the HK eIPO White Form Service Provider and an application has been made by HKSCC Nominees or the HK eIPO White Form Service Provider, as the case may be, on your behalf accordingly. This collateral contract will be in consideration of us agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the HK eIPO White Form Service Provider through HK eIPO White Form service on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **Full discretion of us, the Selling Shareholder, the Joint Global Coordinators, the HK eIPO White Form Service Provider (where applicable) or our or their respective agents or nominees to reject or accept your application:**

We, the Selling Shareholder, the Joint Global Coordinators, the HK eIPO White Form Service Provider (where applicable), or our or their respective agents or nominees, have full discretion to reject or accept any application, or to accept only part of any application. No reason has to be given for any rejection or acceptance.

- **If your allocation of Hong Kong Offer Shares is void:**

The allocation of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- within a longer period of up to six weeks if the Listing Committee notifies us of such longer period within three weeks of the closing date of the application lists.
- **You will not receive any allocation if:**
 - you make multiple applications or are suspected of making multiple applications;
 - you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares under the International Offering. By filling in any of the **WHITE** or **YELLOW** Application Forms or applying by giving electronic application instructions to HKSCC or the HK eIPO White Form Service Provider through the **HK eIPO White Form** service, you agree not to apply for or indicate an interest for Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
 - your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
 - your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
 - your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.hkeipo.hk;
 - you apply for more than 12,170,000 Hong Kong Offer Shares, being 50% of the 24,340,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
 - us, the Selling Shareholder or the Joint Global Coordinators believe that by accepting your application, they would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed or signed;
 - either of the Hong Kong Underwriting Agreement or the International Purchase Agreement does not become unconditional; or
 - either of the Hong Kong Underwriting Agreement or the International Purchase Agreement is terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

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VI. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$8.60 per Hong Kong Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for every board lot of 500 Hong Kong Offer Shares you will pay HK\$4,343.35. The Application Forms have tables showing the exact amount payable for the numbers of Hong Kong Offer Shares that may be applied for.

When you apply for the Hong Kong Offer Shares, you must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee in full. You must pay the amount payable upon application for Hong Kong Offer Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form (if you apply by an Application Form) or this prospectus.

If your application is successful, brokerage is paid to the Hong Kong Stock Exchange or its participants (as the case may be), the SFC transaction levy is paid to the Hong Kong Stock Exchange collecting on behalf of the SFC and the Hong Kong Stock Exchange trading fee is paid to the Hong Kong Stock Exchange.

VII. PUBLICATION OF RESULTS

We expect to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, May 30, 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on our website (www.mandochina.com).

In addition, we expect to announce the results of allocations and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Thursday, May 30, 2013 to 12:00 midnight on Wednesday, June 5, 2013. The user will be required to key in the Hong Kong Identity Card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, May 30, 2013 to Tuesday, June 4, 2013 (excluding Saturdays/Sundays and Public Holidays); and

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, May 30, 2013 to Saturday, June 1, 2013 and at all the receiving bank branches and sub-branches at the addresses set out in the section headed “— II. How to Apply for Hong Kong Offer Shares — 2. Applying by Using an Application Form — Where to Collect the **WHITE** and **YELLOW** Application Forms” above.

VIII. DISPATCH/COLLECTION OF SHARE CERTIFICATES/E-AUTO REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the offer price per Offer Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering as set out in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus are not fulfilled or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one or more Share certificates, representing all the Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Hong Kong Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course, there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified in the Application Form:

- (i) for applications on **WHITE** Application Forms or by giving electronic application instructions through HK eIPO White Form service:
 - (a) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or
 - (b) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares successfully applied for will be deposited into CCASS as described below); and/or

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (ii) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the offer price per Offer Share initially paid on application in the event that the Offer Price is less than the offer price per Offer Share initially paid on application, in each case including brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to other third parties for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications, and the difference between the Offer Price and the offer price per Offer Share initially paid on application in the event that the Offer Price is less than the offer price per Offer Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms are expected to be posted on or before Thursday, May 30, 2013.

Subject to (i) the Hong Kong Public Offering having become unconditional in all respects; and (ii) the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination” not having been exercised before 9:00 a.m. on Thursday, May 30, 2013, the Share certificates issued in respect of the Hong Kong Offer Shares will become valid certificates of title and subject to personal collection as mentioned below, the Share certificates for wholly or partially successful applicants under **WHITE** Application Forms or by giving electronic application instructions through **HK eIPO White Form** service are expected to be posted on Thursday, May 30, 2013. Applicants who opt for personal collection may collect their Share certificate(s) from the IPO processing agent, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, from 10:00 a.m. to 2:00 p.m. on Thursday, May 30, 2013. Capital gains earned from an off-exchange transfer of Shares may be subject to Korean Capital Gains Tax, unless exempt under an applicable tax treaty. As applied to transactions involving our Shares after the completion of the Global Offering, off-exchange transactions are defined under Korean law to encompass all transactions which are not traded through the AMS on the Hong Kong Stock Exchange and would include, without limitation, transfers of Shares in physical certificate form and through CCASS by way of Settlement Instructions and Investor Settlement Instructions as defined in the General Rules of CCASS and CCASS Operational Procedures. Accordingly, **potential investors are strongly recommended not to conduct any off-exchange transactions.**

The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

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(i) **If you apply using a WHITE Application Form:**

If you apply for 1,000,000 or more Hong Kong Offer Shares and have indicated your intention in your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from the IPO processing agent, Tricor, and have provided all information required under the Application Form, you may collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 10:00 a.m. to 2:00 p.m. on Thursday, May 30, 2013 or such other date as notified by us in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques. If you do not collect your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person within the time specified for their collection, the Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be dispatched to you by ordinary post to the address as specified in your Application Form at your own risk.

If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 or more Hong Kong Offer Shares but have not indicated on your Application Form that you will collect your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person, then your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be sent to the address as specified in your Application Form on Thursday, May 30, 2013 by ordinary post and at your own risk.

(ii) **If you apply using a YELLOW Application Form:**

If you apply for 1,000,000 or more Hong Kong Offer Shares and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 or more Hong Kong Offer Shares but have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, your refund cheque(s) (if any) will be sent to the address in your Application Form on Thursday, May 30, 2013 by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Thursday, May 30, 2013 or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

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If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Thursday, May 30, 2013 in the manner as described in the section headed "— VII. Publication of Results" above. You should check the results published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, May 30, 2013 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account, you can check the number of Hong Kong Offer Shares allocated to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

(iii) If you apply through HK eIPO White Form service:

If you apply for 1,000,000 or more Hong Kong Offer Shares through the **HK eIPO White Form** service by submitting an electronic application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk and your application is wholly or partially successful, you may collect your Share certificate(s) in person from the IPO processing agent, Tricor, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 10:00 a.m. to 2:00 p.m. on Thursday, May 30, 2013, or such other date as notified by us in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally by 2:00 p.m. on Thursday, May 30, 2013, they will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider promptly thereafter on Thursday, May 30, 2013 by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificates (where applicable) will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider on Thursday, May 30, 2013 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the Offer Price being different from the offer price per Offer Share initially paid on your application, e-Auto Refund payment instructions (if any) will be dispatched to the application payment account on or before Thursday, May 30, 2013.

If you paid the application monies from multiple bank accounts and your application is wholly or partially unsuccessful and/or the Offer Price being different from the offer price per Offer Share initially paid on your application, refund cheque(s) (if any) will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider on or before Thursday, May 30, 2013 by ordinary post and at your own risk.

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Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated HK eIPO White Form Service Provider set out in the section headed “How to Apply for the Hong Kong Shares — II. How to Apply for Hong Kong Offer Shares — 4. Applying Through HK eIPO White Form — Additional Information” above.

(iv) **If you apply by giving electronic application instructions to HKSCC:**

Allocation of Hong Kong Offer Shares

For the purpose of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf of your CCASS Investor Participant stock account on Thursday, May 30, 2013, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants’ applications (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allocation of the Hong Kong Public Offering in accordance with the details set out in the section headed “VII. Publication of Results” above. You should check the results published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, May 30, 2013 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, May 30, 2013. Immediately following the credit of the Hong Kong Offer

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Offer Share initially paid on application, in each case including brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, May 30, 2013. No interest will be paid thereon.

IX. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the offer price per Offer Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) initially paid on application, we will refund to you the surplus application monies, together with the related brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of e-Auto Refund payment instructions/refund cheques will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of us and the Joint Global Coordinators, cheques for applications (on Application Forms) for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Thursday, May 30, 2013 in accordance with the various arrangements as described above.

X. DEALINGS AND SETTLEMENT

Commencement of Dealings in the Shares

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on Friday, May 31, 2013.

The Shares will be traded in board lots of 500 each. The stock code of the Shares is 1356.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Shares will be Eligible for Admission into CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

May 20, 2013

The Directors
Mando China Holdings Limited

Deutsche Securities Asia Limited

Dear Sirs,

We report on the financial information of Mando China Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated statements of financial position as at December 31, 2010, 2011 and 2012, the statement of financial position of the Company as at December 31, 2012 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2010, 2011 and 2012 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated May 20, 2013 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Republic of Korea with limited liability on August 20, 2012 under the Korean Commercial Code. Pursuant to a group reorganization as described in Note 1(b) of Section II headed "Reorganization" below, which was completed on November 6, 2012, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganization").

As at the date of this report, the Company has direct interests in the subsidiaries as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

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The audited financial statements of the companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the "ISA") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement with the Company.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRS.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 2 of Section II below and in accordance with IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, a true and fair view of the state of affairs of the Company as at December 31, 2012 and the consolidated state of affairs of the Group as at December 31, 2010, 2011 and 2012 and of the Group's consolidated results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at December 31, 2010, 2011 and 2012 and for each of the years ended December 31, 2010, 2011 and 2012 (the "Financial Information"):

Consolidated Statements of Financial Position

	Note	As of December 31,		
		2010	2011	2012
		<i>(RMB'000)</i>		
Assets				
Non-current assets				
Land use rights	6	23,763	58,783	70,392
Property, plant and equipment.....	7	1,077,733	1,428,992	1,923,362
Intangible assets	8	39,255	68,185	154,895
Other non-current assets		—	—	2,172
Deferred income tax assets.....	9	32,207	50,269	62,565
		<u>1,172,958</u>	<u>1,606,229</u>	<u>2,213,386</u>
Current assets				
Inventories.....	10	206,345	263,054	288,699
Trade receivables.....	11	1,246,418	1,891,486	2,273,859
Other receivables and deposits	11	7,432	37,993	18,763
Other current assets	12	10,395	15,233	42,403
Restricted bank deposits	13	—	6,100	49,653
Cash and cash equivalents	13	361,538	495,860	604,442
		<u>1,832,128</u>	<u>2,709,726</u>	<u>3,277,819</u>
Total assets		<u><u>3,005,086</u></u>	<u><u>4,315,955</u></u>	<u><u>5,491,205</u></u>
Equity				
Equity attributable to equity holder of the Company				
Share capital	14	—	—	426,041
Share premium	14	—	—	3,960,788
Other reserves	14	719,237	1,047,483	(3,167,927)
Retained earnings.....	14	1,119,292	1,174,132	1,511,044
		<u>1,838,529</u>	<u>2,221,615</u>	<u>2,729,946</u>
Non-controlling interests		<u>22,738</u>	<u>106,934</u>	<u>170,379</u>
Total equity		<u><u>1,861,267</u></u>	<u><u>2,328,549</u></u>	<u><u>2,900,325</u></u>

	Note	As of December 31,		
		2010	2011	2012
		(RMB'000)		
Liabilities				
Non-current liabilities				
Long-term borrowings	15	—	276,842	454,043
Post-employment benefit	16	—	—	34,093
Other non-current liabilities		—	—	2,670
Deferred income tax liabilities	9	57,574	58,155	54,084
Deferred income		5,176	4,889	4,601
		62,750	339,886	549,491
Current liabilities				
Trade payables	17	844,942	1,192,153	1,452,675
Accruals and other payables	18	145,895	318,291	325,921
Other current liabilities	19	12,834	18,948	18,269
Current income tax liabilities		57,180	67,879	38,090
Short-term borrowings	15	—	—	142,471
Current portion of long-term borrowings	15	—	18,903	32,706
Provisions	20	20,218	31,346	31,257
		1,081,069	1,647,520	2,041,389
Total liabilities		1,143,819	1,987,406	2,590,880
Total liabilities and equity		3,005,086	4,315,955	5,491,205
Net current assets		751,059	1,062,206	1,236,430
Total assets less current liabilities		1,924,017	2,668,435	3,449,816

Company Statement of Financial Position

	Note	As of December 31, 2012
		(RMB'000)
Assets		
Non-current assets		
Property, plant and equipment.....		63
Intangible assets.....	8	70,358
Investments in subsidiaries.....	30	4,426,715
Other non-current assets.....		2,172
Deferred income tax assets.....		3,092
		<u>4,502,400</u>
Current assets		
Trade receivables.....	11	1,167
Other receivables.....	11	2,306
Other current assets.....	12	7,155
Cash and cash equivalents.....	13	9,746
		<u>20,374</u>
Total assets		<u><u>4,522,774</u></u>
Equity		
Equity attributable to equity holder of the Company		
Share capital.....	14	426,041
Share premium.....	14	3,960,788
Accumulated losses.....	14	(9,685)
Total equity		<u>4,377,144</u>
Liabilities		
Non-current liabilities		
Post-employment benefit.....	16	34,093
Other non-current liabilities.....		2,670
		<u>36,763</u>
Current liabilities		
Accruals and other payables.....	18	10,583
Other current liabilities.....	19	5,467
Short-term borrowings.....	15	92,817
		<u>108,867</u>
Total liabilities		<u>145,630</u>
Total liabilities and equity		<u><u>4,522,774</u></u>
Net current liabilities		<u>(88,493)</u>
Total assets less current liabilities		<u><u>4,413,907</u></u>

Consolidated Statements of Comprehensive Income

	Note(s)	Year ended December 31,		
		2010	2011	2012
		<i>(RMB'000)</i>		
Revenue	21	4,387,676	5,339,218	6,259,246
Cost of sales	22,23	<u>(3,359,337)</u>	<u>(4,133,989)</u>	<u>(4,944,396)</u>
Gross profit		1,028,339	1,205,229	1,314,850
Selling and administrative expenses	22,23	(326,908)	(456,740)	(562,870)
Research and development expenses	22,23	(47,494)	(53,118)	(89,392)
Other income	25	3,171	636	11,289
Net other gains	25	<u>7,823</u>	<u>2,878</u>	<u>1,652</u>
Operating profit		664,931	698,885	675,529
Finance income.....	26	2,753	10,614	10,560
Finance costs.....	26	<u>(9,487)</u>	<u>(11,407)</u>	<u>(16,172)</u>
Net finance costs		<u>(6,734)</u>	<u>(793)</u>	<u>(5,612)</u>
Profit before income tax		658,197	698,092	669,917
Income tax expense.....	27	<u>(155,415)</u>	<u>(200,984)</u>	<u>(173,607)</u>
Profit for the year		<u>502,782</u>	<u>497,108</u>	<u>496,310</u>
Other comprehensive income.....		—	—	—
Total comprehensive income for the year		<u>502,782</u>	<u>497,108</u>	<u>496,310</u>
Total comprehensive income attributable to:				
Equity holder of the Company		497,772	499,933	498,412
Non-controlling interests		<u>5,010</u>	<u>(2,825)</u>	<u>(2,102)</u>
		<u>502,782</u>	<u>497,108</u>	<u>496,310</u>
Earnings per share for profit attributable to equity holder of the Company (expressed in RMB)				
— basic	28	0.66	0.67	0.66
— diluted	28	<u>0.66</u>	<u>0.67</u>	<u>0.66</u>
Dividends	29	<u>41,410</u>	<u>307,067</u>	<u>170,000</u>

Consolidated Statements of Changes in Equity

Note	Equity attributable to the equity holder of the Company				Total	Non-controlling interests	Total consolidated equity
	Share capital	Share premium	Other reserves	Retained earnings			
	<i>(RMB'000)</i>						
Balance at January 1, 2010	—	—	719,237	659,445	1,378,682	17,728	1,396,410
Comprehensive income							
Profit for the year	—	—	—	497,772	497,772	5,010	502,782
Transactions with owners							
Dividends	29	—	—	(41,410)	(41,410)	—	(41,410)
Tax effect of dividends	9	—	—	3,485	3,485	—	3,485
Balance at December 31, 2010	—	—	719,237	1,119,292	1,838,529	22,738	1,861,267
Comprehensive income							
Profit for the year	—	—	—	499,933	499,933	(2,825)	497,108
Transactions with owners							
Capitalization of retained earnings of subsidiaries	14	—	—	166,637	(166,637)	—	—
Capital injection by then equity holders of subsidiaries	14	—	—	161,609	—	161,609	87,021
Dividends	29	—	—	(307,067)	(307,067)	—	(307,067)
Tax effect of dividends	9	—	—	28,611	28,611	—	28,611
Balance at December 31, 2011	—	—	1,047,483	1,174,132	2,221,615	106,934	2,328,549
Comprehensive income							
Profit for the year	—	—	—	498,412	498,412	(2,102)	496,310
Transactions with owners							
Issuance of ordinary shares		39,273	—	—	39,273	—	39,273
Reorganization	1.2	386,768	3,960,788	(4,349,710)	—	(2,154)	(2,154)
Capital injection by then equity holders of subsidiaries	14	—	—	134,300	—	134,300	65,547
Dividends	29	—	—	(170,000)	(170,000)	—	(170,000)
Tax effect of dividends	9	—	—	8,500	8,500	—	8,500
Balance at December 31, 2012	426,041	3,960,788	(3,167,927)	1,511,044	2,729,946	170,379	2,900,325

Consolidated Statements of Cash Flows

	Note	Year ended December 31,		
		2010	2011	2012
		<i>(RMB'000)</i>		
Cash flows from operating activities:				
Cash generated from operations.....	31	620,415	561,503	825,146
Interest received		2,535	3,823	3,143
Interest paid		(4,242)	(3,604)	(11,969)
Income tax paid		(85,000)	(179,155)	(211,263)
Net cash generated from operating activities		<u>533,708</u>	<u>382,567</u>	<u>605,057</u>
Cash flows from investing activities:				
Increase in restricted bank deposits.....		—	—	(49,653)
Purchase of land use rights		—	(35,916)	(12,947)
Purchase of property, plant and equipment		(88,960)	(470,130)	(669,794)
Proceeds from disposal of property, plant and equipment	31	621	3,930	3,812
Purchase of intangible assets		(6,191)	(33,242)	(97,577)
Acquisition of business.....	34	—	(24,187)	—
Net cash used in investing activities		<u>(94,530)</u>	<u>(559,545)</u>	<u>(826,159)</u>
Cash flows from financing activities:				
Proceeds from borrowings		—	302,064	363,224
Repayments of borrowings.....		(323,432)	—	(28,878)
Capital injection by the then equity holders		—	248,630	239,120
Cost relating to issuance of ordinary shares of the Company		—	—	(2,154)
Dividends and associated tax paid		(41,410)	(232,975)	(244,092)
Net cash (used in)/generated from financing activities		<u>(364,842)</u>	<u>317,719</u>	<u>327,220</u>
Net increase in cash and cash equivalents		<u>74,336</u>	<u>140,741</u>	<u>106,118</u>
Cash and cash equivalents at beginning of year ...		<u>291,910</u>	<u>361,538</u>	<u>495,860</u>
Exchange (losses)/gains on cash and cash equivalents.....		(4,708)	(6,419)	2,464
Cash and cash equivalents at end of year		<u><u>361,538</u></u>	<u><u>495,860</u></u>	<u><u>604,442</u></u>

II. NOTES TO THE FINANCIAL INFORMATION

1. General information of the Group and Reorganization

(a) General information of the Group

Mando China Holdings Limited (the "Company") was incorporated in the Republic of Korea on August 20, 2012. The address of the Company's registered office is 343-1, Mano-ri, Poseung-eup, Pyeongtaek-si, Gyeonggi-do, the Republic of Korea. The Company and its subsidiaries (hereinafter collectively referred to as the "Listing Group" or the "Group") is principally engaged in manufacturing and distributing of auto parts in the People's Republic of China (the "PRC").

Prior to the incorporation of the Company and the completion of the reorganization in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing") as described in Note 1(b) below (the "Reorganization"), the business of the Listing Group was carried out by the companies now comprising the Group (the "PRC Subsidiaries") that are located in the PRC. The PRC Subsidiaries were owned and controlled by Mando Corporation ("Mando Korea" or the "Controlling Shareholder"), a company incorporated and listed in the Republic of Korea, before the Reorganization.

(b) Reorganization

In preparing for the Listing, Mando Korea established the Company and transferred the entire equity interest held by Mando Korea in eight subsidiaries, as further identified below, that are located in the PRC to the Company, for the purpose of the Listing. The Reorganization was completed on November 6, 2012.

As at the date indicated and the date of this report, the Company has direct interests in the following subsidiaries:

Name	Country/place and date of incorporation	Type of legal entity	Paid in capital as of December 31, 2012 (RMB'000)	Attributable equity interest to the Company as at December 31, 2012 (%)	Principal activities
Mando (Beijing) Automotive Chassis System Co., Ltd. ("MBC")	PRC/ January 14, 2003	Limited liability company	285,547	100.0	Manufacturing and selling auto parts
Mando Suzhou Chassis System Co., Ltd. ("MSC")	PRC/ July 28, 2002	Limited liability company	358,274	100.0	Manufacturing and selling auto parts
Mando (Tianjin) Automotive Parts Co., Ltd. ("MTC")	PRC/ December 8, 2004	Limited liability company	156,123	100.0	Manufacturing and selling auto parts
Mando (Harbin) Automotive Chassis System Co., Ltd. ("MHC")	PRC/ October 22, 2002	Limited liability company	70,355	80.0	Manufacturing and selling auto parts

Name	Country/place and date of incorporation	Type of legal entity	Paid in capital as of December 31, 2012 (RMB'000)	Attributable equity interest to the Company as at December 31, 2012 (%)	Principal activities
Mando (Ningbo) Automotive Parts Co., Ltd. ("MNC")	PRC/ March 10, 2011	Limited liability company	435,908	65.0	Manufacturing and selling auto parts
Mando (Beijing) Automotive Components R&D Center Co., Ltd. ("MRC")	PRC/ June 19, 2003	Limited liability company	43,676	100.0	Research and development of technology for auto parts
Mando (Beijing) Trading Co., Ltd. ("MBTC")	PRC/ June 13, 2007	Limited liability company	5,000	100.0	Selling auto parts
Mando (Shenyang) Automotive Parts Co., Ltd. ("MSYC")	PRC/ August 14, 2012	Limited liability company	67,668	100.0	Manufacturing and selling auto parts

The financial statements of each of the entities above for each of the three years ended December 31, 2012, where applicable, were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company with the exception of MBTC and MSYC which were audited by Tian Chuang Certified Public Accountants and Zhong Ding Sheng Hua Certified Public Accountants respectively, both of which are certified public accountants in the PRC. The financial statements of the Company for the period ended December 31, 2012 were audited by Samil PricewaterhouseCoopers, Korea.

All companies comprising the Group have adopted December 31 as their financial year end date.

2. Basis of presentation

The Controlling Shareholder owned and controlled the companies now comprising the Group before the Reorganization and continues to own and control these companies after the Reorganization. Accordingly, the Reorganization has been accounted for as a reorganization of a business under common control. The consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods or since the respective dates when these companies first came under the control of the Controlling Shareholder, whichever is the shorter period.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of this consolidated financial information are set out below. These policies have been consistently applied during the Relevant Periods. The Group has adopted International Financial Reporting Standards ("IFRS") that are effective for the accounting period beginning on January 1, 2012 consistently throughout the Relevant Periods.

3.1 Basis of Preparation

These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and under the historical cost convention throughout the Relevant Periods.

The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 4.

The Group has not applied the following new and revised IFRS that have been issued but are not yet effective:

	Effective for annual periods beginning on or after
IAS 1 (Amendment)..... Presentation of financial statements	July 1, 2012
IFRS 1 (Amendment) First time adoption on government loans	January 1, 2013
IFRSs 10, 11 and 12 (Amendment) Transition guidance	January 1, 2013
IFRS 10 Consolidated financial statements	January 1, 2013
IAS 27 (Revised 2011) Separate financial statements	January 1, 2013
IFRS 11..... Joint arrangements	January 1, 2013
IAS 28 (Revised 2011) Associates and joint ventures	January 1, 2013
IFRS 12 Disclosure of interests in other entities	January 1, 2013
IFRS 13 Fair value measurements	January 1, 2013
IAS 19 (Amendment)..... Employee benefits	January 1, 2013
IFRS 7 (Amendment) Financial instruments: Disclosures - Offsetting financial assets and financial liabilities	January 1, 2013
IFRIC 20 Stripping costs in the production phase of a surface mine	January 1, 2013
IAS 32 (Amendment)..... Financial instruments: Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
IFRS 9 Financial Instruments	January 1, 2015
IFRS 7 and IFRS 9 (Amendment) Mandatory effective date and transition disclosures	January 1, 2015

Apart from the above, the IASB has issued the fourth annual improvements project (2011) which sets out amendments to a number of IFRS primarily with a view to removing inconsistencies and clarifying wordings. The Group has not applied the following revised IFRS published in the fourth annual improvements project.

		Effective for annual periods beginning on or after
IFRS 1 (Amendment)	First time adoption of International Financial Reporting Standards	January 1, 2013
IAS 1 (Amendment).....	Presentation of financial statements	January 1, 2013
IFRS 1 (Amendment)	As a result of the above amendment to IAS 1 — Presentation of financial statements	January 1, 2013
IAS 16 (Amendment).....	Property, plant and equipment	January 1, 2013
IAS 32 (Amendment).....	Financial instruments: Presentation	January 1, 2013
IAS 34 (Amendment).....	Interim financial reporting	January 1, 2013

The Group is in the process of making an assessment of the impact of these new or revised IFRS upon initial adoption.

3.2 **Consolidation**

3.2.1 *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group entities are eliminated. Unrealised losses are also eliminated after recognising impairment of transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. The initial cost of investment is recognised at fair value. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

a) Common control business combinations

The consolidated financial information incorporates the financial information of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the financial information are presented as if the entities or business had been consolidated at the earliest date presented or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balance and unrealised gains on transactions between combining entities or business are eliminated.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate business, etc., incurred in relation to a common control combination that is to be accounted for by using merger accounting are recognised as expenses in the periods in which they are incurred.

b) Non-common control business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured as the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

3.2.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.2.3 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management of the Company that makes strategic decisions.

3.4 Foreign currency translation

3.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's and the PRC Subsidiaries' functional currency and the Group's presentation currency.

3.4.2 *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are reported in 'finance income' or 'finance costs' in the consolidated statements of comprehensive income respectively. All other foreign exchange gains and losses are reported in 'net other gains/(losses)' in the consolidated statements of comprehensive income.

3.5 **Cash and cash equivalents**

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

3.6 **Financial instruments**

3.6.1 *Classification*

The Group classifies its financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, and financial liabilities carried at amortised cost. Management determines the classification of financial instruments at initial recognition.

(a) **Financial assets and liabilities at fair value through profit or loss**

Financial assets and liabilities at fair value through profit or loss are financial instruments held for trading. Financial assets and liabilities are classified in this category if acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives or embedded derivatives are also included in this category unless they are designated as hedges.

(b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than one year after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'cash and cash equivalents', 'restricted bank deposits', 'trade receivables' and 'other receivables and deposits' in the consolidated statements of financial position.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless maturities are less than one year or management intends to dispose of it within one year after the end of the reporting period.

(d) Financial liabilities carried at amortised cost

The Group classifies non-derivative financial liabilities as financial liabilities carried at amortised cost, except for financial liabilities at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition. In case when a transfer of a financial asset does not qualify for derecognition, the transferred asset is continuously recognised as asset and the consideration received is recognised as financial liabilities. Financial liabilities carried at amortised cost are included in non-current liabilities, except for liabilities with maturities less than one year after the end of the reporting period, which are classified as current liabilities. The Group classifies the financial liabilities carried at amortised cost as 'trade payables', 'short-term and long-term borrowings' and 'other payables' in the consolidated statements of financial position.

3.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statements of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss are presented in the consolidated statements of comprehensive income within 'net other gains/(losses)' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statements of comprehensive income as part of 'net other gains/(losses)' when the Group's right to receive dividend payments is established.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statements of comprehensive income as 'net other gains/(losses)'.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated statements of comprehensive income as part of 'finance income'. Dividends on available-for-sale financial assets are recognised in the consolidated statements of comprehensive income as part of 'other gains' when the Group's right to receive dividend payments is established.

3.6.3 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.6.4 *Derecognition*

Financial instruments are derecognised when the contractual rights to receive cash flows from the investments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. If the risk and rewards of ownership of transferred assets have not been substantially transferred, the Group reviews the level of control retained over that asset and the extent of its continuing involvement to determine if transfers do not qualify for derecognition. Collateral (trade receivables) provided in transactions of discount and factoring of trade receivables do not meet the requirements for asset derecognition if risks and rewards do not substantially transfer in the event the debtor defaults. Financial liabilities recognised in relation to these transactions are included as borrowings in the Group's consolidated statements of financial position.

3.7 ***Impairment of financial assets***

3.7.1 *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- Default or delinquency in interest or principal payments for more than one year;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties;
or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot be identified with respect to individual financial assets in the portfolio, such as:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

For loans and receivables category, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced by the impairment loss amount and the amount of the loss is recognised in the consolidated statements of comprehensive income.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (for example, an improvement in debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

3.8 *Trade receivables*

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for doubtful accounts.

3.9 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method, except for inventory in-transit which is determined using the specific identification method. The cost of finished goods and work in progress consists of design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.10 *Land use rights*

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such rights are treated as a prepayment for an operating lease and recorded as land use rights, which are amortised over the lease period using the straight-line method.

The land use rights from capital contribution are recognised initially at fair value and amortised on a straight-line basis over the remaining periods of the lease.

3.11 *Property, plant and equipment*

Construction-in-progress (the "CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss of each asset to its residual values over its estimated useful life, as follows:

	<u>Estimated useful lives</u>
Buildings.....	20 ~ 30 Years
Machinery.....	10 Years
Vehicles.....	5 Years
Tools.....	5 ~ 7 Years
Furniture and fixtures.....	3 ~ 5 Years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'net other gains/(losses)', in the statements of comprehensive income.

3.12 *Intangible assets*

3.12.1 *Development costs*

Expenditure on research is recognised as an expense when it is incurred. Development costs which are individually identifiable and directly related to a new technology or to new products which carry probable future economic benefits are recognised as intangible assets when all the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is the ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditure that do not meet these criteria are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised development costs which are stated as intangible assets are amortised using the straight-line method over their estimated useful lives of five years when the assets are available for use. Capitalised development costs are tested for impairment.

3.12.2 *Industrial property rights*

Industrial property rights are presented at historical cost. Industrial property rights are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives of 5 or 10 years.

3.12.3 *Other intangible assets*

Other intangible assets including software which meet the definition of an intangible asset are amortised using the straight-line method over their estimated useful lives of 5, 8, 9 or 10 years when the asset is available for use. Other intangible assets with indefinite useful lives are not amortised because there is no foreseeable limit to the period over which the asset is expected to be utilised. Such assets are tested annually for impairment and stated at cost less accumulated impairment loss.

3.13 *Impairment of non-financial assets*

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.14 *Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.15 *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as 'finance costs' in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to delay the settlement of the borrowings for more than one year after the end of reporting period.

3.16 *Borrowing costs*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets

are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.17 *Provisions and contingent liabilities*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A warranty provision is accrued for the estimated costs of future warranty claims over warranty periods based on historical experience. When there is a probability that an outflow of economic benefits will occur from litigation or disputes, and whose amount is reasonably estimable, a corresponding amount of provision is recognised as a provision for litigation in the financial statement.

A contingent liability is not recognised but is disclosed in the Group's financial statements. When change in the probability of an outflow is probable, it will then be recognised as a provision.

3.18 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statements of financial position date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or

liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention either to settle the balances on a net basis or to realise the asset and settle the liability simultaneously.

3.19 *Employee benefits and pension obligations*

3.19.1 *Defined contribution plan*

In accordance with the rules and regulations in the PRC, the Group has arranged for its employees from the PRC to join a defined contribution retirement benefit plan organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plan as set out in Note 23. The assets of this plan are held separately from those of the Group in an independent fund managed by the PRC government.

The Group's contributions to the defined contribution retirement benefit plans are expensed in the consolidated statements of comprehensive income as incurred. The Group has no further payment obligations once the contributions have been paid.

3.19.2 *Defined benefit plan*

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in

which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

3.19.3 *Other long-term employee benefits*

The Company provides long-term employee benefits, which are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in profit or loss in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

3.20 *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any entity within the Group purchases treasury shares, the consideration paid, including any directly attributable incremental costs (net of income tax) is deducted from equity attributable to owners of the Group until the shares are cancelled or reissued. Any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Group.

3.21 *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sales of goods in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The revenue can be reliably measured only when any contingency related to sales is resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3.21.1 *Sale of goods*

The Group mainly manufactures and sells automotive components. Sales of goods are recognised when the Group has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

3.21.2 *Interest income*

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

3.22 **Government grants**

Grants from the government are recognised at their fair value when there is reasonable assurance that the grants will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as 'deferred income' and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

3.23 **Operating lease (as a lessee)**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

3.24 **Dividend distribution**

Dividend distribution is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by equity holders of the Company and the equity holders of the PRC Subsidiaries.

4. **Critical accounting estimates and judgments**

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 **Revenue recognition**

The Group recognizes its revenue upon delivery of goods or products, where the amount of revenue and costs can be measured reliably and the economic benefits associated with transaction will

probably flow to the Group. In making its judgement in applying this recognition method, the Group makes reference to various factors which include, among others, contracts signed with customers, the actual sales amount of similar historical transactions, as well as confirmations received from customers.

4.2 *Income taxes and deferred income tax*

Income generated from the Group's operations is subject to income taxes based on tax laws and interpretations of the PRC and Korean tax authorities. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recorded, based on its best estimate, current taxes and deferred taxes that the Group will be liable in the future for the operating results as of the end of reporting period. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

4.3 *Provisions*

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and those amount is reasonably estimable, a corresponding amount of provision is recognised in the financial statements. However, no provision is recognised for costs that need to be incurred to operate in the future.

4.4 *Useful lives of property, plant and equipment*

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and the practice in similar industry. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. The Group will revise the depreciation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4.5 *Pension benefit*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 16.

4.6 *Provision for accounts receivable*

The Group makes provision for impairment of receivables based on an assessment of the collectability of trade and other receivables. Provisions for impairment are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed.

5. **Financial risk management**

The Group has general principles for risk management, including management of financial risks, as well as management policies covering specific areas in considering the importance of risks. The Group identifies and evaluates risks at head office and individual subsidiary level, and requires analysis and proper communication for the information collected periodically with the Group senior management.

5.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management principles focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

5.1.1 Market risk

a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar ("USD"), Euro ("EUR") and Korean Won ("KRW"). Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in currencies that are not the Group entities' functional currencies.

As of the end of each reporting period, if the exchange rate of RMB against each foreign currency had weakened/strengthened 10% with all other variables held constant, the profit before income tax would have been increased/(decreased) as follows:

	Year ended December 31,					
	2010		2011		2012	
	<i>(RMB'000)</i>					
	<i>10% weaken</i>	<i>10% strengthen</i>	<i>10% weaken</i>	<i>10% strengthen</i>	<i>10% weaken</i>	<i>10% strengthen</i>
USD	12,329	(12,329)	(11,676)	11,676	(28,846)	28,846
EUR	732	(732)	444	(444)	562	(562)
KRW.....	—	—	—	—	(3,098)	3,098

b) Interest rate risk

The Group's cash flow interest rate risk mainly arises from borrowings with variable interest rates linked to market interest rate changes in the future. The objective of interest rate risk management lies in maximising corporate value by minimising uncertainty caused by fluctuations in interest rates and minimising net interest expense. To mitigate interest rate risk, the Group manages interest rate risk proactively by: minimising external borrowings by using a cash pooling system (internal cash sharing); reducing borrowings with high interest rates; maintaining an adequate mix between short-term and long-term liabilities and between fixed and variable interest rates; and monitoring weekly and monthly interest rate trends in domestic and international markets. As of the end of each reporting period, if interest rates had increased/decreased by 1% or 100 basis points with all other variables held constant, the interest expense related to borrowings with variable interest rates would have been increased/(decreased) as follows:

	Year ended December 31,					
	2010		2011		2012	
	<i>(RMB'000)</i>					
	<i>1% increase</i>	<i>1% decrease</i>	<i>1% increase</i>	<i>1% decrease</i>	<i>1% increase</i>	<i>1% decrease</i>
Interest expense	—	—	1,139	(1,139)	4,179	(4,179)

5.1.2 Credit risk

The Group's credit risk arises from bank deposits with financial institutions as well as credit exposures to trade receivables, other receivables and deposits.

As of December 31, 2010, 2011 and 2012, all cash and cash equivalents were deposited in major financial institutions in the PRC and the Republic of Korea, which the Group management believe are of high credit quality. The table below shows the bank deposit balances of the five major counterparties as of December 31, 2010, 2011 and 2012.

Counterparty	Rating ⁽¹⁾	December 31,		
		2010	2011	2012
		<i>(RMB'000)</i>		
Bank A.....	A1	36,051	106,089	234,278
Bank B.....	A1	80,160	75,712	73,024
Bank C.....	A1	84,781	57,986	79,379
Bank D.....	A1	10,059	42,502	42,309
Bank E.....	A2	120,063	47,420	90,309

(1) rated by Moody's (as of December 31, 2012)

The Group management does not expect any losses from non-performance by these counterparties.

The top five customers' trade receivables accounted for 77.0%, 70.4% and 75.7% of total trade receivables as of December 31, 2010, 2011 and 2012 respectively.

The Group has established policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers and volume of sales. Management make periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

5.1.3 Liquidity risk

The Group's objective to control liquidity risk is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations, collection of receivables and borrowings from financial institutions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	December 31, 2010		
	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years
	<i>(RMB'000)</i>		
Trade payables.....	844,942	—	—
Accruals and other payables	130,178	—	—
	December 31, 2011		
	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years
	<i>(RMB'000)</i>		
Trade payables.....	1,192,153	—	—
Accruals and other payables	289,629	—	—
Borrowings	18,903	32,786	244,056
Interest payments on borrowings.....	10,526	9,780	8,716
	December 31, 2012		
	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years
	<i>(RMB'000)</i>		
Trade payables	1,452,675	—	—
Accruals and other payables	304,776	—	—
Borrowings	175,177	269,102	184,941
Interest payments on borrowings	18,521	13,439	5,069

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total liabilities divided by total equity. The Group's objective of capital risk management is to maintain a sound debt-to-equity ratio consistent with others in the industry. The Group monitors the debt-to-equity ratio each month and takes required action plan to improve the capital structure.

Debt-to-equity ratio is as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000, except for ratios)</i>		
Total liabilities (A)	1,143,819	1,987,406	2,590,880
Total equity (B)	1,861,267	2,328,549	2,900,325
Debt-to-equity ratio (A/B)	61.45%	85.35%	89.33%

5.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted bank deposits, trade and other receivables, except for the prepayments, and financial liabilities including trade and other payables, except for the advance from customers, and short-term borrowings, approximate to their fair value due to their short maturity. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value. The fair value of long-term borrowings equals their carrying amount as the discounting impact is not significant.

6. Land use rights

The Group's interest in land use rights represents prepaid operating lease payment for land and its net book value is analysed as follows:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
At beginning of year	24,300	23,763	58,783
Additions.....	—	35,916	12,947
Amortisation (note 22).....	(537)	(896)	(1,338)
At end of year	<u>23,763</u>	<u>58,783</u>	<u>70,392</u>

The Group's land use rights are located in the PRC with the remaining lease periods of between 43 years to 47 years, 42 years to 49 years and 41 years to 49 years, as of December 31, 2010, 2011 and 2012 respectively.

The net book value of land use rights pledged for the Group's bank borrowings amounted to RMB nil, nil and nil as of December 31, 2010, 2011 and 2012 respectively (note 15).

Amortisation of the Group's land use rights amounting to RMB 537,000, RMB 896,000 and RMB 1,338,000 for the years ended December 31, 2010, 2011 and 2012, respectively, has been charged to selling and administrative expenses in the consolidated statements of comprehensive income.

7. Property, plant and equipment

	Buildings	Machinery	Vehicles	Tools	Furniture and fixtures	Construction -in-progress	Total
	(RMB'000)						
At January 1, 2010							
Cost	307,010	1,227,225	2,771	66,906	15,232	652	1,619,796
Accumulated depreciation	(48,411)	(413,243)	(1,699)	(35,177)	(9,603)	—	(508,133)
Net book amount.....	<u>258,599</u>	<u>813,982</u>	<u>1,072</u>	<u>31,729</u>	<u>5,629</u>	<u>652</u>	<u>1,111,663</u>
Year ended December 31, 2010							
Opening net book amount.....	258,599	813,982	1,072	31,729	5,629	652	1,111,663
Additions.....	1,496	30,305	1,844	8,049	2,564	81,945	126,203
Disposals	—	(230)	(308)	(1,270)	(119)	—	(1,927)
Depreciation (note 22).....	(15,258)	(126,734)	(417)	(13,033)	(2,764)	—	(158,206)
Transfer	—	65,585	73	587	—	(66,245)	—
Closing net book amount.....	<u>244,837</u>	<u>782,908</u>	<u>2,264</u>	<u>26,062</u>	<u>5,310</u>	<u>16,352</u>	<u>1,077,733</u>
At December 31, 2010							
Cost	308,506	1,322,547	3,559	73,468	16,874	16,352	1,741,306
Accumulated depreciation	(63,669)	(539,639)	(1,295)	(47,406)	(11,564)	—	(663,573)
Net book amount.....	<u>244,837</u>	<u>782,908</u>	<u>2,264</u>	<u>26,062</u>	<u>5,310</u>	<u>16,352</u>	<u>1,077,733</u>
Year ended December 31, 2011							
Opening net book amount.....	244,837	782,908	2,264	26,062	5,310	16,352	1,077,733
Additions.....	2,212	45,640	2,101	9,851	3,124	449,229	512,157
Business combination (note 34).....	—	20,285	536	737	435	—	21,993
Disposals	—	(7,280)	(102)	(590)	(157)	—	(8,129)
Depreciation (note 22).....	(15,495)	(146,269)	(811)	(9,680)	(2,507)	—	(174,762)
Transfer	71,438	340,131	56	1,600	3,808	(417,033)	—
Closing net book amount.....	<u>302,992</u>	<u>1,035,415</u>	<u>4,044</u>	<u>27,980</u>	<u>10,013</u>	<u>48,548</u>	<u>1,428,992</u>
At December 31, 2011							
Cost	382,156	1,711,920	5,887	80,627	23,105	48,548	2,252,243
Accumulated depreciation	(79,164)	(676,505)	(1,843)	(52,647)	(13,092)	—	(823,251)
Net book amount.....	<u>302,992</u>	<u>1,035,415</u>	<u>4,044</u>	<u>27,980</u>	<u>10,013</u>	<u>48,548</u>	<u>1,428,992</u>

	<u>Buildings</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Tools</u>	<u>Furniture and fixtures</u>	<u>Construction -in-progress</u>	<u>Total</u>
	<i>(RMB'000)</i>						
Year ended December 31, 2012							
Opening net book amount.....	302,992	1,035,415	4,044	27,980	10,013	48,548	1,428,992
Additions.....	26,724	141,637	1,174	28,872	11,870	517,160	727,437
Disposals	(50)	(6,867)	(100)	(218)	(231)	—	(7,466)
Depreciation (note 22).....	(17,973)	(191,048)	(1,189)	(11,906)	(3,485)	—	(225,601)
Transfer	102,777	353,112	618	6,450	724	(463,681)	—
Closing net book amount.....	<u>414,470</u>	<u>1,332,249</u>	<u>4,547</u>	<u>51,178</u>	<u>18,891</u>	<u>102,027</u>	<u>1,923,362</u>
At December 31, 2012							
Cost	511,581	2,190,530	7,553	115,008	33,661	102,027	2,960,360
Accumulated depreciation.....	<u>(97,111)</u>	<u>(858,281)</u>	<u>(3,006)</u>	<u>(63,830)</u>	<u>(14,770)</u>	<u>—</u>	<u>(1,036,998)</u>
Net book amount.....	<u>414,470</u>	<u>1,332,249</u>	<u>4,547</u>	<u>51,178</u>	<u>18,891</u>	<u>102,027</u>	<u>1,923,362</u>

Depreciation expenses of property, plant and equipment have been charged to the following accounts in the consolidated statements of comprehensive income:

	<u>Year ended December 31,</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
	<i>(RMB'000)</i>		
Cost of sales	148,725	164,342	210,707
Selling and administrative expenses	5,099	4,721	6,980
Research and development expenses	<u>4,382</u>	<u>5,699</u>	<u>7,914</u>
	<u>158,206</u>	<u>174,762</u>	<u>225,601</u>

The net book value of buildings pledged for the Group's bank borrowings amounted to nil, nil and nil as of December 31, 2010, 2011 and 2012 respectively (note 15).

8. Intangible assets

(a) Group

	Industrial property rights	Development costs	Software	Others	Total
	(RMB'000)				
At January 1, 2010					
Cost	28,147	—	26,870	4,169	59,186
Accumulated amortisation	(13,707)	—	(7,320)	—	(21,027)
Net book amount	<u>14,440</u>	<u>—</u>	<u>19,550</u>	<u>4,169</u>	<u>38,159</u>
Year ended December 31, 2010					
Opening net book amount	14,440	—	19,550	4,169	38,159
Additions	—	—	6,191	—	6,191
Amortisation (note 22)	(2,236)	—	(2,859)	—	(5,095)
Closing net book amount	<u>12,204</u>	<u>—</u>	<u>22,882</u>	<u>4,169</u>	<u>39,255</u>
At December 31, 2010					
Cost	28,147	—	33,061	4,169	65,377
Accumulated amortisation	(15,943)	—	(10,179)	—	(26,122)
Net book amount	<u>12,204</u>	<u>—</u>	<u>22,882</u>	<u>4,169</u>	<u>39,255</u>
Year ended December 31, 2011					
Opening net book amount	12,204	—	22,882	4,169	39,255
Additions	9,503	13,393	9,266	1,080	33,242
Business combination (note 34)	—	—	2,194	—	2,194
Amortisation (note 22)	(2,314)	(89)	(4,103)	—	(6,506)
Closing net book amount	<u>19,393</u>	<u>13,304</u>	<u>30,239</u>	<u>5,249</u>	<u>68,185</u>
At December 31, 2011					
Cost	37,650	13,393	44,521	5,249	100,813
Accumulated amortisation	(18,257)	(89)	(14,282)	—	(32,628)
Net book amount	<u>19,393</u>	<u>13,304</u>	<u>30,239</u>	<u>5,249</u>	<u>68,185</u>
Year ended December 31, 2012					
Opening net book amount	19,393	13,304	30,239	5,249	68,185
Additions	70,164	21,189	6,224	—	97,577
Amortisation (note 22)	(3,186)	(2,238)	(5,443)	—	(10,867)
Closing net book amount	<u>86,371</u>	<u>32,255</u>	<u>31,020</u>	<u>5,249</u>	<u>154,895</u>
At December 31, 2012					
Cost	107,814	34,582	50,745	5,249	198,390
Accumulated amortisation	(21,443)	(2,327)	(19,725)	—	(43,495)
Net book amount	<u>86,371</u>	<u>32,255</u>	<u>31,020</u>	<u>5,249</u>	<u>154,895</u>

Amortisation of intangible assets is charged to the following accounts in the consolidated statements of comprehensive income:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Cost of sales	13	—	—
Selling and administrative expenses	4,940	6,222	10,178
Research and development expenses	142	284	689
	<u>5,095</u>	<u>6,506</u>	<u>10,867</u>

(b) **Company**

	Industrial	Software	Total
	property rights		
	<i>(RMB'000)</i>		
Year ended December 31, 2012			
Opening net book amount	—	—	—
Additions.....	70,164	201	70,365
Amortisation	—	(7)	(7)
Closing net book amount	<u>70,164</u>	<u>194</u>	<u>70,358</u>
At December 31, 2012			
Cost	70,164	201	70,365
Accumulated amortisation.....	—	(7)	(7)
Net book amount.....	<u>70,164</u>	<u>194</u>	<u>70,358</u>

9. Deferred income tax

Details of deferred income tax assets and liabilities as of December 31, 2010, 2011 and 2012 are as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Deferred income tax assets			
Deferred income tax assets to be recovered within 1 year	17,391	23,499	26,744
Deferred income tax assets to be recovered after more than 1 year	14,816	26,770	35,821
	<u>32,207</u>	<u>50,269</u>	<u>62,565</u>
Deferred income tax liabilities			
Deferred income tax liabilities to be settled within 1 year.....	—	—	—
Deferred income tax liabilities to be settled after more than 1 year.....	(57,574)	(58,155)	(54,084)
	<u>(57,574)</u>	<u>(58,155)</u>	<u>(54,084)</u>
Deferred income tax (liabilities)/assets, net.....	<u>(25,367)</u>	<u>(7,886)</u>	<u>8,481</u>

The movement in deferred income tax assets during the Relevant Periods is as follows:

	Depreciation and amortisation	Accrued expenses	Warranty provision	Deferred income	Tax loss carry forward	Others	Total
	<i>(RMB'000)</i>						
At January 1, 2010.....	9,340	5,509	2,123	820	—	416	18,208
Recognised in the consolidated statement of comprehensive income (note 27).....	4,769	6,041	2,256	(44)	—	977	13,999
At December 31, 2010.....	<u>14,109</u>	<u>11,550</u>	<u>4,379</u>	<u>776</u>	<u>—</u>	<u>1,393</u>	<u>32,207</u>
Recognised in the consolidated statement of comprehensive income (note 27).....	6,600	3,095	2,709	446	5,115	97	18,062
At December 31, 2011.....	<u>20,709</u>	<u>14,645</u>	<u>7,088</u>	<u>1,222</u>	<u>5,115</u>	<u>1,490</u>	<u>50,269</u>
Recognised in the consolidated statement of comprehensive income (note 27).....	5,091	924	81	(72)	6,123	149	12,296
At December 31, 2012.....	<u>25,800</u>	<u>15,569</u>	<u>7,169</u>	<u>1,150</u>	<u>11,238</u>	<u>1,639</u>	<u>62,565</u>

Deferred income tax liabilities of the Group related to the undistributed retained earnings of the PRC subsidiaries. The movement in deferred income tax liabilities during the Relevant Periods is as follows:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Beginning balance of the year	36,824	57,574	58,155
Recognised in the consolidated statements of comprehensive income (note 27)	<u>24,235</u>	<u>29,192</u>	<u>4,429</u>
Transferred to withholding tax payable	<u>(3,485)</u>	<u>(28,611)</u>	<u>(8,500)</u>
Ending balance of the year	<u><u>57,574</u></u>	<u><u>58,155</u></u>	<u><u>54,084</u></u>

Deferred income tax liabilities of nil, nil and RMB 21,937,000 have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries as at December 31, 2010, 2011 and 2012 respectively. Such amounts are permanently reinvested. Such unremitted earnings totalled nil, nil and RMB 399,024,000 at December 31, 2010, 2011 and 2012, respectively.

10. Inventories

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Raw materials and consumables	81,678	95,057	78,264
Work-in-progress	28,079	26,755	25,940
Finished goods	<u>96,588</u>	<u>141,542</u>	<u>184,894</u>
	206,345	263,354	289,098
Less: provision for inventory write-down	<u>—</u>	<u>(300)</u>	<u>(399)</u>
	<u><u>206,345</u></u>	<u><u>263,054</u></u>	<u><u>288,699</u></u>

The cost of inventories recognised as expenses and included in 'cost of sales' amounting to RMB 3,359,337,000, RMB 4,133,689,000 and RMB 4,944,297,000 for the years ended December 31, 2010, 2011 and 2012, respectively.

Losses of nil, RMB 300,000 and RMB 399,000 respectively were recognized in "cost of sales" for the years ended December 31, 2010, 2011 and 2012 for the write-down of inventories to their net realisable value. During the same periods the Group reversed provisions for inventory write-downs of nil, nil and RMB 300,000 respectively as a result of subsequent sales of those inventories to third parties. These amounts have been included in 'cost of sales' in the consolidated statements of comprehensive income.

Movements in provisions for the years ended December 31, 2010, 2011 and 2012 are as follows:

	Year ended December 31,		
	2010	2011	2012
	(RMB'000)		
Opening provision	—	—	300
Reversal (note 22)	—	—	(300)
Addition (note 22)	—	300	399
Closing provision.....	<u>—</u>	<u>300</u>	<u>399</u>

11. Trade receivables, other receivables and deposits

(a) Group

Trade receivables, other receivables and deposits as of December 31, 2010, 2011 and 2012, are as follows:

	December 31,		
	2010	2011	2012
	(RMB'000)		
Trade receivables			
Accounts receivable	1,148,858	1,514,156	1,778,210
Notes receivable	97,560	377,330	495,649
Less: provision for impairment of trade receivables.....	<u>—</u>	<u>—</u>	<u>—</u>
Trade receivables, net.....	<u>1,246,418</u>	<u>1,891,486</u>	<u>2,273,859</u>
Other receivables and deposits:			
Other receivables	5,578	35,789	11,938
Guarantee deposits.....	<u>1,854</u>	<u>2,204</u>	<u>6,825</u>
	<u>7,432</u>	<u>37,993</u>	<u>18,763</u>
	<u>1,253,850</u>	<u>1,929,479</u>	<u>2,292,622</u>

The Group pledged notes receivable, amounting to nil, nil and RMB 2,000,000 as of December 31, 2010, 2011 and 2012 to certain PRC banks as collateral for notes payable (note 17).

The Group's sales are mainly made on open accounts with credit terms of 30 to 180 days from the date of invoice and bank acceptance notes with maturity within 6 months. Management generally issue invoices within 15 days of the transaction date and monitor receivables with reference to the transaction date, which is the date that the risks and rewards of ownership are transferred to the customer, and due date, which is with reference to the date of invoice.

In the opinion of the directors, the carrying amounts of trade receivables, other receivables and deposits approximated their fair values as of December 31, 2010, 2011 and 2012.

The ageing analysis of trade receivables, based on the transaction date, is as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Within 1 month	509,412	630,951	705,747
1 - 3 months	586,069	826,768	1,008,009
3 - 6 months	123,074	333,597	388,450
6 - 12 months	27,195	98,040	160,595
1 - 2 years	365	1,925	11,058
Over 2 years	303	205	—
	<u>1,246,418</u>	<u>1,891,486</u>	<u>2,273,859</u>

As of December 31, 2010, 2011 and 2012, trade receivables of approximately RMB 10,531,000, RMB 16,763,000 and RMB 69,846,000, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. At each reporting date, there are no indications that debtors whose accounts are overdue will not meet their payment obligations. The ageing analysis of these trade receivables was as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
1 - 3 months	135	31	3,595
3 - 6 months	7,591	12,618	41,141
6 -12 months	2,137	1,984	14,602
1 - 2 years	365	1,925	10,508
Over 2 years	303	205	—
	<u>10,531</u>	<u>16,763</u>	<u>69,846</u>

As of December 31, 2012, trade receivables of RMB 30,065,000 and RMB 56,356,000 with aging of 3 to 6 months and 6 to 12 months, respectively, from transaction date are related to one key customer of a subsidiary. The subsidiary was finalising certain contractual terms with the customer and the customer had not made payment. The directors are of the view that the trade receivables are not overdue according to the current arrangements with the customer. According to past experience and the credit history of the customer, the directors do not consider there is any significant credit risk of these trade receivables.

The creation and reversal of provisions for impaired receivables is included in selling and administrative expenses. Amounts charged to allowance account are written off when there is no expectation of receiving additional cash. There was no creation or reversal of provisions for impaired receivables during the Relevant Periods.

The maximum exposures to credit risk at the end of the Relevant Periods are the carrying amounts of each class of receivables mentioned above. The Group does not hold any collateral as security.

As of December 31, 2010, 2011 and 2012, the carrying amounts of the Group's trade receivables, other receivables and deposits are denominated in the following currencies:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
RMB	1,100,721	1,800,699	2,109,665
USD	145,418	123,827	182,075
EUR	7,711	4,953	882
	<u>1,253,850</u>	<u>1,929,479</u>	<u>2,292,622</u>

(b) **Company**

	December 31,
	2012
	<i>(RMB'000)</i>
Trade receivables	
Accounts receivable from subsidiaries	<u>1,167</u>
Other receivables	
Deferred IPO costs (Note 33(5))	<u>2,306</u>
	<u>3,473</u>

As of December 31, 2012, the amounts due from subsidiaries are within 90 days, based on the transaction date. Trade receivables due from subsidiaries are unsecured and interest free.

12. Other current assets

(a) *Group*

Details of other current assets are as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Prepayments for purchase of raw materials.....	6,291	5,637	11,060
Prepaid expenses	3,283	3,549	3,387
Prepaid Value Added Taxes ("VAT")	<u>821</u>	<u>6,047</u>	<u>27,956</u>
	<u>10,395</u>	<u>15,233</u>	<u>42,403</u>

As of December 31, 2010, 2011 and 2012, the carrying amount of other current assets approximated their fair values.

(b) *Company*

	December 31,
	2012
	<i>(RMB'000)</i>
Prepaid expenses	90
Prepaid VAT	<u>7,065</u>
	<u>7,155</u>

13. Cash and cash equivalents, and restricted bank deposits

(a) Group

Cash and cash equivalents, and restricted bank deposits as of December 31, 2010, 2011 and 2012 are as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Cash and cash equivalents			
Cash on hand.....	188	136	344
Cash at bank, unrestricted.....	<u>361,350</u>	<u>495,724</u>	<u>604,098</u>
	<u>361,538</u>	<u>495,860</u>	<u>604,442</u>
Restricted bank deposits.....	<u>—</u>	<u>6,100</u>	<u>49,653</u>
	<u><u>361,538</u></u>	<u><u>501,960</u></u>	<u><u>654,095</u></u>

As at December 31, 2011 and 2012, restricted bank deposits are collateral related to the pledged notes payable (note 17) and bank borrowings (note 15), respectively.

The maximum exposure to credit risk at the reporting date approximates the carrying values of the cash and cash equivalents and restricted bank deposits.

As at December 31, 2010, 2011 and 2012, the weighted average effective interest rate on restricted bank deposits of the Group are nil, 3.3% and 3.1% per annum, respectively.

The restricted bank deposits have maturities of between 3 months and 12 months at inception. The unrestricted cash at bank are all short-term bank deposits with original maturity of 3 months or less.

The Group's cash and cash equivalents, and restricted bank deposits are denominated in the following currencies:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Cash and cash equivalents			
RMB.....	305,240	340,467	340,801
USD.....	54,752	147,773	247,648
EUR.....	1,546	7,620	6,247
KRW.....	—	—	9,746
Restricted bank deposits			
RMB.....	—	6,100	—
USD.....	—	—	49,653
	<u>361,538</u>	<u>501,960</u>	<u>654,095</u>

The conversion of the RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(b) **Company**

	December 31,
	2012
	<i>(RMB'000)</i>
Cash and cash equivalents	
Cash at bank, unrestricted (KRW).....	<u>9,746</u>

14. **Equity attributable to equity holder of the Company**

14.1 **Share capital and share premium — Group and Company**

(a) *Authorised shares*

	Number of shares	Ordinary shares
	<i>(KRW'000)</i>	
At August 20, 2012, date of incorporation and at December 31, 2012.....	5,000,000,000	500,000,000

Upon incorporation on August 20, 2012, the authorised share capital of the Company was KRW 500,000,000,000 divided into 5,000,000,000 ordinary shares of KRW 100 each.

(b) *Issued shares*

	Number of shares	Ordinary shares	Share premium	Total
			(RMB'000)	
At August 20, 2012 (date of incorporation) ⁽ⁱ⁾	70,000,000	39,273	—	39,273
Reorganization ⁽ⁱⁱ⁾	<u>680,000,000</u>	<u>386,768</u>	<u>3,960,788</u>	<u>4,347,556</u>
At December 31, 2012	<u>750,000,000</u>	<u>426,041</u>	<u>3,960,788</u>	<u>4,386,829</u>

(i) Upon incorporation on August 20, 2012, the Company issued 70,000,000 ordinary shares to the Controlling Shareholder at the par value of KRW 100 per share, with total consideration of KRW 7,000,000,000 (RMB 39,273,000).

(ii) On November 6, 2012, the Company issued 680,000,000 ordinary shares to the Controlling Shareholder at the par value of KRW 100 per share to acquire the entire equity interests in the PRC Subsidiaries held by the Controlling Shareholder. The share premium represented the difference between the fair value of the Company's equity interests in the PRC Subsidiaries as at November 6, 2012, the completion date of Reorganization, and the par value of ordinary shares issued, net of issuance costs.

14.2 *Other reserves — Group*

Other reserves represented the difference between the share capital of the PRC Subsidiaries and related costs of investments in the PRC Subsidiaries.

Pursuant to a board resolution dated October 6, 2011, MSC declared dividends of USD 19,000,000 (equivalent to RMB 120,204,000) from its net profit for the years ended December 31, 2008, 2009 and 2010 to Mando Korea, of which USD 17,100,000 (equivalent to RMB 108,407,000) was capitalized as paid in capital of MSC and USD 950,000 (equivalent to RMB 5,899,000) was paid as withholding PRC dividend income tax.

Pursuant to a board resolution dated October 8, 2011, MBC declared dividends of USD 9,684,000 (equivalent to RMB 61,284,000) from its net profit for the year ended December 31, 2009 to Mando Korea, of which USD 9,200,000 (equivalent to RMB 58,230,000) was capitalised as paid in capital of MBC and USD 484,000 (equivalent to RMB 3,054,000) was paid as withholding PRC dividend income tax.

Upon establishment of MNC in March 2011 by Mando Korea and Zhejiang JiRun Automobile Co., Ltd., and in July 2011, the two investors made cash injections totalling USD 38,261,000 (equivalent to RMB 248,630,000) to MNC as paid in capital of MNC, of which, Mando Korea paid USD 24,863,000 (equivalent to RMB 161,609,000) and Zhejiang JiRun Automobile Co., Ltd. paid RMB 87,021,000.

In June 2012, the two investors of MNC made further cash injections totalling USD 16,989,000 (equivalent to RMB 107,098,000) to MNC as paid in capital of MNC, of which Mando Korea paid USD 11,050,000 (equivalent to RMB 69,613,000) and Zhejiang JiRun Automobile Co., Ltd. paid RMB 37,485,000. Subsequent to the completion of the Reorganization, in December 2012, Zhejiang JiRun Automobile Co., Ltd. made another capital contribution amounting to RMB 28,062,000 to MNC as paid in capital of MNC.

Upon establishment of MSYC in August 2012, Mando Korea made cash injections totalling USD 7,200,000 (equivalent to RMB 45,656,000) to MSYC as paid in capital of MSYC.

In August, 2012, Mando Korea made further cash injections totalling USD 3,000,000 (equivalent to RMB 19,031,000) to MRC as paid in capital of MRC.

14.3 *Retained earnings/accumulated losses*

(a) *Retained earnings — Group*

Retained earnings includes the Group's statutory reserves. The PRC Subsidiaries are required to make certain statutory reserves, namely statutory reserve fund and enterprise expansion fund from their statutory profit, for the year after offsetting accumulated losses as determined under the PRC accounting regulations from prior years and before profit distribution to equity holders. The percentages to be appropriated to such statutory reserve funds are determined according to the relevant regulations in the PRC at rates of not less than 10%, or at the discretion of the board of directors of the respective companies. The transfers to statutory reserves for the years ended December 31, 2010, 2011 and 2012 were RMB 53,470,000, RMB 53,447,000 and RMB 33,627,000. The consolidated statutory reserves of companies comprising the Group as of December 31, 2010, 2011 and 2012 were RMB 212,336,000, RMB 265,783,000 and RMB 299,410,000.

(b) *Accumulated losses — Company*

	The Period from August 20, 2012 (date of incorporation) to December 31, 2012
	<u>(RMB'000)</u>
At beginning of the period	—
Loss for the period	<u>(9,685)</u>
At end of the period	<u><u>(9,685)</u></u>

15. Borrowings

(a) Group

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Current			
Short-term borrowings.....	—	—	142,471
Long-term borrowings - current portion	—	18,903	32,706
	—	18,903	175,177
Non-current			
Long-term borrowings	—	276,842	454,043
	—	295,745	629,220
Representing:			
Unsecured	—	295,745	579,567
Secured ⁽¹⁾	—	—	49,653
	—	295,745	629,220

(1) Bank borrowings of RMB49,653,000 were secured by restricted bank deposits as of December 31, 2012 (note 13).

The Group's bank borrowings are denominated in the following currencies:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
USD floating rate			
Expiring within one year	—	18,903	134,451
Expiring beyond one year	—	276,842	454,043
USD fixed rate			
Expiring within one year	—	—	—
Expiring beyond one year	—	—	—
	<u>—</u>	<u>295,745</u>	<u>588,494</u>
KRW floating rate			
Expiring within one year	—	—	40,726
Expiring beyond one year	—	—	—
KRW fixed rate			
Expiring within one year	—	—	—
Expiring beyond one year	—	—	—
	<u>—</u>	<u>—</u>	<u>40,726</u>
	<u>—</u>	<u>295,745</u>	<u>629,220</u>

The maturity of borrowings is as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
On demand or within 1 year	—	18,903	175,177
Between 1 and 2 years	—	32,786	269,102
Between 2 and 5 years	—	244,056	184,941
	<u>—</u>	<u>295,745</u>	<u>629,220</u>

At each reporting date there were no borrowings repayable within a period of more than five years.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at each reporting dates were as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Within 6 months	—	295,745	629,220
6 months to 1 year	—	—	—
	<u>—</u>	<u>295,745</u>	<u>629,220</u>

The weighted average effective interest rates as of December 31, 2010, 2011 and 2012 were as follows:

	December 31,		
	2010	2011	2012
Short-term borrowings			
USD	—	—	1.67%
KRW	—	—	3.99%
Long-term borrowings including current portion			
USD	—	3.56%	3.43%

As of December 31, 2010 and 2011 and 2012 the carrying amounts of borrowings approximated their fair values.

The Group has the following undrawn borrowing facilities:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
RMB			
Expiring within one year	49,030	417,039	436,872
USD			
Expiring within one year	243,914	389,585	210,831
Expiring beyond one year	—	—	188,565
	<u>292,944</u>	<u>806,624</u>	<u>836,268</u>

(b) *Company*

	<u>December 31, 2012</u>
	<i>(RMB'000)</i>
Short-term borrowings	
USD floating rate	52,091
KRW floating rate.....	<u>40,726</u>
	<u>92,817</u>

As of December 31, 2012, the Company's bank borrowings are unsecured and the Company has undrawn borrowing facilities expiring within one year amounting to USD 11,713,000.

16. **Retirement Benefit Obligations — Group and Company**

The pension plans recognized in the statements of financial position are as follows:

	<u>December 31, 2012</u>
	<i>(RMB'000)</i>
Present value of unfunded obligations	<u>34,093</u>

Defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit obligation is valued by HMC Investment and Securities, which is qualified actuaries in the Republic of Korea annually using the projected unit credit method.

The movement in the defined benefit obligation over the year is as follows:

	<u>Year ended December 31, 2012</u>
	<i>(RMB'000)</i>
At January 1	—
Liabilities transferred from the Controlling Shareholder	33,309
Current service cost	1,473
Benefits paid	<u>(689)</u>
At December 31	<u>34,093</u>

The amounts recognized in the statements of comprehensive income are as follows:

	<u>Year ended December 31, 2012</u>
	<i>(RMB'000)</i>
Current service cost.....	<u>1,473</u>

Total costs included in above plan are charged to selling and administrative expenses.

The principal actuarial assumptions used are as follows:

	<u>December 31, 2012</u>
Discount rate.....	3.8%
Future salary increase.....	5.0%
Expected rate of mortality.....	0.01%-0.1%
Expected rate of retirement.....	4.0%-12.1%

17. Trade payables

Details of trade payables are as follows:

	<u>December 31,</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
	<i>(RMB'000)</i>		
Accounts payable.....	743,971	1,159,192	1,439,547
Notes payable.....	<u>100,971</u>	<u>32,961</u>	<u>13,128</u>
	<u>844,942</u>	<u>1,192,153</u>	<u>1,452,675</u>

As of December 31, 2010, 2011 and 2012 notes payable represented bank acceptance notes issued by the Group with maturity within 6 months, respectively.

As of December 31, 2011, notes payable of RMB 6,050,000 were secured by restricted bank deposits of RMB 6,100,000 (note 13).

As of December 31, 2012, notes payable of RMB 2,000,000 were secured by notes receivable of RMB 2,000,000 (note 11).

The ageing analysis of trade payables is as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Within 1 month	459,938	403,525	608,517
1 month to 3 months.....	364,663	778,459	802,126
3 months to 6 months.....	18,483	8,354	36,925
6 months to 1 year.....	1,700	876	4,182
1 year to 2 years.....	17	757	794
Over 2 years	141	182	131
	<u>844,942</u>	<u>1,192,153</u>	<u>1,452,675</u>

Trade payables were denominated in the following currencies:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
RMB	805,241	1,166,270	1,434,196
USD.....	37,655	23,635	18,194
EUR.....	1,913	1,888	285
JPY.....	133	360	—
	<u>844,942</u>	<u>1,192,153</u>	<u>1,452,675</u>

As of December 31, 2010, 2011 and 2012 the carrying amounts of trade payables approximated their fair values.

18. Accruals and other payables

(a) *Group*

Details of accruals and other payables are as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Other payables.....	56,885	108,433	126,360
Accrued expenses.....	49,235	53,964	60,116
Payable for purchase of property, plant and equipment.....	39,775	81,802	139,445
Dividends payable, net of withholding tax	—	74,092	—
	<u>145,895</u>	<u>318,291</u>	<u>325,921</u>

As of December 31, 2010, 2011 and 2012, the carrying amounts of accruals and other payables approximated their fair values.

(b) *Company*

	December 31, 2012
	<i>(RMB'000)</i>
Other payables.....	6,128
Accrued expenses	<u>4,455</u>
	<u>10,583</u>

19. Other current liabilities

(a) Group

Other current liabilities as of December 31, 2010, 2011 and 2012 are as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Withholding taxes payable	4,488	7,297	11,484
Advances from customers	770	51	95
VAT payable	<u>7,576</u>	<u>11,600</u>	<u>6,690</u>
	<u>12,834</u>	<u>18,948</u>	<u>18,269</u>

As of December 31, 2010, 2011 and 2012, the carrying amounts of other current liabilities approximated their fair values.

(b) Company

	December 31, 2012
	<i>(RMB'000)</i>
Other taxes payable.....	<u>5,467</u>

20. Provisions

The Group accrues a warranty reserve for the estimated costs of future service, repairs and recalls relating to defects of products sold, for a specified period of time (1~3 years) after sale.

Movements in provisions for the years ended December 31, 2010, 2011 and 2012 are as follows:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
At beginning of year.....	14,993	20,218	31,346
Additions (note 22).....	14,328	24,601	21,153
Utilisation.....	<u>(9,103)</u>	<u>(13,473)</u>	<u>(21,242)</u>
At end of year	<u>20,218</u>	<u>31,346</u>	<u>31,257</u>

21. Revenue and segment information

The Group is principally engaged in the manufacturing and distribution of auto parts. The Group's products have similar processes, customers and economic characteristics. Revenue recognised by type for the Relevant Periods is as follows:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Sales of goods	4,386,300	5,338,424	6,255,445
Provision of services	1,376	794	3,801
	<u>4,387,676</u>	<u>5,339,218</u>	<u>6,259,246</u>

The chief operating decision-maker has been identified as the senior management. The chief operating decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources.

Based on these reports, the chief operating decision-maker has determined that no business segment information is presented as almost all of the Group's revenue and operating profits are derived from the sales of auto parts, and almost all of the Group's productions and operating assets are located in the PRC, which is considered as one segment with similar risks and returns.

The Group is domiciled in the PRC. The result of its revenue from external customers in different countries is as follows:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
PRC.....	3,879,062	4,713,676	5,420,153
Others.....	508,614	625,542	839,093
	<u>4,387,676</u>	<u>5,339,218</u>	<u>6,259,246</u>

Revenue derived from external customers deemed to be under the common control of third parties to the Group that each amount to more than 10 percent of the Group's revenue is listed as below:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Customer group A	2,751,520	3,121,714	3,437,979
Customer group B	790,954	869,228	940,933
	<u>3,542,474</u>	<u>3,990,942</u>	<u>4,378,912</u>

22. Expenses by nature

Expenses included in cost of sales, selling and administrative expenses, and research and development expenses in the consolidated statements of comprehensive income for the years ended December 31, 2010, 2011 and 2012, are as follows:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Raw materials consumed	2,988,609	3,691,140	4,377,939
Changes in inventories of finished goods and work-in-progress	(38,866)	(43,630)	(42,537)
Provision for write-down of inventories	—	300	99
Employee benefit expenses (note 23)	156,622	225,232	312,410
Depreciation and amortisation (note 7, 8)	163,301	181,268	236,468
Amortisation of land use rights (note 6)	537	896	1,338
Commission and fees	30,747	44,168	69,707
Utilities	50,135	54,346	68,416
Repair and maintenance	19,227	28,578	30,346
Freight expenses	70,149	89,819	110,335
Packing expenses	33,739	54,273	62,046
Royalty expenses ⁽¹⁾	80,212	102,560	123,071
Warranty expenses (note 20)	14,328	24,601	21,153
Stamp duty, property tax and other surcharges	9,571	33,859	39,002
Supplies expenses	36,999	33,795	53,303
Auditors' remuneration	1,594	1,618	1,917
Others	116,835	121,024	131,645
	<u>3,733,739</u>	<u>4,643,847</u>	<u>5,596,658</u>

- (1) Includes royalty expenses calculated as a percentage of the adjusted revenue for products (which is the revenue from the sale of such products minus the value of parts or components purchased from Mando Korea that were used in the manufacture of such products) which utilized licensed intellectual property of Mando Korea.

23. Employee benefit expenses

	Year ended December 31,		
	2010	2011	2012
	(RMB'000)		
Salaries, bonus and other welfare	110,405	165,706	228,590
Social insurance and other benefits ⁽¹⁾	46,217	59,526	79,677
Pension costs - defined benefit plans (note 16)	—	—	1,473
Other long-term employee benefit ⁽²⁾	—	—	2,670
	156,622	225,232	312,410

(1) *Defined contribution plans*

The local employees of the PRC subsidiaries of the Group participate in defined contribution benefit plans, including pension, medical, housing and other benefits organised by the relevant provincial governments. For the Relevant Periods the Group is required to make monthly contributions to these plans at certain rates, with the base of their total salaries subject to certain ceilings.

(2) *Other long-term employee benefits*

The Company provides long-term employee benefits, including long-term service awards and paid leave, which are entitled to employees and certain expatriate employees of the PRC Subsidiaries with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans.

24. Directors and senior management's emoluments

24.1 Directors' emoluments

The emoluments of individual directors of the Company for the years ended December 31, 2010, 2011 and 2012 are as follows:

	Year ended December 31,		
	2010	2011	2012
	(RMB'000)		
Directors' emoluments			
- Fee	—	—	—
- Salaries and allowances	972	4,705	7,330
- Discretionary bonus	137	235	727
- Pension	297	601	621
	<u>1,406</u>	<u>5,541</u>	<u>8,678</u>

Detail of individual directors' emoluments for the years ended December 31, 2010, 2011 and 2012 are set out below. The analysis presented below includes amounts paid to directors by the Group's Controlling Shareholder which have not been recharged to the Group during the Relevant Periods (see note 33 (5)). The total of such costs included in the tables below are RMB 926,000, RMB 1,993,000 and RMB 1,998,000 for the years ended December 31, 2010, 2011 and 2012, respectively.

	Fees	Salaries and allowances	Discretionary bonus	Pension	Total
	(RMB'000)				
For the year ended December 31, 2010					
Chief executive director					
Shim, Sang Deok.....	—	895	29	244	1,168
Executive director					
Kim, Hoon Tae	—	—	—	—	—
Non-executive directors					
Shin, Sahyeon	—	—	—	—	—
Chung, Frank Kun	—	—	—	—	—
Jeong, Dae Jong	—	77	108	53	238
Independent non-executive directors					
Choi, Sang Tai	—	—	—	—	—
Rhee, Nam Uh.....	—	—	—	—	—
Lee, Jong Dae ⁽¹⁾	—	—	—	—	—
	<u>—</u>	<u>972</u>	<u>137</u>	<u>297</u>	<u>1,406</u>

	Fees	Salaries and allowances	Discretionary bonus	Pension	Total
	<i>(RMB'000)</i>				
For the year ended December 31, 2010					
Amounts paid by the PRC Subsidiaries.....	—	480	—	—	480
Amounts paid by the Controlling Shareholder	—	492	137	297	926
Total	<u>—</u>	<u>972</u>	<u>137</u>	<u>297</u>	<u>1,406</u>
For the year ended December 31, 2011					
Chief executive director					
Shim, Sang Deok.....	—	2,536	216	454	3,206
Executive director					
Kim, Hoon Tae	—	359	—	32	391
Non-executive directors					
Shin, Sahyeon	—	—	—	—	—
Chung, Frank Kun	—	—	—	—	—
Jeong, Dae Jong	—	1,810	19	115	1,944
Independent non-executive directors					
Choi, Sang Tai	—	—	—	—	—
Rhee, Nam Uh.....	—	—	—	—	—
Lee, Jong Dae ⁽¹⁾	—	—	—	—	—
	<u>—</u>	<u>4,705</u>	<u>235</u>	<u>601</u>	<u>5,541</u>
For the year ended December 31, 2011					
Amounts paid by the PRC Subsidiaries.....	—	3,332	216	—	3,548
Amounts paid by the Controlling Shareholder	—	1,373	19	601	1,993
Total	<u>—</u>	<u>4,705</u>	<u>235</u>	<u>601</u>	<u>5,541</u>

	Fees	Salaries and allowances	Discretionary bonus	Pension	Total
	<i>(RMB'000)</i>				
For the year ended December 31, 2012					
Chief executive director					
Shim, Sang Deok.....	—	2,957	335	383	3,675
Executive director					
Kim, Hoon Tae	—	1,995	285	117	2,397
Non-executive directors					
Shin, Sahyeon	—	—	—	—	—
Chung, Frank Kun	—	—	—	—	—
Jeong, Dae Jong	—	2,111	107	121	2,339
Independent non-executive directors					
Choi, Sang Tai	—	89	—	—	89
Rhee, Nam Uh.....	—	89	—	—	89
Lee, Jong Dae ⁽¹⁾	—	89	—	—	89
	<u>—</u>	<u>7,330</u>	<u>727</u>	<u>621</u>	<u>8,678</u>
For the year ended December 31, 2012					
Amounts paid by the PRC Subsidiaries.....	—	4,371	727	—	5,098
Amounts paid by the Company.....	—	1,375	—	207	1,582
Amounts paid by the Controlling Shareholder	—	1,584	—	414	1,998
Total	<u>—</u>	<u>7,330</u>	<u>727</u>	<u>621</u>	<u>8,678</u>

(1) Lee, Jong Dae resigned on April 8, 2013 and Lim, Sang Soo was appointed on April 8, 2013.

Except for Mr. Shim, Sang Deok, Mr. Jeong, Dae Jong, and Mr. Kim, Hoon Tae, no remuneration was paid to other directors until establishment of the Company as they were appointed subsequent to the establishment of the Company and had not involved in the operation of any of the companies now comprising the Group before the establishment of the Company.

No director of the Company waived any emolument for the years ended December 31, 2010, 2011 and 2012.

24.2 Five highest paid individuals

For the years ended December 31, 2010, 2011 and 2012, the five individuals whose emoluments were the highest in the Group include 1, 2 and 2 directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 4, 3 and 3 individuals were as follows:

	Year ended December 31,		
	2010	2011	2012
	(RMB'000)		
Salary and allowances	4,937	4,314	7,624
Discretionary bonus	504	816	506
Pension	341	290	1,069
	<u>5,782</u>	<u>5,420</u>	<u>9,199</u>

The emoluments of the individuals with the highest emoluments fell within the following bands:

	Year ended December 31,		
	2010	2011	2012
	(RMB'000)		
Nil to HK \$1,000,000 (equivalent to RMB 812,800).....	—	—	—
HK \$1,000,001 to HK \$2,000,000 (equivalent to RMB 812,800 to RMB 1,625,600)	2	1	—
HK \$2,000,001 to HK \$3,000,000 (equivalent to RMB 1,625,600 to RMB 2,438,400)	2	2	—
HK \$3,000,001 to HK \$4,000,000 (equivalent to RMB 2,438,400 to RMB 3,251,200)	—	—	1
HK \$4,000,001 to HK \$5,000,000 (equivalent to RMB 3,251,200 to RMB 4,064,000)	—	—	2

For the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

25. Other income and net other gains

Other income and net other gains for the Relevant Periods, consist of:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Other income			
Subsidy income	<u>3,171</u>	<u>636</u>	<u>11,289</u>
Net other gains			
Net foreign exchange gains/(losses)	1,797	(2,181)	127
Loss on disposal of property, plant and equipment	(1,306)	(4,199)	(3,654)
Sales of moulds and scrap	2,852	4,225	2,297
Other gains.....	<u>4,480</u>	<u>5,033</u>	<u>2,882</u>
	<u>7,823</u>	<u>2,878</u>	<u>1,652</u>

26. Finance income and costs

Finance income and costs for the Relevant Periods are as follows:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Finance income			
Interest income.....	2,535	3,823	3,143
Foreign exchange gains.....	<u>218</u>	<u>6,791</u>	<u>7,417</u>
	<u>2,753</u>	<u>10,614</u>	<u>10,560</u>
Finance costs			
Interest expense.....	4,561	4,516	12,090
Foreign exchange losses	<u>4,926</u>	<u>6,891</u>	<u>4,082</u>
	<u>9,487</u>	<u>11,407</u>	<u>16,172</u>

27. Income tax expense

Details of income tax expense for the Relevant Periods are as follows:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Current income tax.....	145,179	189,854	181,474
Deferred income tax (note 9).....	<u>10,236</u>	<u>11,130</u>	<u>(7,867)</u>
Income tax expense.....	<u>155,415</u>	<u>200,984</u>	<u>173,607</u>

The PRC Enterprise Income Tax ("EIT") is calculated based on the statutory profit of the entities incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

The entities incorporated in the PRC are subject to EIT at applicable rates ranging from 15% to 33% before January 1, 2008. Effective from January 1, 2008, the subsidiaries incorporated in the PRC shall determine and pay the EIT in accordance with the Corporate Income Tax Law of the People's Republic of China (the "new EIT Law") as approved by the National People's Congress on March 16, 2007 and the Detailed Implementations Regulations of the Corporate Income Tax Law (the "DIR") as approved by the State Council on December 6, 2007. In accordance with the new EIT Law and DIR, the EIT rate applicable to the subsidiaries incorporated in the PRC would be 25% for those with original applicable EIT rates higher than 25%, or gradually increased to 25% in a 5-year period from 2008 to 2012 for those with original applicable EIT rates lower than 25%.

MTC and MHC were incorporated as foreign investment enterprises in the PRC, and had obtained approvals from the relevant tax authorities in the PRC for their entitlement to exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profit-making year after offsetting all unexpired tax losses carried forward from the previous years, or from the year of 2008, where this is earlier.

MTC started to enjoy the tax exemption since January 1, 2008. Accordingly, the EIT rate of MTC for the years ended December 31, 2010, 2011 and 2012 were 12.5%, 12.5% and 12.5%, respectively.

MHC was established in Harbin Economic Development Zone and enjoyed a reduced EIT rate of 15% before 2008. Since January 1, 2008, with the effect of the new EIT Law and DIR, the applicable EIT rate for MHC would gradually increase to 25% in a 5-year period and resulted in its applicable EIT rates from 2008 to 2011 as 18%, 20%, 22% and 24%, respectively. Meanwhile, MHC started to enjoy the tax exemption since January 1, 2008. Accordingly, the EIT rates of MHC for the years ended December 31, 2010, 2011 and 2012 were further reduced to 11%, 12% and 12.5%, respectively.

MSC, MBC and MRC were all certified as High and New Technology Enterprises (“HNTE”) in 2008 and were entitled to a reduced tax rate of 15% for three years commencing from January 1, 2008. For MSC, the applicable EIT rate for the year ended December 31, 2010 was 15% and returned to 25% for the year ended December 31, 2011 when the HNTE certificate expired. On December 28, 2010, MBC received a notice from Beijing Miyun Municipal office of State Administration of Taxation to suspend its HNTE certificate for further assessment by the local authorities. Therefore, the applicable EIT rate for MBC returned to 25% since January 1, 2010. For MRC, it re-applied and was granted further three years of the HNTE certificate before the first three years’ entitlement ended in 2010, and accordingly its applicable EIT rates for the years ended December 31, 2010, 2011 and 2012 were 15%.

The tax on the Group’s profit before tax differs from the theoretical amount that would arise from using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Profit before income tax.....	658,197	698,092	669,917
Tax calculated at tax rates applicable to profits of respective entities.....	138,460	174,195	167,194
Adjustments:			
Income not subject to tax or expenses not deductible for tax purposes	7,169	7,450	8,238
Effect of dividend tax on the distributable profits of the PRC subsidiaries ⁽¹⁾	24,235	29,192	4,429
Effect of tax exemption.....	(7,168)	(5,409)	(4,539)
Result from changes in tax rate	<u>(7,281)</u>	<u>(4,444)</u>	<u>(1,715)</u>
Income tax expense.....	<u>155,415</u>	<u>200,984</u>	<u>173,607</u>
Effective tax rate	23.6%	28.8%	25.9%

- (1) Pursuant to the new EIT law, 10% withholding income tax will be levied on foreign investors from dividend distributions from foreign invested PRC enterprises’ profit earned after January 1, 2008. For qualified investors incorporated in the Republic of Korea, a treaty rate of 5% will be applicable. Pursuant to the applicable Korean legislation, additional income tax will be levied on dividends received by qualified investors in Korea at varying rates dependant on the income tax already paid or withheld in the PRC. For the years ended December 31, 2010, 2011 and 2012, dividends received and receivable by the respective shareholders of the PRC Subsidiaries were subject to additional tax charges at rates of 1.0% to 8.5%, 2.0% to 9.5%, and 4.9% to 6.2%, respectively.

For the years ended December 31, 2010, 2011 and 2012, deferred income tax is recognised on the distributable profits of the PRC Subsidiaries using the applicable PRC and Korea dividend income tax rates of the Company to the extent that the directors of the Company determine that those profits will be distributed in the foreseeable future.

28. Earnings per share

Basic earnings per share for the years ended December 31, 2010, 2011 and 2012 is calculated by dividing the profit attributable to equity holder of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods. In determining the weighted average number of ordinary shares in issue during the years ended December 31, 2010, 2011 and 2012, the 750,000,000 shares issued on completion of the Reorganization on November 6, 2012 have been treated as if the 750,000,000 shares were in issue since January 1, 2010.

	Year ended December 31,		
	2010	2011	2012
Profit attributable to equity holder of the Company (RMB'000)	497,772	499,933	498,412
Weighted average number of ordinary shares in issue	750,000,000	750,000,000	750,000,000
Basic earnings per share (RMB)	<u>0.66</u>	<u>0.67</u>	<u>0.66</u>

As there were no dilutive options and other dilutive potential shares in issue during the Relevant Periods, diluted earnings per share is the same as basic earnings per share.

29. Dividends

During the Relevant Periods, no dividend has been paid or declared by the Company as it was established on August 20, 2012 as set out in note 1.

Dividends declared or proposed by the PRC Subsidiaries now comprising the Group out of their retained earnings to the then equity holders of the respective companies, after eliminating intra-group dividends, for the years ended December 31, 2010, 2011 and 2012 are RMB 41,410,000, RMB 307,067,000 and RMB 170,000,000 respectively.

30. Investments in subsidiaries — Company

	December 31, 2012
	(RMB'000)
Unlisted equity investments, at cost	<u>4,426,715</u>

Particulars of the subsidiaries of the Group, all of which are direct subsidiaries of the Company, as at December 31, 2012 is set out in note 1(b).

31. Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations is as follows:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Profit before income tax for the year	658,197	698,092	669,917
Adjustments:			
Retirement benefit obligations (note 16)	—	—	1,473
Depreciation (note 7)	158,206	174,762	225,601
Amortisation of land use rights (note 6)	537	896	1,338
Amortisation of intangible assets (note 8)	5,095	6,506	10,867
Loss on disposal of property, plant and equipment (note 25)	1,306	4,199	3,654
Provision for write-down of inventories	—	300	99
Foreign exchange losses/(gains), net (note 26)	4,708	100	(3,335)
Interest income (note 26)	(2,535)	(3,823)	(3,143)
Interest expense (note 26)	4,561	4,516	12,090
Changes in working capital:			
(Increase)/decrease in restricted bank deposits	—	(6,100)	6,100
Increase in trade receivables	(228,412)	(645,068)	(382,373)
(Increase)/decrease in other receivables and deposits	(1,998)	(30,561)	19,230
Increase in inventories	(55,357)	(57,009)	(25,744)
Increase in other assets	(2,282)	(4,838)	(29,342)
Increase in trade payables	50,368	347,211	260,522
Increase in accruals and other payables	28,897	55,365	23,958
Increase/(decrease) in provisions	5,225	11,128	(89)
Retirement benefit obligations transferred from the Controlling Shareholder (note 16)	—	—	33,309
Retirement benefit obligations paid (note 16)	—	—	(689)
(Decrease)/increase in other liabilities	(6,101)	5,827	1,703
Cash generated from operations	<u>620,415</u>	<u>561,503</u>	<u>825,146</u>

- (1) *In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:*

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Net book amount (note 7).....	1,927	8,129	7,466
Loss on disposal of property, plant and equipment.....	<u>(1,306)</u>	<u>(4,199)</u>	<u>(3,654)</u>
Proceeds from disposal of property, plant and equipment.....	<u>621</u>	<u>3,930</u>	<u>3,812</u>

- (2) *Major non-cash transaction:*

During the year ended December 31, 2011, MSC and MBC capitalised retained earnings amounting to approximately RMB 166,637,000 to their paid-in capital for future expansion.

32. Commitments

- (1) *Capital commitments*

Capital commitments in respect of property, plant and equipment are as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
- contracted but not provided for	<u>603</u>	<u>73,856</u>	<u>11,229</u>

(2) *Operating lease commitments*

The future aggregate minimum lease payments under non-cancellable operating leases for plant, office and equipment and vehicles are as follows:

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Less than 1 year	13,881	11,296	11,919
Between 1 and 2 years.....	2,584	3,247	3,687
Between 2 and 3 years.....	1,358	1,661	1,969
More than 3 years.....	26,548	24,088	34,467
	<u>44,371</u>	<u>40,292</u>	<u>52,042</u>

33. **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended December 31, 2010, 2011 and 2012, and balances arising from related party transactions as of December 31, 2010, 2011 and 2012.

(1) ***Name of related parties and relationship with the Group***1) *Controlling Shareholder:*

Mando Corporation

2) *Controlled by the Controlling Shareholder:*

MEISTER, Inc.

Uriman, Inc.

Meister Logistics Corporation America

Halla Meister Global Transportation, LLC.

Halla Meister Shanghai Trading Co., Ltd.

Halla Meister (Suzhou) Logistics Co., Ltd.

Woori Engineering Co., Ltd.

Halla Stackpole Corporation

Halla Stackpole (Beijing) Automotive Co., Ltd.

Mando Advanced Materials Co., Ltd.

Tianjin Mando Advanced Materials Co., Ltd.

Mando America Corporation
Mando India Ltd.
Mando India Steering Systems Private., Ltd.
Mando Sofitech India Private., Ltd.
Mando Corporation Europe GmbH
Mando Corporation do Brasil Industry of Auto Parts Ltda
Mando Corporation Poland

3) *Associates of the Controlling Shareholder:*

Halla Engineering & Construction Corporation
Autoventure Mando SDN, BHD
Mando-Hella Electronics Corp. and subsidiary
Maysan Mando Otomotiv Parcalari Sanayi VE Ticaret
Mando Brose Corporation
KYB-Mando do Brazil Fabricante De Autopecas Ltda.
Halla(Tianjin) Real Estate Development Co., Ltd.
Mokpo New Port Terminal Corporation
Halla Encom Corporation and subsidiaries
Halla Investment & Consulting Company and subsidiaries
Pangyo Edu Park Ltd.
Halla Green Energy Co., Ltd.
Halla Development Corporation
HC Chongju First Co., Ltd.
Halla Yangieong Limited

(2) *Transactions with related parties*

Significant transactions for the years ended December 31, 2010, 2011 and 2012 are as follows:

Transactions with the Controlling Shareholder

1) *Continuing related party transactions*

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Sales of goods	353,618	354,415	524,404
Purchase of inventory	574,948	610,827	646,020
Purchase of property, plant and equipment	82,942	333,883	334,036
Royalty expenses ⁽¹⁾	80,212	111,490	114,737
Commission and fees	17,110	17,962	49,827

(1) See footnote to note 22 for further information.

2) *Non-Continuing related party transactions*

	Year ended December 31,		
	2010	2011	2012
	(RMB'000)		
Purchase of industrial property rights	—	—	70,164
Transfer of retirement benefit obligation (note 16)	—	—	33,309
Others	—	—	61

Transactions with other related parties

1) *Continuing related party transactions*

	Year ended December 31,		
	2010	2011	2012
	(RMB'000)		
Sales of goods	31,513	39,532	61,134
Purchase of inventory	66,709	81,792	154,029
Purchase of property, plant and equipment	373	4,408	1,257
Freight and packing expenses	14,128	58,423	127,929

2) *Non-Continuing related party transactions*

	Year ended December 31,		
	2010	2011	2012
	(RMB'000)		
Claim fee	—	5,691	2,929
Others	515	—	594

Except for the “purchase of industrial property rights”, the transactions above were carried out in the ordinary course of business and under normal commercial terms and conditions.

(3) *Balances with related parties*

Balances with the Controlling Shareholder

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Trade receivables.....	111,743	82,108	130,933
Other receivables and deposits	<u>164</u>	<u>—</u>	<u>1,520</u>
	<u>111,907</u>	<u>82,108</u>	<u>132,453</u>

As of May 13, 2013, approximately RMB 1,519,000 of the other receivables and deposits due from the Controlling Shareholder as at December 31, 2012 have been settled, and the remaining outstanding balance is intended to be settled prior to listing.

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Trade payables.....	180,355	170,073	178,297
Accruals and other payables	<u>90,508</u>	<u>174,732</u>	<u>154,591</u>
	<u>270,863</u>	<u>344,805</u>	<u>332,888</u>

As of May 13, 2013, approximately RMB 140,084,000 of the accruals and other payables due to the Controlling Shareholder as at December 31, 2012 have been settled, of the remaining outstanding balance, the accrued IPO costs of RMB 2,306,000 (see note 33(5)), will be settled on completion of the listing, and for the remainder, management will set aside funds from the Group's cash reserves and will settle the outstanding amount as soon as the relevant approvals are obtained.

Balances with other related parties

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Trade receivables	2,815	11,517	8,679
Other receivables and deposits	<u>142</u>	<u>30,375</u>	<u>—</u>
	<u>2,957</u>	<u>41,892</u>	<u>8,679</u>

	December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Trade payables	24,957	34,120	72,620
Accruals and other payables	<u>276</u>	<u>4,222</u>	<u>21,855</u>
	<u>25,233</u>	<u>38,342</u>	<u>94,475</u>

As of May 13, 2013, approximately RMB 17,632,000 of the accruals and other payables due to other related parties as at December 31, 2012 have been settled, for the remainder, management will set aside funds from the Group's cash reserves and will settle the outstanding amount as soon as the relevant approvals are obtained.

(4) **Key management compensation**

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Salaries and allowances	3,907	9,036	15,069
Discretionary bonus	554	926	1,233
Pension	<u>638</u>	<u>1,250</u>	<u>1,691</u>
	<u>5,099</u>	<u>11,212</u>	<u>17,993</u>

(5) **Costs paid by the Controlling Shareholder**

Payroll costs

Certain payroll costs for expatriate employees have been borne by the Controlling Shareholder are as follows:

	Year ended December 31,		
	2010	2011	2012
	<i>(RMB'000)</i>		
Compensation paid by the Controlling Shareholder ..	20,382	29,230	23,290

The compensation borne by the Controlling Shareholder set out above has not been recharged to the Group. Management do not expect such compensation to continue to be paid by the Controlling Shareholder post-listing.

IPO costs

With the exception of the underwriting agreements, the Controlling Shareholder signed service contracts with all other services providers for the initial public offering and listing of the Company's shares. Accordingly, the Controlling Shareholder will make payment to all such service providers for any non-underwriting-related services provided or to be provided. Up to December 31, 2012, the Controlling Shareholder had incurred approximately RMB 29,807,000 of such expenses in total. In accordance with the terms of an agreement between the Company and its Controlling Shareholder, the Company will bear the costs incurred by the Controlling Shareholder relating to the issue of new shares of the Company. As at December 31, 2012 the amount of costs to be recharged by the Controlling Shareholder to the Company was RMB 2,306,000. These costs have been deferred and will be deducted from equity on completion of the listing. The Controlling Shareholder will bear the costs other than those to be recharged to the Company as described above. The Company will bear the underwriting costs and associated fees relating to the issue of new shares itself directly.

34. Business combination*(1) Acquisition of business from Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd:*

In April 2011, MNC acquired the major operating assets including machinery, equipments and intangible assets from Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd.

(2) Details of consideration paid and fair value of assets acquired are as follows:

	<u>Amount</u>
	<i>(RMB'000)</i>
Purchase consideration:	
Cash	<u>24,187</u>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Software (included in intangible assets)	2,194
Machinery (included in property, plant and equipment)	20,285
Vehicles (included in property, plant and equipment).....	536
Tools (included in property, plant and equipment).....	737
Furniture and fixtures (included in property, plant and equipment).....	<u>435</u>
Total identifiable net assets	<u>24,187</u>

No goodwill was recognised as a result of the above acquisition. The revenue included in the consolidated statements of comprehensive income since acquisition from April 2011 to December 31, 2011 contributed by the acquired business was RMB 154,006,000. The acquired business had incurred a loss of RMB 5,118,000 over such period.

35. Events after the reporting period

On March 5, 2013, the Company completed the acquisition of 20% interest in MHC from Hafei Motor Automobile Co., Ltd. for a consideration of RMB 31,856,600.

On March 7, 2013, the Company and Zhejiang JiRun Automobile Co., Ltd. made further cash injections with USD 11,050,000 (equivalent to RMB 69,390,685) and USD 5,950,000 (equivalent to RMB 37,333,275), respectively, to MNC as paid in capital of MNC.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2012 up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2012.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Reporting Accountant, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below for the purpose of illustrating the effect of the Global Offering on the net tangible assets of our Group as of December 31, 2012 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of our Group as of December 31, 2012 or at any future dates following the completion of the Global Offering. The unaudited pro forma statement of adjusted net tangible assets is based on the audited consolidated net tangible assets of our Group attributable to our equity holder as of December 31, 2012, as shown in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets attributable to our equity holder as of December 31, 2012 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to our equity holders ⁽³⁾⁽⁶⁾	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾⁽⁴⁾⁽⁵⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$6.80 per Share.....	2,587,313	314,227	2,901,540	3.58	4.41
Based on an Offer Price of HK\$8.60 per Share.....	2,587,313	403,052	2,990,365	3.69	4.55

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to our equity holder as of December 31, 2012 has been extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus which is based on the audited consolidated net assets of our Group attributable to our equity holder as of December 31, 2012 of RMB 2,729,946,000 with an adjustment for the intangible assets of the Group attributable to our equity holder as of December 31, 2012 of RMB 142,633,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price range of HK\$6.80 per Share and HK\$8.60 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by us.
- (3) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2012.

- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 810,850,000 Shares were in issue assuming that the Global Offering had been completed on December 31, 2012.
- (5) The unaudited pro forma adjusted net tangible assets per Share amount in RMB has been converted to HK\$ at an exchange rate of RMB 1.00 to HK\$1.233 which is the PBOC rate prevailing on December 31, 2012. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) As at February 28, 2013, the Group's property interests were revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the full text of the letter, summary of valuation and valuation certificates with regard to such property interests are included in Appendix III to this prospectus. The revaluation surplus as at February 28, 2013, representing the excess of market value of the property interests over their book value, was approximately RMB 153 million. Such revaluation surplus has not been included in the Group's consolidated financial information as at December 31, 2012. The above adjustments do not take into account the above revaluation surplus. Had the property interests been stated at such valuation, additional depreciation of RMB 4 million per annum would be charged against the consolidated statement of comprehensive income.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF MANDO CHINA HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Mando China Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-2 under the heading of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated May 20, 2013 (the "prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment

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Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated net assets of the Group as at December 31, 2012 with the Accountant’s Report as set out in Appendix I of the prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted net tangible assets of the Group as at December 31, 2012 or any future date.

OPINION

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified public accountants

Hong Kong, May 20, 2013

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 28 February 2013 of the property interests of the Group.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

20 May 2013

The Board of Directors
Mando China Holdings Limited
32 Hamanho-gil, Poseung-eup
Pyeongtaek-si, Gyeonggi-do 451-821
Korea

Dear Sirs,

In accordance with your instructions to value the property interests held by Mando China Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 28 February 2013 (the "valuation date").

Our valuation was carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the property in the PRC, there are no market sales comparables readily available, the property interests in Group I have been valued by the Cost Approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property interest in Group II which is currently under construction, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates and Building Ownership Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Haiwen & Partners, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in the period from 21 May 2012 to 12 May 2013 by Mr. William Chen and Ms. Corrina Li. Mr. William Chen is a graduate member of the Royal Institution of Chartered Surveyors and Ms. Corrina Li has obtained a master degree in Economics with major subjects including real estate development and asset management, who have 11 years' and 6 years' experience in the valuation of properties in the PRC respectively.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 19 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in	Interest attributable	Capital value
		existing state as at		attributable to the
		28 February 2013	to the Group	Group as at
				28 February 2013
		<i>RMB</i>		<i>RMB</i>
1.	A parcel of land, 5 buildings and various structures located at Xitong Road Zone C of Miyun Economic Development Zone Miyun County Beijing The PRC	99,476,000	100%	99,476,000
2.	A parcel of land, 6 buildings and various structures located at No. 20 Hengyuan Road Yixian Scientific Industrial Park Wuqing District Tianjin The PRC	No commercial value	100%	No commercial value
3.	A parcel of land, 4 buildings and various structures located at No. 8 Yantai Road Harbin Economic Development Zone Harbin City Heilongjiang Province The PRC	24,089,000	80%	19,271,000
4.	A parcel of land, 5 buildings and various structures located at No. 718 Xinbinhai Er Road Hangzhou Bay Ningbo City Zhejiang Province The PRC	130,811,000	65%	85,027,000

APPENDIX III
PROPERTY VALUATION

No.	Property	Capital value in	Interest attributable	Capital value
		existing state as at		to the Group
		28 February 2013	Group as at	
		<i>RMB</i>	28 February 2013	
5.	2 parcels of land, 8 buildings and various structures located at No. 328 Mayun Road Suzhou National New & Hi-tech Industrial Development Zone Suzhou City Jiangsu Province The PRC	152,709,000	100%	152,709,000
6.	A parcel of land and 3 buildings located at southern side of Yunxi Liu Street Miyun Economic Development Zone Miyun County Beijing The PRC	12,947,000	100%	12,947,000
Sub-total:		<u>420,032,000</u>		<u>369,430,000</u>

Group II — Property interest held under development by the Group in the PRC

No.	Property	Capital value in	Interest attributable	Capital value
		existing state as at		to the Group
		28 February 2013	Group as at	
		<i>RMB</i>	28 February 2013	
7.	A parcel of land and a building under construction located at No. 1 Xuantong San Road Dadong District Shenyang City Liaoning Province The PRC	31,838,000	100%	31,838,000
Sub-total:		<u>31,838,000</u>		<u>31,838,000</u>
Grand total:		<u>451,870,000</u>		<u>401,268,000</u>

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2013 <i>RMB</i>
1.	A parcel of land, 5 buildings and various structures located at Xitong Road Zone C of Miyun Economic Development Zone Miyun County Beijing The PRC	<p>The property comprises a parcel of land with a site area of approximately 103,789.503 sq.m. (the “Land A”), 4 buildings and various ancillary structures erected thereon which were completed in various stages between 2006 and 2008.</p> <p>The buildings have a total gross floor area of approximately 40,452 sq.m.</p> <p>The buildings comprise an office/plant building and 3 ancillary buildings.</p> <p>The structures mainly include 3 gates, roads, bicycle shed and garbage room.</p> <p>The land use rights of Land A have been granted for a term expiring on 23 April 2057 for industrial use. (note 5)</p> <p>The property also comprises an office building with a gross floor area of approximately 2,272.05 sq.m. and test tracks which are erected on a leased land with a site area of approximately 167,000 sq.m. (the “Land B”, see notes 3, 6 and 7). The building and test tracks were completed in various stages between 2007 and 2012.</p>	<p>The property is currently occupied by the Group for production and office purposes except for an office room with a gross floor area of approximately 65 sq.m. which is currently rented to a connected party.</p>	<p>99,476,000</p> <p>100% interest attributable to the Group: RMB99,476,000</p>

Notes:

- Mando (Beijing) Automotive Chassis System Co., Ltd. (萬都(北京)汽車底盤系統有限公司, the “MBC”) is a wholly-owned subsidiary of the Company.
- Mando (Beijing) Automotive Components R&D Center Co., Ltd. (萬都(北京)汽車部件研究開發中心有限公司, the “MRC”) is a wholly-owned subsidiary of the Company.
- According to an Agreement dated 31 December 2003 among Beijing Miyun Industry Development Zone Company (北京市密雲縣工業開發區總公司, the former name of Beijing Miyun Economics Development Zone Company, “Miyun Development Zone Company”), MBC and Mando (Beijing) Automotive Components Institute (萬都(北京)汽車部件研究所, the “Mando Institute”, the former name of MRC), the land use rights of a parcel of land with a site area of approximately 108,000 sq.m. (the Land A, but the site area is subject to official record to be stated on the land use rights certificate) were contracted to be granted to MBC for a term of 50 years for industrial use. According to the same Agreement, another parcel of land with a site area of approximately 167,000 sq.m. (the Land B) were permitted to be used by Mando Institute for a term of 50 years with no payable fees, and Mando Institute will not be issued a land use rights certificate for such land.

4. Pursuant to a State-owned Land Use Rights Grant Contract — Jing Mi Di Chu (He) Zi (2007) Di No. 02 dated 23 April 2007 between Beijing Municipal Bureau of Land and Resources Miyun Branch and MBC, the land use rights of a parcel of land with a site area of approximately 103,789.503 sq.m. were contracted to be granted to MBC for a term of 50 years expiring on 23 April 2057 for industrial use. The land premium was RMB4,359,159. As advised by MBC, the land is referred to as the aforesaid Land A and the land premium was fully paid as at the valuation date.
5. Pursuant to a State-owned Land Use Rights Certificate — Jing Mi Guo Yong (2007 Chu) Di No. 00015, the land use rights of Land A with a site area of approximately 103,789.503 sq.m. have been granted to MBC for a term of 50 years expiring on 23 April 2057 for industrial use.
6. Pursuant to a Building Sale & Purchase Contract dated on 15 July 2008 entered into between Miyun Development Zone Company and MBC, a building with a gross floor area of approximately 2,272.05 sq.m. was contracted to be sold to MBC at a consideration of RMB3,375,280.
7. As advised by the Group, 4 buildings with a total gross floor area of approximately 40,452 sq.m. and various structures were erected on Land A, which were occupied by MBC and the building mentioned in note 6 with a gross floor area of approximately 2,272.05 sq.m and the test tracks were erected on Land B, which were used by MRC.
8. For the 5 buildings and Land B of the property, we have not been provided with any title certificate. As advised by the Group, the relevant title certificates of the 4 buildings erected on Land A are in the process of application for title certificates.
9. According to a Lease Agreement, a portion of an office/plant building of the property with a gross floor area of approximately 65 sq.m. is rented to Halla Meister (Suzhou) Logistics Co., Ltd., a connected party, for a term of 3 years expiring on 31 August 2014 at a monthly rent of RMB1,268.29, inclusive of water and electricity charges, lunch charges and shuttle fee.
10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. MBC has legally obtained the land use rights of Land A of the property;
 - b. as the acquired fee of Land A paid by MBC was below the statutory prescribed minimum fee, MBC may be required to pay back the shortfall of the statutory prescribed minimum fee. According to the enquiry with the Beijing Municipal Bureau of Land and Resources Miyun Branch (the "Miyun Land Bureau"), the possibility of MBC being required to pay back the shortfall is low, unless the decision of Miyun Land Bureau is challenged by a higher ranking government authority;
 - c. apart from the aforesaid possible legal risk of Land A, MBC has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of Land A in accordance with the prescribed use term stated in the title certificate;
 - d. the arrangement relating to the use of Land B neither constitutes a grant or transfer of land use rights nor complies with the relevant conditions of lease of state-owned land in accordance with the applicable PRC laws and regulations. As a result, MBC's rights to use Land B may be withdrawn and MBC may be required to pay relevant rentals;
 - e. MBC will has the rights to occupy, use, transfer, lease or mortgage the 4 buildings erected on Land A legally after completing the required formalities under the PRC laws and regulations and obtaining the relevant building ownership certificates;
 - f. for the building erected on Land B, it is unlikely that the Group will obtain the building ownership certificate for such building and the use of the building may be interrupted; and
 - g. except the above-mentioned issues, the property is not subject to any mortgage, third party's rights, sequestration, lawsuit, dispute or other encumbrances that may have adverse effect on the property.
11. In the valuation of this property, we have attributed no commercial value to the 4 buildings erected on Land A with a total gross floor area of approximately 40,452 sq.m. and the building with a gross floor area of approximately 2,272.05 sq.m. and test tracks erected on Land B due to the lack of relevant title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and the test tracks (excluding land element) as at the valuation date would be RMB105,579,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

12. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

- | | | | |
|-----|--|---|--|
| (a) | General description of location of the property | : | The property is located at the north of Xitong Road in Block C of Miyun Economic Development Zone at the southwest of Miyun County, about 60 kilometers away from the downtown of Beijing. It is near Jingcheng Highway which connects Beijing and Chengde City, and is about 40 kilometers away from the Beijing Capital International Airport. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is not subject to any mortgage or pledges. |
| (c) | Environmental Issue | : | No environmental impact assessment has been carried out. |
| (d) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | See notes 8, 10(b) and 10(d). |
| (e) | Future plans for construction, renovation, improvement or development of the property | : | As advised by the Company, there is no plan for new major development in the next 12 months from the date of this document. |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2013 <i>RMB</i>
2.	A parcel of land, 6 buildings and various structures located at No. 20 Hengyuan Road Yixian Scientific Industrial Park Wuqing District Tianjin The PRC	<p>The property comprises a parcel of land with a site area of approximately 44,838.1 sq.m. and 6 buildings and various ancillary structures erected thereon which were completed in 2005 and 2012.</p> <p>The buildings have a total gross floor area of approximately 25,902.60 sq.m.</p> <p>The buildings comprise an office/plant building, an ancillary building, an industrial building, a store room and 2 guardhouses.</p> <p>The structures mainly include roads and boundary walls.</p> <p>The land use rights of the property have been granted for a term expiring on 9 January 2055 for industrial use.</p>	The property is currently occupied by the Group for production and office purposes.	No commercial value

Notes:

1. Mando (Tianjin) Automotive Parts Co., Ltd. (萬都(天津)零部件有限公司, the "MTC") is a wholly-owned subsidiary of the Company.
2. Pursuant to a Real Estate Title Certificate — Fang Di Zheng Jin Zi Di No. 114011204291, 6 buildings with a total gross floor area of approximately 24,583.8 sq.m. (exclusive of a portion of an office/plant building) are owned by MTC. The relevant land use rights of the buildings with a site area of approximately 44,838.1sq.m. have been transferred to MTC for a term expiring on 9 January 2055 for industrial use. As was stipulated in the excursus of the Real Estate Title Certificate, the land was only to be used by MTC for construction purpose, and was prohibited to be transferred and leased.
3. For the portion of the office/plant building with a gross floor area of approximately 1,318.80 sq.m., MTC has not obtained any title certificate. As advised by MTC, they are in process of completing the relevant construction inspection process and applying for title certificate for the building.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. the land use rights of the property have been contractually transferred to MTC. According to the judicial interpretation of the Supreme People's Court of the PRC, if (i) the land grant fee has been settled in full by the transferor; (ii) the total investment made by the transferor and transferee in the land amounts to more than 25% of the total planned investment amount that was agreed with the relevant governmental authorities; and (iii) the relevant registration procedures have been completed, the land use rights transfer agreement may be deemed to be valid. In respect of the first condition MTC has received a written confirmation from Tianjin Yixian Scientific Industrial Park International Company Limited (the seller, "Tianjin Yixian Scientific") that the land grant fee had been paid in full. In respect of the second condition, it is unable to ascertain whether Tianjin Yixian Scientific has satisfied such minimum investment requirement. Based on the Real Estate Title Certificate relating to these land and buildings granted by the relevant governmental authorities and MTC's confirmation that their title or right to this land has not been challenged by the relevant governmental authority since they obtained the land use rights for the land, the risk of the land use rights transfer agreement entered into between MTC and Tianjin Yixian Scientific being invalidated (which in turn would lead to the confiscation of the land) is low;

- b. MTC has obtained the title certificate of the land use rights and the 6 buildings of the property mentioned in note 2. Apart from the aforesaid legal risk of the land, MTC has the rights to occupy and use the land and buildings of the property in accordance with the prescribed use term stated in the title certificate, but is prohibited to transfer or lease the property;
- c. for the portion of the office/plant building mentioned in note 3, there should not be any material legal impediment to obtain the relevant building ownership certificate after completing the construction inspection acceptance process;
- d. as was stipulated in the excursus of the Real Estate Title Certificate, the buildings of the property were subject to a mortgage. However, MTC confirms that the outstanding balance on the mortgage has now been paid, and has provided the relevant bank statements as proof. Currently, MTC is applying to update their real estate title, so as to reflect full repayment of loan of the above mortgage; and
- e. except the above-mentioned issues, the property is not subject to any mortgage, third party's rights, sequestration, lawsuit, dispute or other encumbrances that may have adverse effect on the property.
5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property for it could not be transferred freely. However, for reference purpose, we are of the opinion that the capital value of the property (including land element) as at the valuation date would be RMB104,826,000 assuming all relevant title certificates have been obtained and it could be freely transferred.
6. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

- | | | | |
|-----|--|---|--|
| (a) | General description of location of the property | : | The property is located at the east of Hengyuan Road in Yixian Scientific Industrial Park. It is located between Tianjin and Beijing, about 25 kilometers from the downtown of Tianjin and about 70 kilometers away from the downtown of Beijing. Tianjin International Airport which is the largest cargo airport in the North China, is about 40 kilometers away from the property. The largest comprehensive international trading port, Tianjin Tanggu Port, is located about 80 kilometers from the property. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | See note 4(d) |
| (c) | Environmental Issue | : | No environmental impact assessment has been carried out. |
| (d) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | see note 3, 4(a), 4(b) and note 4(c). |
| (e) | Future plans for construction, renovation, improvement or development of the property | : | As advised by the Company, there is no plan for new major development in the next 12 months from the date of this document. |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2013 <i>RMB</i>
3.	A parcel of land, 4 buildings and various structures located at No. 8 Yantai Road Harbin Economic Development Zone Harbin City Heilongjiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 19,133.5 sq.m. and 4 buildings and various ancillary structures erected thereon which were completed in various stages between 2003 and 2009.</p> <p>The buildings have a total gross floor area of approximately 7,868.57 sq.m.</p> <p>The buildings comprise an industrial building, an office building, a store room and a guard house.</p> <p>The structures mainly include a gate, roads, boundary walls and bicycle shed.</p> <p>The land use rights of the property have been granted for a term expiring on 14 May 2053 for industrial use.</p>	The property is currently occupied by the Group for production and office purposes.	<p>24,089,000</p> <p>80% interest attributable to the Group: RMB19,271,000</p>

Notes:

1. Mando (Harbin) Automotive Chassis System Co., Ltd. (萬都(哈爾濱)汽車底盤系統有限公司, the "MHC") is an 80% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate — Ha Guo Yong (2007) Di No. 22462, the land use rights of a parcel of land with a site area of approximately 19,133.5 sq.m. have been granted to MHC for a term expiring on 14 May 2053 for industrial use.
3. Pursuant to a Building Ownership Certificate — Ha Fang Quan Zheng Kai Guo Zi Di No. 200707073, 2 buildings with a total gross floor area of approximately 7,491 sq.m. are owned by MHC.
4. For the remaining 2 buildings with a total gross floor area of approximately 377.57 sq.m. of the property, we have not been provided with any title certificate.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. MHC has obtained the legal title certificates of the land and the 2 buildings mentioned in notes 2 and 3, and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of them in accordance with the prescribed use term stated in the title certificates;
 - b. for the 2 buildings mentioned in note 4 without any construction permit or building ownership certificate, MHC may be required to demolish the buildings if they are deemed to be illegal by the relevant government authorities and need to pay a fine in accordance with the relevant PRC law and regulations; and
 - c. the property is not subject to any mortgage, third party's rights, sequestration, lawsuit, dispute or other encumbrances that may have adverse effect on the property.
6. In the valuation of this property, we have attributed no commercial value to the 2 buildings with a total gross floor area of approximately 377.57 sq.m. mentioned in note 4 due to the lack of any relevant title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding land element) as at the valuation date would be RMB351,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

7. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

- | | | | |
|-----|--|---|--|
| (a) | General description of location of the property | : | The property is located at the southwest of Yantai Road and Bohai Road in Harbin Economic Development Zone at the south of Harbin City, about 40 kilometers away from Harbin Taiping International Airport and about 15 kilometers away from Harbin Railway Station. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is not subject to any mortgage or pledges. |
| (c) | Environmental Issue | : | No environmental impact assessment has been carried out. |
| (d) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | The Group has not obtained the title certificates to 2 buildings of the property (see note 4). |
| (e) | Future plans for construction, renovation, improvement or development of the property | : | As advised by the Company, there is no plan for new major development in the next 12 months from the date of this document. |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2013 <i>RMB</i>
4.	A parcel of land, 5 buildings and various structures located at No. 718 Xinbinhai Er Road Hangzhou Bay Ningbo City Zhejiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 138,362 sq.m. and 5 buildings and various ancillary structures erected thereon which were completed in 2011 and 2012.</p> <p>The buildings have a total gross floor area of approximately 38,860.18 sq.m.</p> <p>The buildings comprise an industrial building, an office building, 2 ancillary buildings and a guardhouse.</p> <p>The structures mainly include gates and roads.</p> <p>The land use rights of the property have been granted for a term expiring on 14 July 2061 for industrial use.</p>	The property is currently occupied by the Group for production and office purposes.	<p>130,811,000</p> <p>65% interest attributable to the Group: RMB85,027,000</p>

Notes:

1. Mando (Ningbo) Automotive Parts Co., Ltd. (萬都(寧波)汽車零部件有限公司, the "MNC") is a 65% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate — Ci Guo Yong (2011) Di No. 240202, the land use rights of a parcel of land with a site area of approximately 138,362 sq.m. have been granted to MNC for a term expiring on 14 July 2061 for industrial use.
3. Pursuant to 5 Building Ownership Certificates — Ci Fang Quan Zheng 2012 Zi Di Nos. 009899, 009911, 009915, 009935 and 009936, 5 buildings with a total gross floor area of approximately 38,860.18 sq.m. are owned by MNC.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. MNC has obtained the legal title certificates of the land and 5 buildings of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of them in accordance with the prescribed use term stated in the title certificate; and
 - b. the property is not subject to any mortgage, third party's rights, sequestration, lawsuit, dispute or other encumbrances that may have adverse effect on the property.

5. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

- | | | | |
|-----|--|---|--|
| (a) | General description of location of the property | : | The property is located at the north of Xinbinhai Er Road, Hangzhou Bay at the northwest of Ningbo City, about 57 kilometers away from Ningbo railway station. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is not subject to any mortgage or pledges. |
| (c) | Environmental Issue | : | No environmental impact assessment has been carried out. |
| (d) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | Nil |
| (e) | Future plans for construction, renovation, improvement or development of the property | : | As advised by the Company, there is no plan for new major development in the next 12 months from the date of this document. |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2013 <i>RMB</i>
5.	2 parcels of land, 8 buildings and various structures located at No. 328 Mayun Road Suzhou National New & Hi-tech Industrial Development Zone Suzhou City Jiangsu Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 91,132.4 sq.m. and 8 buildings and various ancillary structures erected thereon which were completed in various stages between 2004 and 2011.</p> <p>The buildings have a total gross floor area of approximately 51,752.76 sq.m.</p> <p>The buildings comprise 3 industrial buildings, an office building, 2 ancillary buildings and 2 guardhouses.</p> <p>The structures mainly include boundary walls, roads and bicycle sheds.</p> <p>The land use rights of the property have been granted for terms with the expiry dates on 7 December 2053 and 10 August 2054 for industrial use.</p>	The property is currently occupied by the Group for production and office purposes.	<p>152,709,000</p> <p>100% interest attributable to the Group: RMB152,709,000</p>

Notes:

1. Mando Suzhou Chassis System Co., Ltd. (萬都底盤部件(蘇州)有限公司, the "MSC") is a wholly-owned subsidiary of the Company.
2. Pursuant to 2 State-owned Land Use Rights Certificates — Su Xin Guo Yong (2006) Di No. 008864 and Su Xin Guo Yong (2009) Di No. 004101, the land use rights of 2 parcels of land with a total site area of approximately 91,132.4 sq.m. have been granted to MSC for terms with the expiry dates on 7 December 2053 and 10 August 2054 for industrial use.
3. Pursuant to 2 Building Ownership Certificates — Su Fang Quan Zheng Xin Qu Zi Di Nos. 00101299 and 00101314, 4 buildings with a total gross floor area of approximately 50,257.56 sq.m. are owned by MSC.
4. For 2 buildings of the property with a total gross floor area of approximately 1,100 sq.m., we have not been provided with any title certificate. As advised by MSC, they have obtained all relevant permits for the construction except the Construction Work Commencement Permit, and they are in the process of applying for the title certificate for these buildings.
5. For the remaining 2 buildings with a total gross floor area of approximately 395.2 sq.m., we have not been provided with any title certificates or construction permits.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. MSC has obtained the legal title certificates of the land and the 4 buildings mentioned in notes 2 and 3, and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of them in accordance with the prescribed use term stated in the title certificates; and
 - b. for the 2 buildings with a total gross floor area of approximately 1,100 sq.m. mentioned in note 4, MSC may be subject to a penalty, and will have the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of these 2 buildings legally after completing the required formalities under the PRC laws and obtaining the relevant building ownership certificates;

- c. for the remaining 2 buildings with a total gross floor area of approximately 395.2 sq.m. mentioned in note 5, MSC may be required to demolish the buildings if they are deemed to be illegal by the relevant government authorities and need to pay a fine in accordance with the relevant PRC law and regulations; and
- d. the property is not subject to any mortgage, third party's rights, sequestration, lawsuit, dispute or other encumbrances that may have adverse effect on the property.
7. In the valuation of this property, we have attributed no commercial value to the 4 buildings with a total gross floor area of approximately 1,495.2 sq.m. mentioned in notes 4 and 5 due to the lack of any relevant title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding land element) as at the valuation date would be RMB4,068,000 assuming all relevant title certificates have been obtained and they could be freely transferred.
8. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

- (a) General description of location of the property : The property is located at the north of Mayun Road in Suzhou National New & Hi-tech Industrial Development Zone at the west of Suzhou City, about 8.2 kilometers away from Suzhou railway station. The property is near Huning Highway which connects Shanghai, Suzhou and Nanjing City.
- (b) Details of encumbrances, liens, pledges, mortgages against the property : The property is not subject to any mortgage or pledges.
- (c) Environmental Issue : No environmental impact assessment has been carried out.
- (d) Details of investigations, notices, pending litigation, breaches of law or title defects : The Group has not obtained the title certificates to 4 buildings of the property (see notes 4 and 5).
- (e) Future plans for construction, renovation, improvement or development of the property : As advised by the Company, there is no plan for new major development in the next 12 months from the date of this document.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2013 <i>RMB</i>
6.	A parcel of land and 3 buildings located at the southern side of Yunxi Liu Street Miyun Economic Development Zone Miyun County Beijing The PRC	<p>The property comprises a parcel of land with a site area of approximately 12,655.29 sq.m. and 3 buildings erected thereon which were completed in November 2012.</p> <p>The 3 buildings have a total gross floor area of approximately 10,018.69 sq.m., comprising an office building, a canteen and a guardhouse.</p> <p>The land use rights of the property have been granted for a term expiring on 25 May 2062 for industrial use.</p>	The property is currently occupied by the Group for office and ancillary purposes.	<p>12,947,000</p> <p>100% interest attributable to the Group: RMB12,947,000</p>

Notes:

1. Mando (Beijing) Automotive Components R&D Center Co., Ltd. (萬都(北京)汽車部件研究開發中心有限公司, the "MRC") is a wholly-owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 26 May 2012, the land use rights of a parcel of land with a site area of approximately 12,655.29 sq.m. were contracted to be granted to MRC for a term of 50 years expiring on 25 May 2062 for industrial use. The land premium was RMB12,570,000.
3. Pursuant to a State-owned Land Use Rights Certificate — Jing Mi Guo Yong (2012 Chu) Di No. 00082, the land use rights of the land parcel with a site area of approximately 12,655.29 sq.m. have been granted to MRC for a term expiring on 25 May 2062 for industrial use.
4. For the 3 buildings of the property, we have not been provided with any proper title certificate.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. MRC has obtained the legal title certificate of the land of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of it in accordance with the prescribed use term stated in the title certificate;
 - b. MRC may be subject to a penalty for having commenced construction of the buildings prior to obtaining the necessary construction permits. MRC is in the process of applying for the necessary construction permits and there should not be any material legal impediment to obtain the relevant building ownership certificate upon obtaining all necessary construction permits. MRC will have the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the 3 buildings of the property legally after completing the required formalities under the PRC laws and obtaining the relevant building ownership certificates; and
 - c. the property is not subject to any mortgage, third party's rights, sequestration, lawsuit, dispute or other encumbrances that may have adverse effect on the property.
6. In the valuation of this property, we have attributed no commercial value to the 3 buildings which have not been obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding land element) as at the valuation date would be RMB66,621,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

Group II — Property interest held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2013 <i>RMB</i>
7.	A parcel of land and a building under construction located at No. 1 Xuantong San Road Dadong District Shenyang City Liaoning Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 66,094.91 sq.m. and an industrial building which was being constructed thereon as at the valuation date (the "CIP").</p> <p>The industrial building is scheduled to be completed in August 2013. Upon completion, the industrial building will have a total gross floor area of approximately 25,586.82 sq.m.</p> <p>The total construction cost is estimated to be approximately RMB88,614,000, of which RMB23,234,000 had been paid as at the valuation date.</p> <p>The land use rights of the property have been granted for a term expiring on 23 October 2062 for industrial use.</p>	The property is currently under construction.	<p>31,838,000</p> <p>100% interest attributable to the Group: RMB31,838,000</p>

Notes:

1. Mando (Shenyang) Automotive Parts Co., Ltd. (萬都(瀋陽) 零部件有限公司, the "MSYC") is a wholly-owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 15 October 2012 entered into between MSYC and Shenyang Planning and Land Resources Bureau Dadong Sub-bureau, the land use rights of a parcel of land with a site area of approximately 66,094.91 sq.m. were contracted to be granted to MSYC for a term of 50 years for industrial use. The consideration was RMB31,791,651.71. MSYC has fully paid the consideration.
3. Pursuant to a State-owned Land Use Rights Certificate — Shenyang Guo Yong (2012) Di No. 0000017, the land use rights of a parcel of land with a site area of approximately 66,094.91 sq.m. have been granted to MSYC for a term expiring on 23 October 2062 for industrial use.
4. For the CIP, we have not been provided with any construction permit.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. MSYC has obtained the legal title certificate of the land and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of it in accordance with the prescribed use term stated in the title certificate;
 - b. MSYC may be subject to a penalty for having commenced construction of the CIP prior to obtaining the necessary construction permits. However, based on the verbal communication with the relevant local government officers, the officers did not object to MSYC's commencement of the construction of the CIP, the probability of MSYC being required to pay the relevant penalty is low; and

- c. the property is not subject to any mortgage, third party's rights, sequestration, lawsuit, dispute or other encumbrances that may have adverse effect on the property.

- 6. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the CIP (building portion) of the property which has not obtained construction approval. However, for reference purpose, we are of the opinion that the replacement cost of the CIP (excluding land element) as at the valuation date would be RMB19,495,000 assuming all relevant title certificates and construction approvals have been obtained and it could be freely transferred.

The following discussion is a summary of certain anticipated tax consequences of our operations and of an investment in the Shares under Korean tax laws, PRC income tax laws and Hong Kong tax laws. The discussion does not address all possible tax consequences relating to the Company's operations or to an investment in the Shares. In particular, the discussion does not address tax consequences under tax laws of jurisdictions other than Hong Kong, the PRC and Korea. Accordingly, each prospective investor should consult a tax advisor regarding the tax consequences of an investment in the Shares. The discussion is based upon law and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change.

KOREAN TAXATION

The following summary of Korean tax considerations applies to you so long as you are not:

- a resident of Korea;
- a corporation organized under Korean law or having its head office, principal place of business, or place of effective management in Korea; or
- engaged in a trade or business in Korea through a permanent establishment or a fixed base to which the relevant income is attributable or with which the relevant income is effectively connected.

There is no double tax treaty in force between Korea and Hong Kong and, thus, Korea is not limited from applying its ordinary taxation on both dividends received and capital gains derived by residents in Hong Kong.

Taxation of Dividends on the Shares

We will generally deduct Korean withholding tax from dividends (whether in cash or in shares) paid to our Shareholders (including HKSCC Nominees which holds our Shares on behalf of the beneficial owners within CCASS) at a rate of 22.0% (including local income surtax). If we distribute to you free shares representing a transfer of certain capital reserves or asset revaluation reserves into paid-in capital, such distribution may be subject to Korean withholding tax.

If you are a qualified resident in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. See “— Tax Treaties” below for a discussion of treaty benefits. However, due to the inherent characteristics of CCASS, we are not able to ascertain the identity, and consequently the tax residence, of the beneficial owners of our Shares who hold their investments in CCASS. We are therefore not able to apply a rate of withholding tax on an individual basis to beneficial owners of our Shares who hold through CCASS. In addition, CCASS does not have the capacity to attribute to each CCASS Participant (and, accordingly, to each beneficial owner of our Shares) its respective share of distributed profits with the purpose of enabling the Company to apply the reduced withholding tax rate under the relevant tax treaty between Korea and the country in which the beneficial owner of our Shares resides (if any). As a consequence, we will, upon distribution, apply a withholding tax on the whole amount of the dividend payable to such beneficial owners at the rate of 22% (including local income surtax).

In order to obtain the benefit of a reduced rate available under applicable tax treaties, you are required to submit an application to us for the reduced tax rate or claim a refund of withholding taxes from the relevant tax office in Korea. See “General Korea-related Investment Considerations — Korean Withholding Tax for Dividends Payments” for a summary description of the procedures to apply for a reduced rate under applicable tax treaties.

Taxation of Capital Gains from Transfer of the Shares

As a general rule, capital gains earned by non-residents upon transfer of the Shares are subject to withholding of Korean capital gains tax at the lower of (i) 11% (including local income surtax) of the gross proceeds realized, or (ii) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs relating to the Shares, 22% (including local income surtax) of the net realized gain (“**Korean Capital Gains Tax**”), unless exempt from Korean income taxation under the applicable Korean tax treaty with the non-resident’s country of tax residence. See “— Tax Treaties” below for a discussion on treaty benefits. Even if you do not qualify for an exemption under a tax treaty, you will not be subject to Korean Capital Gains Tax on capital gains if you qualify under the relevant Korean domestic tax law exemptions discussed in the following paragraph.

Capital gains earned by you from the transfer of the Shares outside Korea are exempt from Korean Capital Gains Tax by virtue of the Special Tax Treatment Control Law of Korea (the “**STTCL**”), provided that the Shares are acquired through a “qualified foreign stock exchange” as defined in the Enforcement Rules of the STTCL (or, if not through a qualified foreign stock exchange, the Shares are acquired through a public sale or offering in order to meet the applicable requirements for a distribution of shares under the listing regulations of a qualified foreign stock exchange) and transferred on such foreign exchange under the STTCL. The Hong Kong Stock Exchange falls under the definition of a “qualified foreign stock exchange.” Therefore, capital gains earned from Shares acquired through and transferred on the Hong Kong Stock Exchange are not subject to Korean Capital Gains Tax. However, capital gains earned from an off-exchange transfer of Shares involving a change in beneficial ownership may be subject to Korean Capital Gains Tax, unless exempt under an applicable tax treaty. As applied to transactions involving our Shares after the completion of the Global Offering, off-exchange transactions are defined under Korean law to encompass all transactions which are not traded through the AMS on the Hong Kong Stock Exchange and would include, without limitation, transfers of Shares in physical certificate form and through CCASS by way of Settlement Instructions and Investor Settlement Instructions as defined in the General Rules of CCASS and CCASS Operational Procedures. Accordingly, **potential investors are strongly recommended not to conduct any off-exchange transactions.**

Unless you are exempt under an applicable tax treaty or Korean tax law, you are obligated to file an income tax return and pay income tax on capital gains realized from the transfer (excluding a transfer on a foreign exchange) of the Shares outside of Korea to non-residents or foreign companies without having permanent establishments in Korea; provided, that, you will be exempt from such obligation to file an income tax return and pay income tax on capital gains if the purchaser or, in case of a sale of our Shares through an investment dealer or investment broker defined under the Financial Investment

Services and Capital Market Act, the investment dealer or investment broker, withholds and remits tax on such capital gains as discussed below. HKSCC, HKSCC Nominees or any market intermediaries (for example, the Hong Kong Stock Exchange and CCASS Participants) will not be subject to any obligation or liability with respect to the filing of such income tax returns and payment of such capital gains tax.

If you are subject to Korean Capital Gains Tax on capital gains with respect to our Shares, the purchaser (or, in case of a sale of our Shares through an investment dealer or investment broker defined under the Financial Investment Services and Capital Market Act, the investment dealer or investment broker) is required to withhold Korean Capital Gains Tax from the sales price in an amount equal to 11% (including local income surtax) of the gross realization proceeds and to make payment of these amounts to the Korean tax authority, unless you establish your entitlement to an exemption under an applicable tax treaty or Korean tax law or produce satisfactory evidence of your acquisition cost and transaction costs relating to our Shares. To obtain the benefit of an exemption from tax pursuant to a tax treaty, you must submit to the purchaser or the investment dealer or investment broker, as the case may be, prior to or at the time of payment, such evidence of your tax residence as the Korean tax authorities may require in support of your claim for treaty benefits. See the discussion under “— Tax Treaties” below for an additional explanation on claiming treaty benefits.

Tax Treaties

Korea has entered into a number of income tax treaties with other countries, which reduce or exempt Korean withholding tax on dividend income and capital gains. As of the Latest Practicable Date, the following are the Korean withholding tax rates on dividend income generally applicable to individuals and companies who have tax residence in such tax treaty countries:

Country of tax residence	Generally applicable Korean withholding tax rates on dividend income (including local income surtax)
Albania	10.0%
Algeria	15.0%
Australia	15.0%
Austria	15.0%
Azerbaijan	7.0%
Bangladesh	15.0%
Belarus	15.0%
Belgium	15.0%
Brazil	10.0%
Bulgaria	10.0%
Canada.....	15.0%
Chile	10.0%
China (excluding Hong Kong, Macau Special Administrative Region and Taiwan)	10.0%

Country of tax residence	Generally applicable Korean withholding tax rates on dividend income (including local income surtax)
Croatia.....	10.0%
Czech Republic.....	10.0%
Denmark.....	15.0%
Egypt.....	15.0%
Estonia.....	11.0%
Fiji.....	15.0%
Finland.....	15.0%
France.....	15.0%
Germany.....	15.0%
Greece.....	15.0%
Hungary.....	10.0%
Iceland.....	15.0%
India.....	20.0%
Indonesia.....	15.0%
Iran.....	11.0%
Ireland.....	15.0%
Israel.....	15.0%
Italy.....	15.0%
Japan.....	15.0%
Jordan.....	10.0%
Kazakhstan.....	15.0%
Kuwait.....	5.0%
Laos.....	10.0%
Latvia.....	10.0%
Lithuania.....	10.0%
Luxembourg.....	15.0%
Malaysia (other than tax residents in Labuan).....	15.0%
Malta.....	15.0%
Mexico.....	15.0%
Mongolia.....	5.0%
Morocco.....	10.0%
Myanmar.....	10.0%
Nepal.....	15.0%
Netherlands.....	15.0%
New Zealand.....	15.0%
Norway.....	15.0%
Oman.....	10.0%
Pakistan.....	12.5%

Country of tax residence	Generally applicable Korean withholding tax rates on dividend income (including local income surtax)
Panama	15.0%
Papua New Guinea.....	15.0%
Philippines.....	22.0%
Poland	10.0%
Portugal.....	15.0%
Qatar	11.0%
Romania.....	10.0%
Russia	10.0%
Saudi Arabia.....	10.0%
Singapore.....	15.0%
Slovak Republic.....	10.0%
Slovenia	15.0%
South Africa.....	16.5%
Spain	15.0%
Sri Lanka.....	15.0%
Sweden	15.0%
Switzerland.....	15.0%
Thailand	10.0%
Tunisia.....	15.0%
Turkey	20.0%
Ukraine.....	15.0%
United Arab Emirates.....	10.0%
United Kingdom	15.0%
United States	16.5%
Uruguay.....	15.0%
Uzbekistan	15.0%
Venezuela	11.0%
Vietnam	10.0%

Note: Further reduction of withholding tax rates may be applied subject to certain qualifications in respect of the treaty countries.

However, as of the Latest Practicable Date, Korea has not entered into any tax treaty with Hong Kong.

You should inquire for yourself whether you are entitled to the benefit of an income tax treaty with Korea. It is the responsibility of the party claiming the benefits of an income tax treaty in respect of dividend payments or capital gains to submit to us or the purchaser a certificate as to his or her tax residence. In the absence of sufficient proof, we or the purchaser must withhold tax at the normal rates. Furthermore, in order for you to obtain the benefit of a tax exemption on certain Korean source income

(including capital gains) under an applicable tax treaty, Korean tax law requires you (or your agent) to submit the application for tax exemption along with a certificate of your tax residency issued by a competent authority of your country of tax residence, subject to certain exceptions. Such application should be submitted to the relevant district tax office by the ninth day of the month following the date of the first payment of such income. In order to obtain the benefit of a reduced rate available under applicable tax treaties, you are required to submit an application for a reduced rate to the party liable for withholding or claim a refund of taxes withheld in excess of the applicable withholding tax rate against the relevant tax authority in Korea. See “General Korea-related Investment Considerations — Korean Withholding Tax for Dividend Payments” for details of the relevant application procedures.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (1) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea or resided in Korea continuously for at least one year immediately prior to his death and (2) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed presently at the rate of 10% to 50% if the value of the relevant property is above a certain limit and vary according to the identity of the parties involved.

Under Korean inheritance and gift tax laws, securities issued by a Korean corporation are deemed to be located in Korea irrespective of where they are physically located or by whom they are owned.

At present, Korea has not entered into any tax treaty relating to inheritance or gift taxes.

Securities Transaction Tax

Securities transaction tax is imposed on the transfer of shares issued by a Korean corporation or rights to subscribe for such shares, generally at the rate of 0.5% of the sales price.

Securities transaction tax is not applicable if (i) the shares or the right to subscribe for shares are listed on a “designated foreign stock exchange” and the sale of the shares takes place on such exchange, or (ii) the shares are transferred to the underwriters in order to list the shares on such exchange. The Korean tax authority has interpreted in its ruling that the Hong Kong Stock Exchange falls under the definition of a “designated foreign stock exchange” and therefore the transfer of shares or rights to subscribe for shares on the Hong Kong Stock Exchange is not subject to Korean securities transaction tax. However, it is unclear whether off-exchange transactions are subject to securities transaction tax under Korean law. As applied to transactions involving our Shares after the completion of the Global Offering, off-exchange transactions are defined under Korean law to encompass all transactions which are not traded through the AMS on the Hong Kong Stock Exchange and would include, without limitation, transfers of Shares in physical certificate form and through CCASS by way of Settlement Instructions and Investor Settlement Instructions as defined in the General Rules of CCASS and CCASS Operational Procedures. In light of such uncertainty, **potential investors are strongly recommended not to conduct any off-exchange transactions.**

Securities transaction tax, if applicable, must be paid by the transferor of the shares or rights, in principle. Where the transfer is effected by a non-resident shareholder not having a permanent establishment in Korea, the transferee is required to withhold the securities transaction tax for payment to the Korean tax authority.

A non-Korean-resident investor acquiring Sale Shares in the Global Offering will not be subject to securities transaction tax or documentary, stamp or similar transfer taxes payable to Korean tax authorities in connection with such acquisition of Sale Shares.

PRC TAXATION

Enterprise Income Tax

On March 16, 2007, the NPC passed the EIT Law, and on December 6, 2007, the State Council issued the EIT Rules, both of which became effective on January 1, 2008. The EIT Law and EIT Rules apply a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises.

The EIT Law provides that enterprises established outside of the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” of the PRC. Under the EIT Rules, “de facto management body” is defined as a body that has material and overall management and control over the business operations, personnel, accounts and properties. Although substantially all of our operation is currently based in the PRC, it is unclear whether PRC tax authorities would require us to be treated as a PRC resident enterprise.

Under the EIT Law and EIT Rules, PRC income tax at the rate of 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 ordinary 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. The EIT Rules set forth that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or capital gains are treated as China-sourced income. It is not clear how “domicile” may be interpreted under the EIT Law and EIT Rules, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC “resident enterprise,” dividends we pay with respect to our ordinary shares, or the gain you may realize from the transfer of our ordinary shares, may be treated as income derived from sources within the PRC and be subject to PRC tax. It is unclear whether, if we are considered a PRC “resident enterprise,” holders of our ordinary shares might be able to claim the benefit of income tax treaties entered into between the PRC and other countries or regions.

Moreover, non-resident individual investors may be required to pay PRC individual income tax on interests or dividends payable to the investors or any capital gains realized from the transfer of ordinary shares if such gains are deemed income derived from sources within the PRC. Under the PRC Individual Income Tax Law (2011 amendment), (the “IIT Law”), non-resident individual refers to an individual who has no domicile in the PRC and does not stay in the territory of the PRC or who has no domicile in the PRC and has stayed in the territory of the PRC for less than one year. Pursuant to the IIT Law and its implementation rules, for purposes of the PRC capital gains tax, the taxable income will be the balance of the total income obtained from the transfer of ordinary shares minus all the costs and expenses that are permitted under PRC tax laws to be deducted from the income. Therefore, if we are considered as

a PRC “resident enterprise” and dividends we pay with respect to our ordinary shares and the gains realized from the transfer of our ordinary shares are considered income derived from sources within the PRC by relevant competent PRC tax authorities, such gains earned by non-resident individuals may also be subject to PRC income tax at a rate of 20%.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) which became effective from January 1, 1994, and were amended in 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. In November 2011, the Ministry of Finance of the PRC and the SAT jointly promulgated two circulars setting out the details of the Pilot Program of Replacing Business Tax with Value-added Tax, resulting in the charging on sales of value-added tax (“VAT”) instead of business tax for certain pilot industries. The pilot program initially applied only to those pilot industries in Shanghai and was expanded to eight additional regions including, among others, Beijing, Tianjin and Ningbo in 2012. In those regions where business tax is replaced by VAT, the VAT tax rates applicable to the leasing of tangible movable properties industry, transportation and construction industries, and other modern service industries are 17%, 11% and 6%, respectively. The pilot program will be gradually expanded to other industries and regions as determined by relevant government authorities.

Value Added Tax

The Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例) (the “**Provisional VAT Regulations**”) were promulgated on December 13, 1993, and came into effect on January 1, 1994, and were amended on November 10, 2008. The Implementation Rules of the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) (the “**Provisional VAT Implementation Rules**”) were promulgated on December 25, 1993, amended in 2008 and 2011. According to the Provisional VAT Regulations and the Provisional VAT Implementation Rules, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For taxpayers selling or importing goods other than those specifically listed in the Provisional VAT Regulations, or for taxpayers providing processing, repairs and replacement services, the value-added tax rate is 17%.

HONG KONG TAXATION

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of the Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, will be chargeable to Hong Kong profits tax.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the Shares. The duty is charged at the *ad valorem* rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares.

In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required). Where a sale or purchase of the Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) will be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee will be liable to pay such duty.

The sale and purchase of the Sale Shares in the Global Offering is subject to stamp duty in Hong Kong. However, no stamp duty (including fixed duty) will be payable by any applicant in the Global Offering, since the Selling Shareholder will bear all stamp duty (including fixed duty) arising from the sale and purchase of the Sale Shares in the Global Offering.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after February 11, 2006.

This Appendix contains a summary of certain provisions of our Articles of Incorporation and the Korean Commercial Code, the governing corporate law of the Company. Appendix V also contains a description of shareholder protection matters that are not at least equivalent to or broadly commensurate with those afforded to shareholders of companies incorporated in Hong Kong in effect as of the date of this prospectus. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix VII to this prospectus, a copy of our Articles of Incorporation is available for inspection.

GENERAL

We were incorporated as a stock corporation in the Republic of Korea on August 20, 2012 under the Korean Commercial Code. A copy of the English translation of our Articles of Incorporation is available for inspection as mentioned in “Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection.”

SHARE CAPITAL

The authorized share capital of the Company consists of common shares only. The authorized share capital of the Company at the date of adoption of the Articles of Incorporation is KRW 500,000,000,000 divided into 5,000,000,000 shares of par value of KRW 100 each.

SUMMARY OF KEY KOREAN CORPORATE LAW AND OUR ARTICLES OF INCORPORATION

The following is a summary of some key provisions of the Korean Commercial Code and our Articles of Incorporation.

Capacity

A company incorporated in Korea has the capacity to act within the scope of its corporate purposes as set forth in its articles of incorporation. Under Korean law, however, the scope of corporate power is not limited to the purposes expressly set forth in the articles of incorporation of a company incorporated in Korea, but also extends to incidental actions which are incidental in order to realize such express purposes.

Our purposes set forth in our Articles of Incorporation are:

- control over the management of subsidiaries and provision of management service, streamlining and cultivating the business of the subsidiaries, by holding the shares or equity interests or other securities of subsidiaries;
- financial support for subsidiaries and support for business of the subsidiaries;
- financing for providing financial support to subsidiaries;

- provision of business assistance for the joint development and sales of the auto parts and the joint use of the facilities and IT systems;
- research and development, technology information providing service and delegated agency service;
- market research, management advisory service and consulting service;
- management and licensing of intellectual technology such as branch, trademark and patents;
- export and import business including the export and import agency service and trade agency service;
- investment in, and management and operation of, new business;
- logistics business providing the transportation, storage, loading/unloading and related information technology service;
- sale of intangible assets held by the Company, including the knowledge and information, and related delegated agency service; and
- any other business incidental or related to those in the foregoing items.

General Meeting of Shareholders*Location and frequency of the general meeting of Shareholders*

Our annual general meeting of Shareholders and extraordinary general meeting of Shareholders will be held at or near our registered office in Korea.

We hold our annual general meeting of Shareholders within four months after the end of each fiscal year. Subject to a board resolution or Korean court approval, we may hold an extraordinary general meeting of Shareholders as necessary.

Convening the general meeting of Shareholders

An annual and extraordinary general meeting of Shareholders will be convened by the Board of Directors by giving Shareholders written notice or upon consent of each Shareholder electronically setting out the date and time, place and agenda of the meeting at least 21 days before the date of the general meeting of Shareholders. In case such notice could not be delivered to the address of a Shareholder appearing on the register of shareholders for three consecutive years, we shall not be required to give such notice to that Shareholder.

Shareholders who hold no less than 3% of the total issued and outstanding Shares may demand the convening of an extraordinary general meeting of Shareholders, by filing with the Board of Directors

a written statement setting forth the proposed agenda together with the reasons for the proposal for convening the general meeting. If we do not promptly take steps to convene the general meeting after the foregoing demand has been made, the Shareholders who made such a demand may convene such meeting with the approval of the Korean court. At an extraordinary general meeting of Shareholders held in accordance with the foregoing procedure, an inspector may be appointed to investigate our affairs and the status of our assets.

Shareholders may take part in the annual general meeting through video-conference or through other means of communication. The means of communication used must allow all the persons taking part in the meeting to hear one another on a continuous basis and must allow effective participation of all such persons in the meeting. However, a Shareholder cannot exercise his/her voting rights through such video-conference or other means of communication under the Korean Commercial Code.

Shareholders' proposal

Shareholders who hold no less than 3% of the total issued and outstanding Shares may make a proposal at a general meeting to the Directors in writing or by an electronic document at least six weeks prior to the date of the general meeting or, in case of an annual general meeting, the date of the annual general meeting of the previous fiscal year. The foregoing Shareholders may request the Directors to record the summary of the proposal submitted by the Shareholders in addition to the agenda of the general meeting in a notice to be sent to the Shareholders.

Where there is a Shareholders' proposal, the Directors shall report to the Board of Directors, which shall accept the proposal as the agenda of the general meeting, unless its contents are in breach of the laws and regulations or the Articles of Incorporation or fall under any of the following events:

- the proposed agenda is the same as one that has been disapproved at a general meeting with 10% or less approval rate within three years;
- the proposed agenda is related to the personal problems of the Shareholder;
- the proposed agenda is related to the rights of Shareholders which can be exercised by Shareholders having a certain minimum shareholding ratio; or
- the proposed agenda is related to matters which are impossible for us to achieve or the reason for the proposal is manifestly false or the proposed agenda defames a person's reputation.

Chairman of a general meeting of Shareholders

A general meeting of Shareholders shall be presided over by our Representative Director or, in his/her absence, by another Director as determined in accordance with our Articles of Incorporation. In

case that an extraordinary general meeting of Shareholders held in accordance with court approval upon the foregoing demand of the Shareholders set forth in the section headed “*Convening the general meeting of Shareholders*” above, the Korean court may appoint the chairman of the general meeting upon application by the interested party or at the court’s discretion.

The chairman of the general meeting shall have control over the maintenance of order and the proceedings at the general meeting. The chairman of the general meeting may order anyone who notably disturbs the meeting’s order by intentionally speaking or acting for a filibuster to stop speaking or to retire from the meeting place.

Voting rights

Holders of the Shares are entitled to one vote for each Share, except that voting rights of the Shares held by us, or by a corporate Shareholder that is more than 10% owned by us either directly or indirectly, may not be exercised thereupon.

A Shareholder may exercise its voting rights by granting one or more proxies. In this case, the proxy shall submit a document evidencing its authority at the general meeting. Any person other than a Shareholder may become a proxy. A corporate Shareholder may appoint a proxy by its duly authorized officer. A proxy shall have the same rights as the Shareholder, including the right to speak and vote at the meeting.

The Korean Commercial Code permits cumulative voting, under which voting method each Shareholder would have multiple voting rights corresponding to the number of directors to be appointed in the voting and may exercise all voting rights cumulatively to elect one director. However, we have decided not to adopt cumulative voting.

Quorum and resolutions

There is no minimum quorum required of a general meeting and, accordingly, a general meeting can be convened with the presence of only one Shareholder.

Our Shareholders may adopt resolutions at a general meeting by an affirmative majority vote of the Shares present or represented at the meeting, where the affirmative votes also represent at least one-fourth of our total Shares then issued and outstanding.

However, under the Korean Commercial Code, the following matters, among others, require special resolution at a general meeting of Shareholders by the affirmative vote of the holders of at least two-thirds of the Shares present or represented at a meeting, where the affirmative votes also represent at least one-third of our total Shares then issued and outstanding:

- amending our Articles of Incorporation;
- removing a Director;

- effecting any dissolution, merger or consolidation;
- transferring the whole or significant part of our business;
- effecting our acquisition of all or part of the business of any other company which acquisition may have a material effect on our business; or
- reducing our capital.

Approval of Independent Shareholders

Certain connected transactions or certain spin-off proposals that are otherwise subject to the approval of the Shareholders are also subject to the approval of the independent Shareholders, who are any Shareholders other than our Controlling Shareholder and its associates. In addition, our independent non-executive Directors will be responsible for advising Shareholders as to whether the terms of the relevant transaction or arrangement are fair and reasonable and whether such a transaction or arrangement is in our interests and the Shareholders as a whole and advising Shareholders on how to vote, taking into account the recommendations of the independent financial advisor.

Board of Directors

Composition of the Board of Directors

Our Articles of Incorporation currently provide for a Board of Directors of at least four Directors, at least three of whom must be independent non-executive Directors and not less than one-third of whom must be independent non-executive Directors, who satisfy the requirements set forth by the Korean Commercial Code and the laws and regulations applicable to companies whose shares are listed on the Hong Kong Stock Exchange.

Appointment and removal of the Directors

Directors are appointed at a general meeting of Shareholders among the candidates who are nominated by the nomination committee, by a majority vote of the Shares present or represented at the meeting, where the affirmative votes also represent at least one-fourth of our total Shares then issued and outstanding. The term of office of a Director is three years. However, the term of office will be extended to the close of the annual general meeting of Shareholders if the term of office for the Director ends before the close of the annual general meeting of Shareholders convened with respect to the last fiscal year within such term of office. A Director to fill a casual vacancy on the Board of Directors will hold office during the residual tenure of a predecessor.

A Director may be removed at any time by a special resolution at a general meeting of Shareholders. In case where a Director is removed without justifiable cause prior to the expiration of the term of such Director, such a Director may make a claim for damages caused thereby. The Korean court has ruled that the damage which can be claimed by the dismissed director shall be the amount of remuneration for the remaining term of office.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

Compensation

The amount of remuneration of a Director, including the severance pay or the compensation for loss of office to Directors, shall be determined by the resolution at a general meeting of Shareholders. Our remuneration committee will be responsible for making recommendations to the Board of Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Borrowing powers

The Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof. The rights of the Board to exercise these powers may only be varied by a special resolution.

Meetings and resolution

A Board of Directors' meeting shall be presided over by our Representative Director or, in his/her absence, by another Director as determined in accordance with our Articles of Incorporation. The Board of Directors' meeting will be convened at least once each fiscal quarter or at any time requested by a Director. The Board of Directors' meeting will be convened by giving Directors written notice at least seven days prior to the date of the meeting, which notice can be waived by the unanimous consent of all Directors.

Voting by proxy at the Board of Directors' meeting is not allowed. The Board of Directors may allow a Director to participate at the resolution of the Board of Directors' meeting through the conference call instead of attending such meeting in person. In such case, such Director shall be deemed to have attended such meeting in person.

A Board of Directors' meeting will be validly held if the majority of the Directors in office are present and can adopt resolutions with the affirmative vote of the majority of those present.

However, under the Korean Commercial Code, the following matters, among others, require approval of at least two-thirds of the Directors in office:

- approval of the self-interested transaction with the following persons:
 - (i) a Director or a majority Shareholder (being a Shareholder owning 10% or more of the total issued and outstanding voting Shares or a Shareholder exercising *de facto* control over our management);

- (ii) spouse or lineal ascendant or descendant of a Director or a majority Shareholder;
 - (iii) lineal ascendant or descendant of the spouse of a Director or a majority Shareholder;
 - (iv) a company, in which at least 50% of the issued and outstanding voting shares are held by the foregoing persons in the aggregate and a subsidiary of such company, in which at least 50% of the issued and outstanding voting shares are held by such company; or
 - (v) a company, in which at least 50% of the issued and outstanding voting shares are held by the foregoing persons in aggregate;
- approval of the usurpation of corporate opportunity by a Director; or
 - removal of any member of the audit committee.

Representative Director

Our Representative Director is elected by a majority vote of the Directors present where the majority of the Directors in office are present and is empowered to represent and act on our behalf and has the power to bind us.

Disclosure of interests in contracts with us

Under the Korean Commercial Code, a director may not effect for his/her own account or for the account of a third party a contract with us unless such director explains the material information on the proposed transaction at the board of directors' meeting and obtains an advance approval of the Board of Directors as set forth in "*Meetings and resolution*" above.

Under our Articles of Incorporation, a Director shall, if his/her direct or indirect interest in a contract, proposed contract or other transaction with us is material, declare the nature of such interest at the earliest Board of Directors' meeting at which it is practicable for him/her to do so, notwithstanding that the question of entering into the contract is not taken into consideration at that meeting.

Any Director who has a special interest in the resolution of the Board of Directors' meeting may not exercise his/her voting rights thereon.

Director's liabilities

Under the Korean Commercial Code, when a Director conducts any act in breach of the laws and regulations or our Articles of Incorporation or neglects to perform his/her duties, such Director shall be liable to compensate for the damages caused to us or to a third party, jointly and severally with the other Directors who also are liable to compensate for such damages. Such liabilities of a Director to compensate for the damages caused to us can be exempted with unanimous consent of all the Shareholders. In addition, such liabilities of a Director to compensate for the damages caused to us or to a third party shall be limited to an amount equal to six times (or three times in case of an independent

non-executive Director) of the remuneration of the Director for the most recent year, except for damages caused by the willful misconduct or gross negligence of the Director, the breach of the prohibition of competitive business by a Director, the self-interested transaction by a Director or the usurpation of corporate opportunity by a Director respectively under the Korean Commercial Code.

Audit Committee*Composition of the audit committee*

Our Articles of Incorporation currently provide for an audit committee comprised of at least three non-executive Directors. At least two-thirds of the members, including the representative of the audit committee, must be independent non-executive Directors, and one independent non-executive Director must have appropriate professional qualifications or expertise.

Appointment and removal of the members of the audit committee

Members of the audit committee are appointed at a Board of Directors' meeting by a majority vote of the Directors present where the majority of the Directors in office are present. A member of the audit committee may be removed at any time by a resolution at a Board of Directors' meeting with affirmative vote of at least two-thirds of the Directors in office.

Power of audit committee

Our audit committee shall audit our accounting and general operations. The audit committee may request the Board of Directors to convene an extraordinary general meeting of Shareholders in writing stating the agenda and the reason for convening such general meeting. The audit committee may request our subsidiaries to provide a report on their operations, if deemed necessary to perform the duties of the audit committee. If our subsidiary fails to immediately provide such a report as requested or the audit committee deems it necessary to verify the content of the report made by our subsidiary, the audit committee shall have the right to inspect such subsidiary's operations and status of assets. When appointing our external accounting firm, the audit committee shall approve such external accounting firm.

Amendments to our Articles of Incorporation

We may at any time and from time to time amend our Articles of Incorporation by the special resolution adopted at a general meeting of Shareholders.

Variation of Rights

If we issue two or more classes of shares and a certain class of shareholders is to be prejudiced by the amendment to our Articles of Incorporation, the approval by the special resolution at a general meeting of such specific class of shareholders shall be required in order to effect such an amendment in addition to that of a general meeting of shareholders. In addition, if we issue two or more classes of shares and a certain class of shareholders is prejudiced in connection with (1) the subscription of new

shares, (2) consolidation or split of shares, cancellation of shares or allocation of new shares upon merger or (3) the spin-off, merger after spin-off, comprehensive share exchange or transfer, or merger, the approval by the special resolution at a general meeting of such specific class of shareholders shall be required in addition to that of a general meeting of shareholders.

Rights of Dissenting Shareholders

In certain limited circumstances, including the transfer of the whole or any significant part of our business and our merger or consolidation with another company, dissenting Shareholders may have the right to require us to purchase their shares. To exercise this right, Shareholders must submit to us a written notice of their intention to dissent before the general meeting of shareholders. Within 20 days after the relevant resolution is adopted at a general meeting of Shareholders, the dissenting Shareholders must request us in writing to purchase their shares. We are obligated to purchase the shares of dissenting Shareholders within two months after the date of the request. The purchase price for the Shares is required to be determined through negotiation between the dissenting Shareholders and us. If the dissenting Shareholders cannot agree with us on a price through negotiation within 30 days from the date of the request, the dissenting Shareholders may ask the Korean court to determine the purchase price.

Dividends

We distribute dividends to our Shareholders in proportion to the number of Shares owned by each Shareholder. Dividend payments on the Shares are non-cumulative.

We may distribute annual dividends in cash or in newly issued shares. The dividend in newly issued shares may not exceed one-half of the annual dividends. Such new shares will be issued at par value. Annual dividends, if any, on our Shares must be recommended by our Board of Directors and must be approved at the annual general meeting of Shareholders, which is held within four months after the end of the fiscal year. The annual dividend is paid shortly thereafter to the Shareholders or registered pledgees of record as of the AGM Record Date that is set by our Board of Directors. We may pay interim dividends in cash once a year by a resolution of the Board of Directors to Shareholders or registered pledgees who are registered in the register of Shareholders as of September 5, as specified in our Articles of Incorporation. We have no obligation to pay any annual cash dividend unclaimed for five years from the payment date, at which time rights to such dividends lapse and such unclaimed cash dividends revert to us. In addition, where we pay dividend to any Shareholder by sending a cheque by post, we may cease to send such cheque if such cheque has been left uncashed on two consecutive occasions. However, we may cease to send such a cheque once such a cheque is returned undelivered.

Under the Korean Commercial Code, we may pay an annual dividend only out of the excess of our net assets, on a non-consolidated basis, over the sum of (1) our stated capital, (2) the total amount of our capital surplus reserve and earned surplus reserve which have accumulated up to the end of the previous fiscal year, (3) our earned surplus required to be accumulated for the then current fiscal year and (4) the net assets stated in our balance sheet as being increased as a result of the evaluation of our assets and liabilities in accordance with our accounting principles without being set off against any unrealized losses. We may not pay any dividend unless we have set aside as a legal reserve an amount

equal to 10% of the cash portion of the annual dividend or unless we have accumulated a legal reserve of not less than one-half of our stated capital. We may not use our legal reserve to pay cash dividends but may transfer amounts from our legal reserve to our capital stock or use our legal reserve to reduce an accumulated deficit.

Distribution of Free Shares

In addition to paying dividends in shares out of our retained or current earnings, we may also distribute to our Shareholders an amount transferred from our capital surplus or legal reserve to our stated capital in the form of free shares. We must distribute such free shares to all of our Shareholders in proportion to their existing shareholdings.

Calls on Shares and Forfeiture of Shares

There are no provisions in our Articles of Incorporation relating to making calls on Shares or for the forfeiture of Shares.

Preemptive Rights and Issuance of Additional Shares

We may issue authorized but unissued Shares to all of our Shareholders in proportion to their existing shareholdings at any time and on the terms our Board of Directors may determine. We must offer new shares on uniform terms to all Shareholders who have preemptive rights and are listed on our register of Shareholders as of the relevant record date. We must give public notice of the preemptive rights regarding new shares and their transferability at least two weeks before the relevant record date. Our Board of Directors may determine how to distribute shares for which preemptive rights have not been exercised or forfeited or where fractions of shares occur.

Under our Articles of Incorporation, we may issue new shares pursuant to a resolution adopted at a general meeting of Shareholders to persons other than existing Shareholders, including the allotment of new shares to persons other than existing Shareholders by way of a general public offering, who in these circumstances will not have preemptive rights, only in the cases necessary for the achievement of our operational objectives, such as an introduction of new technology, improvement of financial structure, etc.

However, we may issue new shares pursuant to the resolution of the Board of Directors' meeting to persons other than existing Shareholders, including the allotment of new shares to persons other than existing Shareholders by way of a general public offering, if our Shareholders give a general mandate to our Board of Directors by resolution adopted at a general meeting of Shareholders to issue new shares, subject to a restriction that the total number of shares so issued under such mandate shall not exceed 20% of our total issued and outstanding shares. Such mandate will be effective until the close of the next annual general meeting or revoked or varied by Shareholders in general meeting, and if used, may be refreshed before the next annual general meeting in certain circumstances set forth in the regulations applicable to the companies whose shares are listed on the Hong Kong Stock Exchange. Where we

issue new shares for a cash consideration under the general mandate, we are not allowed to issue such shares without obtaining a separate approval from the Shareholders if the issue price represents a discount of 20% or more to the benchmark price as calculated in accordance with the Listing Rules unless we can satisfy the Hong Kong Stock Exchange that we are in a serious financial position.

Notwithstanding the foregoing, where the proposed issuance of new shares (on its own or when aggregated with any other issuance of new shares within the prior 12-month period) would increase either our issued share capital or our market capitalization by more than 50%, we may only issue new shares by a resolution adopted at a general meeting of Shareholders by the approval of a majority of our independent Shareholders (who are any Shareholders other than our Controlling Shareholder and its associates) as well as the approval of our Shareholders generally.

Under our Articles of Incorporation, we are not permitted to issue any securities convertible into shares, warrants or similar rights to subscribe for shares or convertible securities other than stock options as described below.

Stock Options

We may by special resolution of the general meeting of Shareholders grant to our Directors, officers and employees, who have contributed or are expected to contribute to our incorporation or management, overseas operation or technological innovation, etc., options to purchase up to an aggregate of 10% of our total number of then-issued and outstanding Shares.

However, the grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of our decision until an announcement of such price sensitive information has been published in accordance with the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (1) the date of our board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of the our results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (2) the dead line for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules);

and ending on the date of the results announcement, no options may be granted.

Unless approved by our Shareholders in the Listing Rules, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of our (or our subsidiary's) Shares in issue. Where any further grant of options to a participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person

(including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of Shares in issue, such further grant must be separately approved by a special resolution of our Shareholders in general meeting with such applicant and his associates abstaining from voting.

We are not permitted to grant stock options to (1) a Shareholder holding 10% or more of the total issued and outstanding Shares, (2) a Shareholder exercising *de facto* control over our management including the appointment or dismissal of Directors and (3) spouse or lineal ascendant or descendant of the foregoing Shareholders.

Each grant of options to any of our Directors or their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). Where any grant of options to our independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (1) representing in aggregate over 0.1% of the relevant class of Shares in issue; and
- (2) (where the Shares are listed on the Hong Kong Stock Exchange), having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by a special resolution of our Shareholders in general meeting. We must send a circular to the Shareholders. All our connected persons must abstain from voting in favour at such general meeting.

Subject to the Listing Rules, the exercise price of options must be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant. For the purpose of calculating the exercise price where we have been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

The options shall be exercised within 6 years from the date 2 years after the date of general meeting which granted such options, and any grantees of options may exercise their options only after they hold offices in us for at least 2 years from the date of general meeting which granted such options.

We may by the resolution of the Board revoke the grant of options in the following cases under our Articles:

- (1) the case where the grantee resigns or retires by his or her own intention;
- (2) the case where the grantee incurs any damage to us due to his or her willful misconduct or negligence;

- (3) the case where we may not accept any exercise of options due to our insolvency or dissolution, etc; or
- (4) the other cases set out in the agreement granting the options.

As of the date of this prospectus, no stock options have been granted to any of our Directors, officers or employees.

Reduction of Capital

We may by the special resolution of Shareholders at a general meeting reduce our stated capital. However, we may reduce our stated capital by ordinary resolution of the general meeting of Shareholders if the purpose of the capital reduction is to reduce an accumulated deficit.

Register of Shareholders and Record Dates

We will maintain our register of Shareholders following the completion of the Global Offering at our registered head office in Korea and at our Hong Kong branch. The Korean Register and the Hong Kong Register are effectively identical with each other and any changes made to either register would have the legal effect of creating the same changes on the other register. Recording of entitlement and ownership of Shares and any valid changes to such entitlement and ownership in the Hong Kong Register and the Korean Register is synchronized.

The record date for annual dividends is the AGM Record Date that is set by our Board of Directors. The record date for interim dividends is September 5 of each year, as specified in our Articles of Incorporation. For the purpose of determining the Shareholder or the share pledgees entitled to the rights pertaining to the Shares, we may, on at least two weeks' public notice and upon a resolution of our Board of Directors, set a record date or close the register of Shareholders for not more than 30 days in a single year. The trading of Shares and the delivery of share certificates may continue while the register of Shareholders is closed.

Inspection of Books and Records

We will keep (1) our Articles of Incorporation, (2) the register of Shareholders, (3) the minutes of the general meeting of Shareholders, (4) the minutes of the Board of Directors' meeting and (5) the audited financial statements at our registered head office and our Hong Kong branch. Any Shareholder may demand, at any time during business hours and without charge, the inspection or the copying of such documents.

Annual Report

At least 21 days before the annual general meeting of Shareholders, we must send the copy of our annual report and audited financial statements to all of our Shareholders. The audited financial statements and the auditor's report must be presented to the annual general meeting of Shareholders for approval.

Approval and Public Notice of Financial Statements

Under Korean law, the financial statements, including the balance sheet and income statement, of a Korean company are required to be approved by shareholders at the annual general meeting. Under our Articles of Incorporation, upon obtaining such approval, our representative Director is required to promptly issue a public notice of our balance sheet (on a separate basis) on our website (www.mandochina.com). It is a Korean requirement that such balance sheet to be included in the public notice be prepared under Korean IFRS. As Korean IFRS is not an acceptable accounting standard recognized by the Hong Kong Stock Exchange, following the successful completion of the Global Offering we will present our Group's consolidated financial statements under IFRS in compliance with the Listing Rules as well as our Company's financial statements and our Group's consolidated financial statements under Korean IFRS to our Shareholders for approval at the annual general meeting as required by Korean law and our Articles of Incorporation.

Transfer of Shares

Under the Korean Commercial Code, the transfer of Shares is effected by delivery of share certificates. However, to assert Shareholders' rights against us, the transferee must have its name and address registered on our register of Shareholders. For this purpose, a Shareholder is required to file its name, address and seal with us. A non-Korean Shareholder may file a specimen signature in place of a seal, unless the non-Korean Shareholder is a citizen of a country with sealing system similar to that of Korea. The amount of fee payable to us in relation to the registration of any transfer may not exceed the amount as set forth in the Listing Rules.

Certain foreign exchange controls apply to the transfer of Shares held by non-residents of Korea as set forth in the section headed "*Korean Foreign Exchange Regulations*" below.

Replacement of Share Certificates

Under Korean law, a person who has lost the share certificate must obtain a judgment of nullification of such share certificate from the Korean court before we can re-issue a new share certificate.

Acquisition of Shares by Us or Our Subsidiary

Under the Korean Commercial Code, we may acquire our own Shares through (1) purchases on a stock exchange (including the Hong Kong Stock Exchange) or (2) purchase of the Shares in proportion to the number of Shares held by each Shareholder on equal terms and conditions, by a resolution at a general meeting of Shareholders. The aggregate amount of the acquisition price shall not exceed the excess of our net assets, on a non-consolidated basis, over the sum of (1) our stated capital, (2) the total amount of our capital surplus reserve and earned surplus reserve which have accumulated up to the end of the previous fiscal year, (3) our earned surplus required to be accumulated for the then current fiscal year and (4) our net assets stated in the balance sheet as being increased as a result of the evaluation

of the assets and liabilities in accordance with our accounting principles without being set off against any unrealized losses. In addition, under the Korean Commercial Code, we may not acquire our own Shares if our net assets may fall short of the aggregate amount of the item (1) to (4) above, on a non-consolidated basis, as of the conclusion of the relevant business year of us.

Under our Articles, we may acquire our own Shares through (1) an acquisition of the Shares on the Hong Kong Stock Exchange; or (2) an acquisition of the Shares in proportion to the number of Shares held by each Shareholder on equal terms and conditions by giving notices on a Share repurchase to all Shareholders. Acquisitions by us of our Shares must be made in accordance with the laws and regulations of Hong Kong, the Listing Rules and the SFC's Codes on Takeovers and Mergers and Share Repurchases.

In order to acquire our own Shares, we shall determine the following matters by the resolution of our general meeting:

- (a) the class and number of the Shares to be acquired by us;
- (b) the maximum limit to the aggregate amount of the acquisition price; and
- (c) the period for which we may acquire our own Shares not exceeding one year.

We shall not engage in a Share acquisition set out in item (1) above following the announcement of a Share acquisition set out in item (2) above up to and including the date a Share acquisition set out in item (2) above closes, lapses or is withdrawn, as the case may be.

Under our Articles of Incorporation, all Shares acquired by us shall be cancelled upon acquisition by the resolution of the Board.

Corporate entities in which we own 50% or more equity interest may not acquire our Shares.

Restriction on Ownership of Securities

There is no restriction on ownership of Shares under Korean law.

Rights of Minority Shareholders

Convening the general meeting of Shareholders

Shareholders who hold no less than 3% of the total issued and outstanding Shares may demand the convening of an extraordinary general meeting as set forth in the section headed "*General Meeting of Shareholders — Convening the general meeting of Shareholders*" above.

Shareholders' proposal

Shareholders who hold no less than 3% of the total issued and outstanding Shares may make a proposal on the agenda of a general meeting to the Directors as set forth in the section headed "*General Meeting of Shareholders — Shareholders' proposal*" above.

Statutory derivative actions

Shareholders who hold no less than 1% of the total issued and outstanding Shares may file a suit with the Korean court on our behalf to enforce our claim against the Director who is liable to compensate for the damages caused by the Director as set forth in the section headed "*Board of Directors — Director's liabilities*" above.

Request for injunction

If a Director conducts any act in breach of the laws and regulations or our Articles of Incorporation and such act is likely to cause irreparable damage to us, shareholders who hold no less than 1% of the total issued and outstanding Shares may demand on our behalf that the relevant Director cease to conduct such act.

Request for removal of Director

If the removal of a Director is disapproved at a general meeting of Shareholders notwithstanding the breach of the Director's duty or the laws and regulation or our Articles of Incorporation, Shareholders who hold no less than 3% of the total issued and outstanding Shares may request the removal of the Director to the Korean court.

Inspection of account books

Shareholders who hold no less than 3% of the total issued and outstanding Shares may demand in writing, stating the reasons for such demand, the inspection or copying of the account books and related documents.

Inspection of operation and status of assets

If there is any reason to suspect of any breach of the laws and regulations or our Articles of Incorporation, shareholders who hold no less than 3% of the total issued and outstanding Shares may request the Korean court to appoint an inspector to inspect our operation and the status of our assets.

Compulsory purchase of Shares held by minority Shareholders

A Shareholder who holds no less than 95% of the total issued and outstanding Shares may request other Shareholders to sell the Shares held by such other Shareholders in order to achieve our managerial purpose, with prior approval of the general meeting of Shareholders. In addition, if there is a Shareholder who holds no less than 95% of the total issued and outstanding Shares, other

Shareholders may request such Shareholder to purchase their respective Shares. The purchase price shall be determined by agreement among all of the Shareholders concerned. Where the agreement on the purchase price cannot be reached within 30 days from the date of the request for sale or purchase, any concerned Shareholder may file an application to the Korean court for the determination of the purchase price.

Public Notice

Any public notice to be made by us may be made on our website (www.mandochina.com), provided that if we are not able to give public notice on our website due to technical problems or other unforeseen circumstances or when public notice is required to be given through the newspapers, such public notice may be published in the newspapers circulated in Korea and Hong Kong, respectively.

Liquidation

We may commence the voluntary liquidation proceedings by a special resolution at a general meeting of Shareholders. In the event of our liquidation, after payment of all debts, liquidation expenses and taxes, our remaining assets will be distributed among Shareholders in proportion to their shareholdings.

**ENFORCEMENT OF JUDGMENTS AGAINST US, OUR DIRECTORS AND OUR MAJOR
SHAREHOLDER**

Any judgment obtained from a court of competent jurisdiction in Hong Kong in proceedings brought by our Shareholders against us, our Directors or our major Shareholder will be recognized and enforceable in Korea, provided that (1) such judgment was finally and conclusively given by a court having valid jurisdiction in accordance with the international jurisdiction principles under Korean law and applicable treaties, (2) recognition of such judgment is not contrary to the public policy of Korea, (3) the defendant was duly served with service of process (other than by publication or similar means) in sufficient time to enable the defendant to prepare its defense in conformity with the laws of jurisdiction of the judgment-rendering court or responded to the action without being served with process and (4) judgments of the courts of Korea are accorded reciprocal treatment under the laws of Hong Kong.

KOREAN FOREIGN EXCHANGE REGULATIONS***General***

The Foreign Exchange Transaction Act of Korea and the Enforcement Ordinance and regulations under that Act and Decree, which we refer to collectively as the Foreign Exchange Transaction Laws, regulate investments in Korean securities by non-residents and issuances of securities outside Korea by Korean companies. Non-residents may invest in Korean securities pursuant to the Foreign Exchange Transaction Laws. The Financial Services Commission has also adopted, pursuant to its authority under the Financial Investment Services and Capital Markets Act of Korea, regulations that regulate issuances of securities outside Korea by Korean companies.

Subject to certain limitations, the Ministry of Strategy and Finance has the authority to take the following actions under the Foreign Exchange Transaction Laws:

- if the Korean government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances, the Ministry of Strategy and Finance may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit, safe-keep or sell any means of payment to The Bank of Korea, a foreign exchange equalization fund or certain other governmental agencies or financial institutions; and
- if the Korean government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that the movement of capital between Korea and other countries is likely to adversely affect its currency policies, exchange rate policies or other macroeconomic policies, the Ministry of Strategy and Finance may take action to require any person who intends to effect a capital transaction to obtain permission or to require any person who effects a capital transaction to deposit a portion of the means of payment acquired in such transactions with The Bank of Korea, a foreign exchange equalization fund or financial institutions

Restrictions Applicable to Shares

An investment by a foreign investor in 10% or more of the outstanding shares with voting rights of a Korean company is defined as a foreign direct investment under the Foreign Investment Promotion Act of Korea. Generally, a foreign direct investment must be reported to the foreign exchange bank or Korea Trade-Investment Promotion Agency designated by the Ministry of Knowledge Economy prior to such investment. The acquisition of shares of a Korean company by a foreign investor may also be subject to certain foreign or other shareholding restrictions in the event that the restrictions are prescribed in a specific law that regulates the business of the Korean company.

Under the Foreign Exchange Transaction Laws, a non-resident investor who wishes to acquire the shares of a Korean company not listed on the Korea Exchange Inc. is not required to make any report in case such shares are foreign currency securities issued outside Korea for which the issuer Korean company has made a report on issuance of foreign currency securities. In addition, the subsequent transfer of the shares by such non-resident investor will not be subject to any further reporting requirements under the Foreign Exchange Transaction Laws.

Under the Foreign Exchange Transaction Laws, a foreign investor who wishes to export from or import to Korea the physical certificates representing the shares of a Korean company is required to make a report to the Korean customs office unless the issuer of such shares makes a report on the issuance of the relevant shares which discloses the permissibility of export and/or import by the holder of the physical certificates. We disclosed the permissibility of export and/or import by the holder of the Shares and, accordingly, the export and/or import of the physical certificates by the holder of the Shares will not be subject to any reporting requirements under the Foreign Exchange Transaction Laws.

Dividends on shares of Korean companies are paid in Korean Won. We will make arrangements to effect payment in Hong Kong dollars of any cash dividends payable to Shareholders resident in Hong Kong. No governmental approval is required for foreign investors to receive dividends on the shares of a Korean company.

SHAREHOLDER PROTECTION MATTERS

Under Rule 19.05(1)(b) of the Listing Rules, the Hong Kong Stock Exchange may refuse a listing of securities by an issuer if the Hong Kong Stock Exchange is not satisfied that the overseas issuer is incorporated or otherwise established in a jurisdiction where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. The Joint Policy Statement states that for the purpose of determining whether an overseas company demonstrates acceptable shareholder protection standards, the Hong Kong Stock Exchange ordinarily expects an overseas applicant to demonstrate appropriate shareholder protection standards in the various shareholder protection items that are set out in the attachment to the Joint Policy Statement.

The Hong Kong Stock Exchange accepted our application for listing on the Hong Kong Stock Exchange on the basis that, with respect to the most of the shareholder protection item set out in the attachment to the Joint Policy Statement, the standards of shareholder protection afforded to shareholders of companies incorporated in Korea, taken as a whole, are, in all material respects, at least equivalent to, or broadly commensurate with, standards of shareholder protection afforded to shareholders of companies incorporated in Hong Kong.

Not all the shareholder protections afforded to shareholders of companies incorporated in Korea are at least equivalent to those afforded to shareholders of companies incorporated in Hong Kong.

Material Shareholder Protection Matters

With respect to some of the matters set out in the attachment to the Joint Policy Statement, shareholder protection afforded to shareholders of companies incorporated in Korea are not at least equivalent to those afforded to shareholders of companies incorporated in Hong Kong. In respect of those matters, we are satisfied that such items are broadly commensurate with those protections afforded to shareholders of companies incorporated in Hong Kong on the grounds that these are nevertheless material shareholder protections in place in respect of such items.

Certain Matters to be Decided by a Three-Quarters Majority Vote by Shareholders in General Meeting

Under Hong Kong law, the following matters are required to be decided by special resolution, that is by a resolution passed by no less than a three-quarters majority vote at a general meeting of shareholders.

- amendments to the articles of association;

- variation to class rights (where the three-quarters majority of the votes cast is required within each class of shares);
- reduction of share capital; and
- voluntary liquidation of the company.

However, under Korean law, a special resolution can be passed by affirmative votes of no less than two-thirds of the voting shares present or represented at a general meeting, where the affirmative votes also represent at least one-third of the total voting shares then issued and outstanding. The Hong Kong Stock Exchange indicated that it is acceptable for an overseas jurisdiction to require only two-thirds majority vote of shareholder to pass a special resolution.

Variation of Class Rights

Under Hong Kong law, the rights attached to any class of shares of a company incorporated in Hong Kong may only be varied with the approval of the members by three-quarter majority vote in general meeting subject to rights of members holding not less than 10% of the par value of the issued shares of that class to make a petition to the court to have the variation cancelled. Under Korean law, when a company incorporated in Korea issues two or more classes of shares and a certain class of shareholders is prejudiced in connection with (1) the subscription of new shares, (2) consolidation or split of shares, cancellation of shares or allocation of new shares upon merger or (3) the spin-off, merger after spin-off, comprehensive share exchange or transfer, or merger, the approval by the special resolution at a general meeting of such specific class of shareholders shall be required in addition to that of a general meeting of shareholders. Such special resolution of such class of shareholders can be passed by affirmative votes of no less than two-thirds of the shares of that class present or represented at a general meeting, where the affirmative votes also represent at least one-third of the total shares of that class then issued and outstanding. Even though the Korean law does not expressly provide the shareholders of the concerned class with a right to petition the Korean court to cancel the class rights variation, the Korean law gives them a general right to contest a resolution of a general meeting if it is in violation of the laws and regulation or the Articles of Incorporation, such as the procedure for convening a general meeting.

Notice of Convening a General Meeting

Under Hong Kong law, any annual general meeting or extraordinary general meeting for the passing of a special resolution shall be convened on at least 21 days' written notice. Under Korean law, the notice for convening a general meeting shall be sent in writing to each shareholder at least two weeks prior to the date of the general meeting. Our Articles of Incorporation were drafted to require 21 days' notice period for all general meetings of Shareholders, including annual general meetings and general meetings and extraordinary general meetings for passing special resolutions.

Notice of Intention to Move a Resolution of the Interests of Directors

Under Hong Kong law, when a company incorporated in Hong Kong proposes to put a resolution to a general meeting of the company or a meeting of a class of members, the notice must be

accompanied by a statement that provides the members with such information as is reasonably necessary to indicate the purpose of the resolution, including the particulars of the relevant interests of any directors in the matter to be dealt with by such resolution. Under Korean law, the summary of the agenda of a general meeting must be specified in the notice convening a general meeting. Our Articles of Incorporation were drafted to require that a notice convening a general meeting with the intention to move a resolution at such general meeting must include the particulars of the relevant interests of Directors in the matter to be dealt with by the resolution to explicitly reflect the position under Hong Kong law.

Quorum for a General Meeting

Under Korean law, there is no quorum requirement for a general meeting and it is not permitted to amend the Articles of Incorporation to set the minimum quorum requirement to two shareholders.

Place of a General Meeting

Under Korean law, a general meeting of shareholders must be held at a place of the head office of the company or any place adjacent thereof. However, it is not permitted to convene a general meeting of shareholders outside Korea.

Proxies

Under Hong Kong law, where provision is made in the articles of association as to the form of proxy, this must be so worded as not to preclude the use of the two-way form. Our Articles of Incorporation were drafted to permit the use of two-way form of proxy to reflect the position under Hong Kong law.

Voting

Under the Listing Rules, where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted. Our Articles of Incorporation were drafted not to count any votes cast by or on behalf of any Shareholder in contravention of the aforementioned requirements under the Listing Rules.

Issue and Delivery of Share Certificates

Under Korean law, a share certificate must be issued and delivered to the shareholder by the issuer or its transfer agent duly registered under Korean law. Therefore, it is not permitted for a service provider in Hong Kong to issue, print and deliver the share certificates to the shareholders.

Affixation of Directors' Seal on the Share Certificate

Under Hong Kong law, all certificates of capital shall be under seal, which shall only be affixed with the authority of directors. However, under Korean law, the name and the seal of the representative

director must be affixed to each share certificate, and accordingly, the requirement under Korean law to affix the name and seal of the representative director on the share certificate is at least equivalent to, or broadly commensurate with, the protections afforded to shareholders of a company incorporated in Hong Kong under the requirement to affix the seal of the directors on the share certificate.

Replacement of Share Warrants

Under Hong Kong law, where power is taken to issue share warrants to bearer, no new share warrant shall be issued to replace one that has been lost, unless the issuer is satisfied beyond reasonable doubt that the original has been destroyed. However, under Korean law, a bearer holder of share warrants who has lost his/her share warrants shall not request the issuer to re-issue them, unless the person has obtained a judgment of nullification of such share warrants from the Korean court, and accordingly, the requirement under Korean law to obtain such judgment of nullification is at least equivalent to, or broadly commensurate with, the protections afforded to shareholders of a company incorporated in Hong Kong under the requirement on re-issuing lost share warrants.

Forfeiture of Unclaimed Dividends

Under Hong Kong law, where power is taken to forfeit unclaimed dividends, such power shall not be exercised until six years or more after the date of declaration of the dividend. However, under Korean law, the claim for payment of dividend will be legally extinguished if it is not exercised for five years, and such mandatory five year period may not be extended by the Articles of Incorporation of a company incorporated in Korea.

Appointment of Directors Required to be Voted on Individually

Under Hong Kong law, a public company incorporated in Hong Kong is prohibited from appointing two or more directors by the passing of a single resolution at a general meeting unless such a resolution has been unanimously approved. Under Korean law, there is no explicit provision equivalent to those under Hong Kong law. Our Articles of Incorporation were drafted to prohibit the appointment of two or more Directors by the passing of a single resolution to reflect the position under Hong Kong law.

Term of Office of Directors Appointed by Directors

Under Hong Kong law, any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the next annual general meeting of the shareholder, and shall then be eligible for re-election. However, under Korean law, the board of directors does not have the authority to appoint a director to fill a casual vacancy or as an addition to the board and, accordingly, the shareholder protection under Korean law with respect to the term of office of directors is at least equivalent to, or broadly commensurate with, the protection afforded to shareholders of a company incorporated in Hong Kong with respect to the term of office of directors appointed by directors.

Removal of Director

Under Hong Kong law, the Shareholders in a general meeting shall have power by ordinary resolution to remove any director, including an executive director, but without prejudice to any claim for

damages under any contract, before the expiration of his/her period of office. Under Hong Kong law, an ordinary resolution for approving the removal of a director at a general meeting can be passed if it is approved by the majority of those who attend and vote (in person or by proxy) provided that a quorum is formed. However, under Korean law, a director can only be removed through a shareholder resolution passed with affirmative votes of no less than two-thirds of the voting shares present or represented at a general meeting provided that the affirmative votes (i.e., votes cast in favor of the resolution proposed at the general meeting) also represent at least one-third of the total voting shares then issued and outstanding at the general meeting.

Declaration of Interest by Directors

Under Hong Kong law, where a director has material interest in a contract or a proposed contract with the company, the director is required to declare the nature of the interest at the earliest meeting of directors that is practicable, notwithstanding that the question of entering into the contract is not taken into consideration at that meeting. Under Korean law, even though a director may effectuate a transaction with the company for his/her own account or for the account of a third party only if such director explains the material information on the proposed transaction at the board of directors' meeting and obtains an approval of the board of directors in advance, there is no explicit provision that requires a director to disclose a material interest in a contract with the company which has been entered into before such director was appointed at the earliest board of directors' meeting that is practicable. Our Articles of Incorporation were drafted to require the Director to disclose any material interest in a contract or a proposed contract with us at the earliest Board of Directors' meeting that is practicable to reflect the position under Hong Kong law.

Sale of Shares of Untraceable Member

Under Hong Kong law, where power is taken to sell the shares of a member who is untraceable, it will not be exercised until (1) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed and (2) on expiry of the 12 years the issuer gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Hong Kong Stock Exchange of such intention. However, under Korean law, even when a shareholder is untraceable for a substantial period time, a company incorporated in Korea is not permitted to sell the shares owned by such shareholder.

Reduction of Share Capital

Under Hong Kong law, any reduction of share capital must be subject to confirmation by the court and be approved by members by three-quarters majority vote in a general meeting. Under Korean law, a company incorporated in Korea may reduce its share capital by two-thirds majority vote in a general meeting which also represents at least one-third of total voting shares issued and outstanding without the court confirmation.

Redemption of Redeemable Shares

Under Hong Kong law, redeemable shares may only be redeemed out of distributable profits of the company or out of the proceeds of a new issue of shares made for the purposes of redemption. Under

Korean law, a company incorporated in Korea may issue a class of shares which can be redeemable only if the Articles of Incorporation of the company provide the terms of such class of shares and the redemption of such shares can be made only out of the profits (but not the proceeds of a new issue of shares). Our Articles of Incorporation currently do not permit the issuance of redeemable shares.

Cancellation of Shares acquired by Us

Under the Listing Rules, shares repurchased by the issuer must be cancelled upon repurchase. Under Korean law, there is no provision that requires us to cancel the shares acquired by us upon repurchase. Our Articles of Incorporation were drafted to require the cancellation of the Shares acquired by us upon repurchase to reflect the position under the Listing Rules.

Distribution of Assets

Under Hong Kong law, a company incorporated in Hong Kong shall not make a distribution except out of realized profits available for that purpose. Under Korean law, a company incorporated in Korea may distribute dividends only out of the excess of our net assets, on a non-consolidated basis, over the sum of (1) our stated capital, (2) the total amount of our capital surplus reserve and earned surplus reserve which have accumulated up to the end of the previous fiscal year, (3) the earned surplus required to be accumulated for the then current fiscal year and (4) the net assets stated in the balance sheet as being increased as a result of the evaluation of the assets and liabilities in accordance with our accounting principles without being set off against any unrealized losses.

Loan to Directors

Under Hong Kong law, a public company incorporated in Hong Kong is prohibited, whether directly or indirectly from (1) making a loan to, quasi-loan to, or entering into a credit transaction with a director of the company or director of its holding company and (2) entering into a guarantee or providing any security in connection with a loan, quasi-loan or a credit transaction made, or entered into, by any person to such a director. Where a director also holds a controlling interest in another company, the foregoing prohibition extends to making loans, quasi-loans and credit transactions and security granted in connection with such transactions, to or for that other company. Under Korean law, there is no prohibition on giving financial assistance to directors. Our Articles of Incorporation were drafted to provide the prohibition on the financial assistance to Directors equivalent to those under Hong Kong law.

Financial Assistance for Acquisition of Shares

Under Hong Kong law, it is not lawful to give financial assistance directly or indirectly for the purposes of the acquisition of shares in a company incorporated in Hong Kong before or at the same time as the acquisition takes place. Under Korean law, there is no prohibition on giving financial assistance for the acquisition of our shares. Our Articles of Incorporation were drafted to provide the prohibition on the financial assistance for the acquisition of our Shares equivalent to those under Hong Kong law.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of the Company**

We were incorporated in Korea under the Korean Commercial Code as a stock corporation on August 20, 2012. We have established a principal place of business in Hong Kong at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong and have been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on September 25, 2012.

As we were incorporated in Korea, our corporate structure and Articles of Incorporation are subject to the relevant laws and regulations of Korea. A summary of the relevant laws and regulations of Korea and Articles of Incorporation is set out in the section headed "Summary of our Articles of Incorporation and the Korean Commercial Code" in Appendix V to this prospectus.

2. Changes in our share capital

We were incorporated in Korea under the Korean Commercial Code as a stock corporation on August 20, 2012.

- (a) Our authorized share capital as at the date of incorporation was KRW 500,000,000,000 divided into 5,000,000,000 Shares.
- (b) Our issued share capital as at the date of incorporation was KRW 7,000,000,000 divided into 70,000,000 Shares.
- (c) Our issued share capital immediately following the Reorganization was KRW 75,000,000,000 divided into 750,000,000 Shares.

Save as disclosed herein, there has been no alteration in our share capital, and no redemption, repurchase or sale of any of our issued securities (as defined in paragraph 1 of Appendix 16 to the Listing Rules) since our incorporation.

3. Changes in the share capital of our subsidiaries

Our subsidiaries are set out in the Accountant's Report set out in Appendix I to this prospectus. The following alterations in the share or registered capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

(a) *Mando Ningbo*

On March 10, 2011, Mando Ningbo was incorporated under the laws of the PRC as a Sino-foreign joint venture enterprise with a registered capital of US\$85.0 million which has been fully paid.

(b) ***Mando Beijing Chassis***

On January 17, 2012, the registered capital of Mando Beijing Chassis was increased from US\$28.8 million to US\$38.0 million as a result of the conversion of after-tax profit of Renminbi equivalent to US\$9.2 million into registered capital. As of the Latest Practicable Date, all the registered capital of Mando Beijing Chassis has been fully paid up.

(c) ***Mando Suzhou***

On December 31, 2011, the registered capital of Mando Suzhou was increased from US\$31.9 million to US\$49.0 million as a result of the conversion of after-tax profit of Renminbi equivalent to US\$17.1 million into registered capital. As of the Latest Practicable Date, all the registered capital of Mando Suzhou has been fully paid up.

(d) ***Mando Beijing R&D***

On October 10, 2012, the registered capital of Mando Beijing R&D was increased from US\$3.0 million to US\$6.0 million. As of the Latest Practicable Date, all the registered capital of Mando Beijing R&D has been fully paid up.

(e) ***Mando Shenyang***

On August 14, 2012, Mando Shenyang was incorporated under the laws of the PRC as a wholly-owned foreign enterprise with registered capital of US\$33.0 million, which has been paid up to US\$26.4 million as of the Latest Practicable Date.

4. Resolutions in writing of our Controlling Shareholder passed on March 11, 2013

The following resolutions were passed by our Controlling Shareholder on March 11, 2013:

- (a) conditional upon all the conditions set out in “Structure of the Global Offering — Conditions of the Offering” in this prospectus being fulfilled:
 - (i) the Global Offering be and is hereby approved and the Board be and is hereby authorized to make or effect such modifications as it thinks fit;
 - (ii) the Board be and is hereby authorized to allot and issue such number of Shares in connection with the Global Offering; and
 - (iii) the Board be and is hereby authorized to agree the price per Offer Share with the Joint Bookrunners;

- (b) a general unconditional mandate be and is hereby given to our Directors to exercise all the powers of the Company to allot and issue Shares in the aggregate not exceeding 18% of the total par value of the Shares in issue immediately following completion of the Global Offering, such mandate to remain in effect until the conclusion of our next annual general meeting, or the expiration of the period within which our next annual general meeting is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first; and
- (c) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of the Company to repurchase its own Shares on the Hong Kong Stock Exchange, such number of Shares as will represent up to 10% of the aggregate par value of the Shares in issue immediately following the completion of the Global Offering, such mandate to remain in effect until the conclusion of our next annual general meeting, or the expiration of the period within which our next annual general meeting is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first.

5. Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Hong Kong Stock Exchange. For information relating to the Reorganization, please see “Our History and Reorganization.”

6. Repurchases of our own securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their own securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders’ approval*

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

Pursuant to a resolution passed by our then Shareholders on March 11, 2013, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by us of Shares on the Hong Kong Stock Exchange, of not more than 10% of the aggregate par value of our share capital in issue immediately following the completion of the Global Offering, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Korean Commercial Code or by our Articles of Incorporation or any other applicable laws of Korea to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) ***Source of funds***

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles, the Listing Rules and the applicable laws and regulations of Korea. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange.

(iii) ***Trading restrictions***

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering. We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from repurchasing Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

(iv) ***Status of repurchased Shares***

All repurchased Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed by a resolution of the Board.

(v) ***Suspension of repurchase***

Pursuant to the Listing Rules, we may not make any repurchases of Shares after inside information has come to our knowledge until the information has been made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) *Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Connected persons*

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(b) *Reasons for repurchases*

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

(c) *Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of Korea.

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

The exercise in full of the Repurchase Mandate, on the basis of 810,850,000 Shares in issue immediately following the completion of the Global Offering, could accordingly result in 81,085,000 Shares being repurchased by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which our next annual general meeting is required by the Korean Commercial Code or the Articles or any applicable laws of Korea to be held; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”).

(d) **General**

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Korea.

If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue can only be implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) that are or may be material were entered into by us or our subsidiaries within the two years preceding the date of this prospectus:

- (a) the Equity Transfer Agreement dated September 10, 2012 entered into between Mando Korea and us pursuant to which Mando Korea agreed to sell its 100% equity interest in Mando Suzhou to us for a consideration of newly issued Shares equivalent to RMB 2,340,289,466.42;
- (b) the Equity Transfer Agreement dated September 10, 2012 entered into between Mando Korea and us pursuant to which Mando Korea agreed to sell its 100% equity interest in Mando Beijing Chassis to us for a consideration of newly issued Shares equivalent to RMB 2,872,752,841.36;
- (c) the Equity Transfer Agreement dated September 10, 2012 entered into between Mando Korea and us pursuant to which Mando Korea agreed to sell its 80% equity interest in Mando Harbin to us for a consideration of newly issued Shares equivalent to RMB 192,328,513.76;
- (d) the Equity Transfer Agreement dated September 10, 2012 entered into between Mando Korea and us pursuant to which Mando Korea agreed to sell its 100% equity interest in Mando Beijing Trading to us for a consideration of newly issued Shares equivalent to RMB 6,783,762.85;
- (e) the Equity Transfer Agreement dated September 10, 2012 entered into between Mando Korea and us pursuant to which Mando Korea agreed to sell its 65% equity interest in Mando Ningbo to us for a consideration of newly issued Shares equivalent to RMB 256,744,990.15;
- (f) the Equity Transfer Agreement dated September 10, 2012 entered into between Mando Korea and us pursuant to which Mando Korea agreed to sell its 100% equity interest in Mando Beijing R&D to us for a consideration of newly issued Shares equivalent to RMB 62,295,366.83;
- (g) the Equity Transfer Agreement dated September 10, 2012 entered into between Mando Korea and us pursuant to which Mando Korea agreed to sell its 100% equity interest in Mando Tianjin to the Company for a consideration of newly issued Shares equivalent to RMB 277,842,435.84;

- (h) the Equity Transfer Agreement dated September 10, 2012 entered into between Mando Korea and us pursuant to which Mando Korea agreed to sell its 100% equity interest in Mando Shenyang to us for a consideration of newly issued Shares equivalent to RMB 59,333,976.00;
- (i) the Shanghai Municipality Property Transfer Agreement (上海市產權交易合同) dated January 25, 2013 entered into between Hafei and us pursuant to which Hafei agreed to sell its 20% equity interest in Mando Harbin to us for a consideration of RMB 31,856,600.00;
- (j) the Non-Competition Agreement dated December 31, 2012 entered into between Mando Korea and us regarding non-competition undertakings given by Mando Korea, details of which are set out in the section headed “Relationship with Mando Korea — Non-competition Undertaking” in this prospectus;
- (k) the Indemnity Agreement dated April 30, 2013 entered into between Mando Korea and us pursuant to which Mando Korea agreed to give certain indemnities in our favor, the details of which are set out in “Statutory and General Information — D. Other Information — 2. Indemnities” in Appendix VI to this prospectus;
- (l) the Intellectual Property Transfer Agreement dated December 31, 2012 entered into between Mando Korea and us regarding the transfer of 50% ownership interests in certain intellectual properties from Mando Korea to us for a consideration of KRW13,251,226,175, as described in the section headed “Business — Intellectual Property” in this prospectus;
- (m) the IPO Expense Sharing Arrangement dated May 3, 2013 entered into between Mando Korea and us regarding the sharing of underwriting commission and other expenses in connection with the Global Offering, the details of which are set out in “Underwriting — Commissions and Expenses” in this prospectus; and
- (n) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group



A. Trademarks

As of the Latest Practicable Date, we have been licensed to use the following registered trademarks:

No	Trademark	Registration Number	Country/Territory	Class	Licensor(s)
1		726225	PRC	12	Mando Korea
2	MANDO	3180919	PRC	12	Mando Korea
3	MANDO	5004452	PRC	7	Mando Korea
4	MANDO	5004450	PRC	37	Mando Korea
5	MANDO	5004449	PRC	39	Mando Korea
6	万都	5004448	PRC	7	Mando Korea
7	万都	5004447	PRC	9	Mando Korea
8	万都	5004446	PRC	11	Mando Korea
9	万都	5004094	PRC	37	Mando Korea
10	万都	5004095	PRC	39	Mando Korea
11	MANDO (萬都)	5004458	PRC	7	Mando Korea
12	MANDO (萬都)	5004457	PRC	9	Mando Korea
13	MANDO (萬都)	5004456	PRC	11	Mando Korea
14	MANDO (萬都)	5004454	PRC	37	Mando Korea
15	MANDO (萬都)	5004453	PRC	39	Mando Korea
16	EPB	6103704	PRC	12	Mando Korea
17	MANDO	6802661	PRC	35	Mando Korea
18	한라	6777299	PRC	12	Mando Korea
19	MANDO	6802662	PRC	11	Mando Korea
20	HALLA	6790518	PRC	35	Mando Korea
21	HALLA	6790517	PRC	37	Mando Korea
22	汉拿	6790472	PRC	9	Mando Korea

No	Trademark	Registration		Class	Licensor(s)
		Number	Country/Territory		
23	汉拿	6790520	PRC	37	Mando Korea
24		6790515	PRC	35	Mando Korea
25		6790514	PRC	37	Mando Korea
26	 MANDO	6790531	PRC	35	Mando Korea
27	 MANDO	6790530	PRC	37	Mando Korea
28	 万都	6790529	PRC	9	Mando Korea
29	 万都	6790528	PRC	35	Mando Korea
30	 万都	6790527	PRC	37	Mando Korea
31	漢孛万都	6790541	PRC	12	Mando Korea
32	万都	6802659	PRC	35	Mando Korea
33	MANDO(万都)	6802660	PRC	35	Mando Korea
34	만도	6898375	PRC	37	Mando Korea
35	만도	6898374	PRC	35	Mando Korea
36	만도	6898423	PRC	9	Mando Korea
37	만도	6898424	PRC	7	Mando Korea
38	HALLA	6898426	PRC	7	Mando Korea
39	汉拿	6898428	PRC	7	Mando Korea
40		6898430	PRC	7	Mando Korea
41	 万都	6898378	PRC	7	Mando Korea
42	만도	6898373	PRC	11	Mando Korea
43	汉拿	6898427	PRC	11	Mando Korea

As of the Latest Practicable Date, we have also been licensed to use the following trademarks which are pending registration:

No	Trademark	Application Number	Country/Territory	Class	Licensor(s)
1		302412233	Hong Kong	1,2,3,4,7,9,11, 12,17,35,37,39,40	Mando Korea
2		302412251	Hong Kong	1,2,3,4,7,9,11, 12,17,35,37,39,40	Mando Korea

B. Domain Names

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

No	Domain Names	Registered Owner	Next Renewal Date
1	萬都.公司	Mando Beijing Trading	July 28, 2013
2	萬都.中國	Mando Beijing Trading	May 24, 2013
3	萬都.com	Mando Beijing Trading	April 25, 2013
4	Mando.com.cn	Mando Beijing Trading	September 27, 2017
5	Mandochina.com	Mando China	August 11, 2014
6	萬都中國.com	Mando Beijing Trading	July 17, 2017
7	萬都中國.net	Mando Beijing Trading	July 17, 2017
8	萬都中國.cn	Mando Beijing Trading	July 17, 2017
9	萬都中國.中國	Mando Beijing Trading	July 17, 2017

C. Patents

Pursuant to the Intellectual Property Transfer Agreement entered into between us and Mando Korea on December 31, 2012, Mando Korea has agreed to transfer joint ownership interests in the following patents to us. As of the Latest Practicable Date, joint ownership interests in the following patents were in the process of being registered and the transfer of such interests will be completed upon completion of relevant registrations in the PRC.

List of patents covering steering technology

No	Description	Type	Patent No.	Registration period	Registered owners
1	Method of controlling recovery in electric power steering system	Invention patent	ZL200410085739.3	20 years starting from October 11, 2004	Company/Mando Korea

No	Description	Type	Patent No.	Registration period	Registered owners
2	Electric power steering apparatus equipped with steering angle sensor	Invention patent	ZL200610087764.4	20 years starting from June 1, 2006	Company/Mando Korea
3	Automobile steering column	Invention patent	ZL200610073653.8	20 years starting from April 18, 2006	Company/Mando Korea
4	Variable gear ratio steering apparatus for automobile	Invention patent	ZL200610077330.6	20 years starting from April 30, 2006	Company/Mando Korea
5	Belt-type transmission and electric power steering apparatus equipped with the relevant belt-type transmission	Invention patent	ZL200610075450.2	20 years starting from April 14, 2006	Company/Mando Korea
6	Electric power steering apparatus for automobile	Invention patent	ZL200610075452.1	20 years starting from April 14, 2006	Company/Mando Korea
7	Electric power steering apparatus for automobile	Invention patent	ZL200610074618.8	20 years starting from April 20, 2006	Company/Mando Korea
8	Electric power steering apparatus equipped with steering angle sensor	Invention patent	ZL200710002237.3	20 years starting from January 10, 2007	Company/Mando Korea
9	Electric power steering system equipped with worm gear clearance compensator	Invention patent	ZL200610142911.3	20 years starting from November 1, 2006	Company/Mando Korea
10	Electronic power steering apparatus	Invention patent	ZL200710127192.2	20 years starting from July 4, 2007	Company/Mando Korea
11	Belt-type electric power steering apparatus	Invention patent	ZL200610132068.0	20 years starting from October 24, 2006	Company/Mando Korea
12	Apparatus for automatically compensating for clearance of support yoke in rack-and-pinion steering system	Invention patent	ZL200710085453.9	20 years starting from March 5, 2007	Company/Mando Korea
13	Tilt and telescopic steering system	Invention patent	ZL200710109946.1	20 years starting from June 6, 2007	Company/Mando Korea
14	Slip joint for use in steering system	Invention patent	ZL200610141661.1	20 years starting from October 9, 2006	Company/Mando Korea

No	Description	Type	Patent No.	Registration period	Registered owners
15	Electric power steering apparatus using coated pulley	Invention patent	ZL200710005199.7	20 years starting from February 15, 2007	Company/Mando Korea
16	Method and system for detecting failure in steering angle sensor in electric power steering apparatus	Invention patent	ZL200710140074.5	20 years starting from August 14, 2007	Company/Mando Korea
17	Apparatus for automatically adjusting yoke clearance in a steering device	Invention patent	ZL200810080888.9	20 years starting from February 26, 2008	Company/Mando Korea
18	Tilt & telescopic apparatus for steering column	Invention patent	ZL200810175953.6	20 years starting from November 1, 2008	Company/Mando Korea
19	Universal joint	Invention patent	ZL200810176634.7	20 years starting from November 10, 2008	Company/Mando Korea
20	Energy absorbing steering column apparatus	Invention patent	ZL200910004791.4	20 years starting from February 25, 2009	Company/Mando Korea
21	Electric power steering apparatus for interlocking	Invention patent	ZL200910173626.1	20 years starting from September 4, 2009	Company/Mando Korea

List of patents covering suspension technology

No	Description	Type	Patent No.	Registration period	Registered owners
1	Damping force control valve and shock absorber using the relevant damping force control valve	Invention patent	ZL200710005844.5	20 years starting from February 25, 2007	Company/Mando Korea
2	Damping force control valve and shock absorber using the relevant damping force control valve	Invention patent	ZL200710005845.X	20 years starting from February 25, 2007	Company/Mando Korea
3	Damping force variable shock absorber	Invention patent	ZL200810006856.4	20 years starting from February 1, 2008	Company/Mando Korea
4	Variable damping force valve of shock absorber	Invention patent	ZL200810006298.1	20 years starting from February 5, 2008	Company/Mando Korea

No	Description	Type	Patent No.	Registration period	Registered owners
5	Damping force variable valve for shock absorber and shock absorber used it	Invention patent	ZL200910151755.0	20 years starting from July 13, 2009	Company/Mando Korea
6	Damping force variable valve for shock absorber	Invention patent	ZL200910163488.9	20 years starting from August 21, 2009	Company/Mando Korea
7	Damping force variable valve for shock absorber	Invention patent	ZL200910173318.9	20 years starting from July 2, 2009	Company/Mando Korea
8	Flowing piston valve for deflection variable type shock absorber	Invention patent	ZL200910160421.X	20 years starting from July 16, 2009	Company/Mando Korea
9	Deflection variable type shock absorber	Invention patent	ZL200910160420.5	20 years starting from July 16, 2009	Company/Mando Korea

List of patents covering brake technology

No	Description	Type	Patent No.	Registration period	Registered owners
1	Apparatus for mounting electromagnetic coil assembly in electronic controlling brake system	Invention patent	ZL02108554.4	20 years starting from March 28, 2002	Company/Mando Korea
2	Control method for vehicle running stability	Invention patent	ZL02157423.5	20 years starting from December 13, 2002	Company/Mando Korea
3	Brake driving control valve	Invention patent	ZL200310123968.5	20 years starting from December 26, 2003	Company/Mando Korea
4	Rolling prevention device	Invention patent	ZL200610090992.7	20 years starting from July 6, 2006	Company/Mando Korea
5	Electric parking brake system	Invention patent	ZL200610092524.3	20 years starting from June 15, 2006	Company/Mando Korea
6	Electric parking brake	Invention patent	ZL200610140610.7	20 years starting from September 29, 2006	Company/Mando Korea
7	Regenerative braking method for vehicle with electric motor	Invention patent	ZL200610152771.8	20 years starting from September 28, 2006	Company/Mando Korea

No	Description	Type	Patent No.	Registration period	Registered owners
8	Valve for anti-lock brake system	Invention patent	ZL200810086312.3	20 years starting from March 25, 2008	Company/Mando Korea
9	Fluid control unit for electronic control brake system	Invention patent	ZL200810004350.X	20 years starting from January 22, 2008	Company/Mando Korea
10	Valve for anti-lock brake system	Invention patent	ZL200810082979.6	20 years starting from March 17, 2008	Company/Mando Korea
11	Valve for anti-lock brake system	Invention patent	ZL200810087608.7	20 years starting from March 20, 2008	Company/Mando Korea
12	Pressure sensor	Invention patent	ZL200810190826.3	20 years starting from December 4, 2008	Company/Mando Korea
13	Brake system for electronic fluid brake system	Invention patent	ZL200910130735.5	20 years starting from January 9, 2009	Company/Mando Korea
14	Ceiling absentee for master cylinder and master cylinder with it	Invention patent	ZL200910167440.5	20 years starting from August 21, 2009	Company/Mando Korea
15	Error detection method of steering angle sensor	Invention patent	ZL200910176933.5	20 years starting from September 24, 2009	Company/Mando Korea

List of patents covering other technologies

No	Description	Type	Patent No.	Registration period	Registered owners
1	Gateway electronic control system for vehicle and recording method for the relevant drive information	Invention patent	ZL200910163963.2	20 years starting from June 23, 2009	Company/Mando Korea

As at the Latest Practicable Date, we have been licensed to use the following patents:

List of patents covering steering technology

No	Description	Type	Patent No.	Licensor(s)
1	Steering inclined pole assembly for automobile	Invention patent	ZL03122088.6	Mando Korea

No	Description	Type	Patent No.	Licensor(s)
2	Tilt adjusting unit for steering columns	Invention patent	ZL200310122081.4	Mando Korea
3	Electronically controllable power steering apparatus	Invention patent	ZL200610082440.1	Mando Korea
4	Steering apparatus	Invention patent	ZL200710008385.6	Mando Korea
5	Tilting and telescopic steering apparatus	Invention patent	ZL200710102185.7	Mando Korea
6	Tilting and telescopic steering apparatus having rotatable locking member	Invention patent	ZL200710103222.6	Mando Korea
7	Automatic clearance compensator of support yoke for use in rack and pinion type steering apparatus	Invention patent	ZL200810091038.9	Mando Korea
8	Energy absorbing steering apparatus	Invention patent	ZL200810086482.1	Mando Korea
9	Automatically adjusting support yoke clearance for steering	Invention patent	ZL200810110306.7	Mando Korea
10	Pinion valve assembly	Invention patent	ZL200910149940.6	Mando Korea

List of patents covering suspension technology

No	Description	Type	Patent No.	Licensor(s)
1	Field angle adjusting mechanism	Invention patent	ZL03120139.3	Mando Korea
2	Field angle adjustable mechanism	Invention patent	ZL03120140.7	Mando Korea
3	Method for anti-side listing /anti-cross oscillating controlling vehicles	Invention patent	ZL03154975.6	Mando Korea
4	Electric control suspension device	Invention patent	ZL03154643.9	Mando Korea
5	Method for controlling damping force in an electronically-controlled suspension apparatus	Invention patent	ZL200410103812.5	Mando Korea
6	Electronically-controlled suspension apparatus and damping force control method	Invention patent	ZL200410104725.1	Mando Korea
7	Damping force variable valve and shock absorber using the relevant damping force variable valve	Invention patent	ZL200510006287.X	Mando Korea
8	Bracket for use in installing a sensor in a vehicle	Invention patent	ZL200510005704.9	Mando Korea
9	Electrically controlled suspension system	Invention patent	ZL200610002325.9	Mando Korea

APPENDIX VI**STATUTORY AND GENERAL INFORMATION**

No	Description	Type	Patent No.	Licensor(s)
10	Method for measuring vertical acceleration and velocity of semi-active suspension system	Invention patent	ZL200510119384.X	Mando Korea
11	Variable damping valve of shock absorber	Invention patent	ZL200510120377.1	Mando Korea
12	Method for controlling variable damper in vehicle	Invention patent	ZL200510124821.7	Mando Korea
13	Actuator current control method	Invention patent	ZL200610000937.4	Mando Korea
14	Rear wheel toe angle control system of a vehicle	Invention patent	ZL200710005700.X	Mando Korea
15	Piston load of vehicle height adjusting shock absorber and method of processing the relevant piston load of vehicle height adjusting shock absorber	Invention patent	ZL200710001802.4	Mando Korea
16	Piston load of vehicle height adjusting shock absorber and method of machining the same	Invention patent	ZL200710001632.X	Mando Korea
17	Vehicle height controlling suspension apparatus having signal-freeze determining function and vehicle height control method	Invention patent	ZL200610160939.X	Mando Korea
18	Electronic controlled suspension apparatus and the relevant vehicle height control method	Invention patent	ZL200710079822.3	Mando Korea
19	Solenoid valve of shock absorber	Invention patent	ZL200710306121.9	Mando Korea
20	Shock absorber	Invention patent	ZL200810184865.2	Mando Korea
21	Valve equipment for shock absorber	Invention patent	ZL200910203977.2	Mando Korea
22	Shock absorber	Invention patent	ZL200810184866.7	Mando Korea
23	Solenoid valve assembly for damping force variable damper and the relevant assembly method	Invention patent	ZL200910004370.1	Mando Korea

List of patents covering brake technology

No	Description	Type	Patent No.	Licensor(s)
1	Electromagnetic valve for braking system	Invention patent	ZL02118114.4	Mando Korea
2	Solenoid valve	Invention patent	ZL200410087709.6	Mando Korea

No	Description	Type	Patent No.	Licensor(s)
3	Mold for manufacturing housing of hydraulic unit of anti-lock brake system	Invention patent	ZL200410094201.9	Mando Korea
4	Hydraulic unit of anti-lock brake system and the relevant method of manufacturing	Invention patent	ZL200410100506.6	Mando Korea
5	Hydraulic unit of anti-lock brake system and the relevant method of manufacturing	Invention patent	ZL200410098144.1	Mando Korea
6	Hydraulic unit of anti-lock brake system and the relevant method of manufacturing	Invention patent	ZL200410102391	Mando Korea
7	Pump of electronic brake system	Invention patent	ZL200410089850.X	Mando Korea
8	Pump of electronically controlled brake system	Invention patent	ZL200410095655.8	Mando Korea
9	Device for fixing coil assemblies of solenoid valves for electronically controlled brake system	Invention patent	ZL200410085872.9	Mando Korea
10	Anti-lock brake system	Invention patent	ZL200610092783.6	Mando Korea
11	Electronically controlled brake system	Invention patent	ZL200610091708.8	Mando Korea
12	Pump for brake system	Invention patent	ZL200610140611.1	Mando Korea
13	Braking system for vehicle and the relevant braking method	Invention patent	ZL200610152770.3	Mando Korea
14	Electronic control system for vehicle and control method thereof	Invention patent	ZL200710079375.1	Mando Korea
15	Disk type brake for vehicle	Invention patent	ZL200910004685.9	Mando Korea

List of patents covering other technologies

No	Description	Type	Patent No.	Licensor(s)
1	Apparatus for automatically removing aluminum films from ladle of gravity die casting machine and the relevant method	Invention patent	ZL96114192.1	Mando Korea
2	Gateway electronic control system for vehicle and recording method for the relevant drive information	Invention patent	ZL200910161652.2	Mando Korea

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDER**1. Disclosure of interests****(a) *Interests and short positions of our Directors and our chief executive officer in the shares, underlying shares and debentures of the Company and its associated corporations***

Immediately following the completion of the Global Offering, save as disclosed below, none of our Directors or chief executive officer will have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”), to be notified to us and the Hong Kong Stock Exchange, once the Shares are listed.

Interest in shares of the associated corporations of the Company is as follows:

Name of Director	Associated corporation	Nature of interest	Number of securities	Approximate percentage of shareholding interest
Shin, Sahyeon	Mando Korea	Beneficial interest	3,000	0.016%
Chung, Frank Kun	Mando Korea	Beneficial interest	1,070	0.006%
Jeong, Dae Jong	Mando Korea	Beneficial interest	515	0.003%

(b) *Interests and short positions of the substantial Shareholders in our Shares and underlying Shares*

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons (not being our Directors or chief executive) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would have to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Mando Korea	Beneficial interest	567,450,000	70.0%

(c) ***Interests of the substantial shareholders of any member of our Group (other than us)***

So far as the Directors are aware, immediately following the completion of the Global Offering, the following persons (not being our Directors or chief executive) will, directly or indirectly, be interested in 10% or more of the par value of the share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group (other than us):

<u>Name of shareholder</u>	<u>Name of members of the Group</u>	<u>Capacity/Nature of interest</u>	<u>Share capital contribution to registered capital</u>	<u>Approximate percentage of interests</u>
Geely Jirun	Mando Ningbo	Beneficial interest	US\$29.8 million	35%

2. **Particulars of Service Contracts**(a) ***Executive Directors***

Each of the executive Directors has entered into a service contract with us under which they agreed to act as an executive Director for an initial term of three years commencing from their respective date of appointment.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) ***Non-executive Director and independent non-executive Directors***

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with us for a term of three years with effect from their respective date of appointment. Under their respective appointment letters, each of the non-executive Directors (including the independent non-executive Directors) is entitled to a fixed Director's fee. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) ***Others***

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) During the year ended December 31, 2012, the aggregate of the remuneration and benefits in kind payable to the Directors was approximately RMB 9 million. Details of the Directors' remuneration are also set out in Note 24.1 of the notes to the consolidated financial statements included in the Accountant's Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the year ended December 31, 2012 by us to the Directors.

- (iii) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2013 is estimated to be approximately RMB 9 million.
- (iv) None of the directors or any past directors of any members of our Group has been paid any sum of money for the three years ended December 31, 2012 (i) as an inducement to join or upon joining us or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2012.
- (vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or Shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with our promotion or formation.

3. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under “Statutory and General Information — D. Other Information — 8. Consents of Experts” below in Appendix VI to this prospectus had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Miscellaneous

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive officer has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code, in each case once our Shares are listed;
- (b) none of our Directors nor any of the parties listed in “Statutory and General Information — D. Other Information — 8. Consents of Experts” in Appendix VI to this prospectus has any direct or indirect interest in our promotion, or in any assets which have within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) none of our Directors nor any of the parties listed in “Statutory and General Information — D. Other Information — 8. Consents of Experts” in Appendix VI to this prospectus, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) other than pursuant to the Underwriting Agreements, none of the parties listed in “Statutory and General Information — D. Other Information — 8. Consents of Experts” in Appendix VI to this prospectus:
 - (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group.

D. OTHER INFORMATION

1. Estate duty

We have been advised that no material liability for estate duty under PRC and Korean law is likely to fall upon us.

2. Indemnities

By the Indemnity Agreement dated April 30, 2013, Mando Korea has given certain indemnities in our favor in respect of, among other things:

- (a) any taxation which has been or will be levied on or imposed against any member of our Group in respect of or in consequence of any event occurring or any income, profits or gains earned, accrued or received or deemed to be so earned, accrued or received on or before the Reorganization; and
- (b) any actions, costs, penalties, fines, damages, losses, expenses and liabilities (including but not limited to relocation costs and expenses, losses from business interruption and/or increased lease payments and loss of profits) arising from or in connection with any assessment, claim, counterclaim, notice, demand or other documents issued or action taken by or on behalf of any statutory or governmental authority whatsoever in the PRC or by or on behalf of any person having the rights to assert ownership rights or any other rights to occupy, lease or use in respect of our defective properties.

By the Agreement dated December 15, 2005, Aihui District government has agreed to indemnify us from any direct or indirect losses arising from its failure to carry out its obligations (including those regarding the provision of relevant documentation and support in relation to the registration of the lease) pursuant to the lease agreement for the parcel of land located at Woniu Lake Reservoir Management Zone, Aihui District, Heihe City, Heilongjiang Province.

3. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

5. Preliminary expenses

The preliminary expenses incurred by us in relation to our incorporation were approximately KRW 49 million and were paid by us.

6. Promoter

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Deutsche Securities Asia Limited

Licensed under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of regulated activities as defined under the SFO

Shin & Kim

Korean legal advisor

Haiwen & Partners

PRC legal advisor

PricewaterhouseCoopers

Certified Public Accountants, Hong Kong

Jones Lang LaSalle Corporate Appraisal
and Advisory Limited

Property valuer and consultant

8. Consent of experts

Each of Deutsche Securities Asia Limited, Shin & Kim, Haiwen & Partners, PricewaterhouseCoopers and Jones Lang LaSalle Corporate Appraisal and Advisory Limited has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

10. Particulars of the Selling Shareholder

Mando Korea is a stock corporation incorporated on November 27, 1999 under the laws of Korea whose registered office is at 343-1 Manho-ri, Poseung-eup, Pyeongtaek-si, Gyeonggi-do, Korea. The Sale Shares, being an aggregate of 182,550,000 Shares, are offered by Mando Korea for sale under the Global Offering.

11. RESERVES AVAILABLE FOR DISTRIBUTION

As at December 31, 2012, we had no reserve available for distribution to our Shareholders.

E. MISCELLANEOUS

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share capital or debentures of us or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or debentures of us or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of us or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share capital or debentures of us or any of our subsidiaries; and

- (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in us or any of our subsidiaries.
- (b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.
- (c) Our Directors confirm that:
 - (i) there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2012 (being the date as of which the latest audited consolidated financial statements of the Group were prepared);
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (d) We will maintain our register of Shareholders following the completion of the Global Offering at our registered head office in Korea and at our Hong Kong branch. Our Hong Kong branch is our principal place of business in Hong Kong and a member of Federation of Share Registrars Limited. The Korean Register and the Hong Kong Register are effectively identical with each other and any changes made to either register would have the legal effect of creating the same changes on the other register. The recording of entitlement to and ownership of Shares and any valid changes to such entitlement and ownership in the Hong Kong Register and the Korean Register is synchronized. All transfer and other documents of title of Shares must be lodged for registration with and registered by us.

To ensure the right of the Shareholders to inspect the register of Shareholders will not be prejudiced, the Hong Kong Share Registrar will obtain an electronic copy of the register of members from us upon request made by the Shareholders and such an electronic copy of the register of members showing all the legal owners of the Shares will then be provided to the Shareholders within a reasonable period of time without charge.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption from Companies and prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix VI to this prospectus;
- (c) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 8. Consents of experts” in Appendix VI to this prospectus; and
- (d) a statement of the name, description and address of the Selling Shareholder referred to in the section headed “Statutory and General Information — D. Other Information — 10. Particulars of the Selling Shareholder” in Appendix VI to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Cleary Gottlieb Steen & Hamilton (Hong Kong) at Bank of China Tower, 38th Floor, One Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Articles of Incorporation;
- (b) the Accountant’s Report and the report on the unaudited pro forma financial information issued by PricewaterhouseCoopers, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited consolidated financial statements of the Group for the financial years ended December 31, 2010, 2011 and 2012;
- (d) the letter, summary of valuations and valuation certificates relating to the property interests of the Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix III to this prospectus;
- (e) the legal opinions issued by Shin & Kim, our Korean legal advisors, dated May 20, 2013 in respect of certain aspects of the Group;
- (f) the legal opinions issued by Haiwen & Partners, our PRC legal advisors, dated May 20, 2013 in respect of certain aspects of the Group and the property interests of the Group;
- (g) the material contracts referred to the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix VI to this prospectus;

- (h) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 8. Consents of experts” in Appendix VI to this prospectus;
- (i) The service agreements referred to in the section headed “Statutory and General Information — C. Further Information About our Directors and Substantial Shareholder — 2. Particulars of Service Contracts”;
- (j) the statement of particulars of the Selling Shareholder; and
- (k) Chapter III of the Korean Commercial Code (Companies Law).



Mando China Holdings Limited
萬都中國控股有限公司