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.

There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

OVERVIEW

We are a leading manufacturer of automobile air-conditioning compressors in the PRC. According to the Ourview Report[(1)], we were the second largest PRC manufacturer of automobile air-conditioning compressors in 2009 in terms of production and sales volumes, and our production volume accounted for 14.6% of the entire PRC automobile air-conditioning compressor manufacturing industry in 2009. According to the same report, we were the largest PRC manufacturer of scroll automobile air-conditioning compressors in 2009, and our production volume represented 72.2% of the entire PRC scroll automobile air-conditioning compressor manufacturing industry in 2009. Our wholly-owned subsidiary, Aotecar Nanjing, has been listed as a "China Best Small & Medium-sized Enterprise"[(2)] (中國潛力企業) by Forbes magazine for three consecutive years since 2008. In 2010, our Aotecar brand was acknowledged as a "Well-known Trademark" (馳名商標) in the PRC.

Compressor is a key component of an automobile air-conditioning system. The scroll compressor is the latest generation compressor and the production of it accounted for 20.3% of the total production of automobile air-conditioning compressors in the PRC in 2009. Earlier generations of compressors include piston compressor, swash plate compressor and rotary vane compressor. Due to the development of new generations of compressors, the use of piston compressor is generally fading out from the PRC market. Both swash plate compressor and scroll compressor are suitable for use in various types of displacement vehicles, while the rotary vane compressor is more suitable for the use in small-displacement vehicles. As compared with swash plate compressor, scroll compressor has the benefits of higher cooling efficiency and volume ratio, lighter weight and lower power consumption, and its market share in the PRC increased from 1.9% in 2002 to 20.3% in 2009 in terms of production volume according to the Ourview Report. According to the same report, scroll compressors are not only widely used in traditional gasoline and diesel engine vehicles, they are especially suitable for the use in electric vehicles. According to the PRC national standard for

Notes:

(1) The Ourview Report was issued by Ourview Consultancy, an independent third party, set up in 2004 and headquartered in Beijing. Ourview Consultancy is one of the PRC consultancy firms specialising in market research relating to automobile parts and automobile electronics products in the PRC. We engaged Ourview Consultancy to conduct relevant market research and analyses and prepare the Ourview Report. The Ourview Report data was compiled on the following bases: i) first hand interviews; ii) data from governmental departments, associations and organisations; iii) public publications; and iv) previous data collected by Ourview Consultancy. In connection with our engagement of the Ourview Consultancy, we paid a service fee of RMB45,000. Such payment was neither contingent on our successful Listing nor conditional upon any of the results that were set out in the Ourview Report. The Ourview Report covers analyses of more than 20 foreign, Sino-foreign and domestic PRC automobile air-conditioning compressor manufacturers.

(2) The English name of "China Best Small & Medium-sized Enterprise" has been changed to "China Up and Comers" in 2009 and "Forbes China Up & Comers" in 2010.

"Automobile Air-conditioning Electrically Driven Compressor Assembly" (汽車空調用電動壓縮機總成), an electrically driven compressor used in vehicles should comprise both a scroll compressor and an electric motor.

Currently, there are more than 100 automobile air-conditioning compressor manufacturers in the PRC and the production of scroll air-conditioning compressors only accounted for 20.3% of the total PRC market in 2009 in terms of production volume. Since scroll compressors represent the latest generation in the automobile air-conditioning compressor industry, the current penetration rate is still considered to be low and it is expected that it will take time for the automobile manufacturers to switch to the use of scroll air-conditioning compressors in the production of their automobiles.

Our Group currently supplies automobile air-conditioning compressors to leading PRC automobile manufacturers. The major customers of our automobile air-conditioning compressors include BYD, Chery, Geely, Brilliance and Foton, being among the top ten self-owned automobile brands in the PRC, which, in aggregate, accounted for 21.5%, 32.9%, 36.8% and 36.3% respectively of our total revenue for the three years ended 31 December 2007, 2008, 2009 and for the six months ended 30 June 2010, and foreign joint venture automobile brands, such as DPCA, NAVECO and SGMW. Amongst them, Chery, DPCA and SGMW, which were not our top five customers during the Track Record Period, in aggregate, accounted for 1.8%, 2.5% and 2.3% respectively of our total revenue for the two years ended 31 December 2008 and 2009 and for the six months ended 30 June 2010. As at the Latest Practicable Date, we did not have sufficient industry information on whether we were the sole supplier to any of our customers.

According to the Ourview Report, our Group together with the second and third largest scroll air-conditioning compressor manufacturers in the PRC accounted for a total of 92.3% of the entire PRC scroll automobile air-conditioning compressor manufacturing industry in 2009. The second largest scroll automobile air-conditioning compressor manufacturer in the PRC is a wholly foreign-owned enterprise based in Guangdong Province and its production volume accounted for 15.5% of the entire PRC scroll automobile air-conditioning compressor manufacturing industry in 2009. The third largest scroll automobile air-conditioning compressor manufacturer in the PRC is a wholly foreign-owned enterprise based in Jiangsu Province, and its production volume accounted for 4.6% of the entire PRC scroll automobile air-conditioning compressor manufacturing industry in 2009. There were also other smaller players in the market but each of their respective production volumes accounted for less than 2.0% of the entire PRC scroll automobile air-conditioning compressor manufacturing industry in 2009 according to the Ourview Report. According to the same report, the production volumes of the second and the third largest scroll air-conditioning compressors manufacturers were 400,000 sets and 120,000 sets respectively in 2009, which were far behind the 1.9 million sets manufactured by the Group in 2009.

The following table shows our revenue by product type during the Track Record Period. For details, please refer to 'Financial Information' in this prospectus:

	Aotecar Nanjing		Our Group							
	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Scroll compressors										
– 066 series	56,493	18.3	116,827	30.9	241,850	30.3	98,590	31.5	171,193	26.6
– 086 series	159,749	51.7	133,875	35.4	266,076	33.4	106,951	34.1	214,317	33.4
– 106 series	47,743	15.5	74,212	19.6	172,089	21.6	70,962	22.6	140,293	21.8
– electric scroll compressors	—	—	152	0.0	1,171	0.1	529	0.2	1,590	0.2
Other compressors . . .	19,276	6.2	15,391	4.1	18,049	2.3	6,800	2.2	11,290	1.8
Total compressors . . .	283,261	91.7	340,457	90.0	699,235	87.7	283,832	90.6	538,683	83.8
Others[(1)]	25,554	8.3	37,930	10.0	97,791	12.3	29,587	9.4	103,900	16.2
Total	308,815	100.0	378,387	100.0	797,026	100.0	313,419	100.0	642,583	100.0

Note:

(1) *Revenue from "Others" represents mainly sales of component parts and accessories for scroll compressors.*

As at the Latest Practicable Date, we had 38 sales and marketing personnel in different teams for external liaison and internal coordination.

For the year ended 31 December 2007, 51.7% of the revenue was generated from the sales of 086 series scroll compressors. For the year ended 31 December 2008, our revenue from the sales of 086 series decreased to 35.4% and then further decreased to 33.4% for each of the year ended 31 December 2009 and for the six months ended 30 June 2010. While our revenue from the sales of 066 series scroll compressors showed an increasing trend for the three years ended 31 December 2009, representing 18.3%, 30.9%, 30.3% of revenue respectively, it dropped to 26.6% of the total revenue for the six months ended 30 June 2010. Our revenue from the sales of 106 series scroll compressors also showed an increasing trend, representing 15.5%, 19.6%, 21.6% and 21.8% of our total revenue respectively during the Track Record Period. The fluctuations of our revenue by product mix during the Track Record Period were attributable to the changes in demand of our customers as they shifted towards vehicles with smaller displacement. During the Track Record Period, the average selling prices of our air-conditioning compressors were RMB471.3, RMB415.1, RMB389.3 and RMB381.0 per set respectively.

The following table shows our sales volume and average selling prices during the Track Record Period:

	Aotecar Nanjing		Our Group							
	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Sales volume (set)	Average selling price (RMB/set)	Sales volume (set)	Average selling price (RMB/set)	Sales volume (set)	Average selling price (RMB/set)	Sales volume (set)	Average selling price (RMB/set)	Sales volume (set)	Average selling price (RMB/set)
							(unaudited)			
Compressors . .	601,057	471.3	820,110	415.1	1,796,268	389.3	741,968	382.5	1,413,997	381.0

The sales volume increased by 36.4% between the years ended 31 December 2007 and 2008 and by 119.0% between the years ended 31 December 2008 and 2009 of our Group. The increase was attributable to:

- a number of our key customers (for details, please refer to "Business – Sales and marketing – Customers" in this prospectus) increased their demand for our major products during the Track Record Period;

- our production capacity increased during the Track Record Period to fulfil the increasing demand for our products resulting in the increased sales volume;

- our competitive pricing and the enhancement of our product quality stimulated sales volume growth during the Track Record Period; and

- growth in market demand where the production growth of the PRC automobile air-conditioning compressors was 24.5% between 2007 and 2008 and 42.6% between 2008 and 2009.

The average selling price of our products decreased by 11.9%, 6.2% and 2.1% respectively for each of the two years ended 31 December 2009 and for the six months ended 30 June 2010. For the period from 1 January 2010 to the Latest Practicable Date, the average selling price of our products was RMB382.1 per set, representing a decrease of 1.8% as compared with that of the year ended 31 December 2009. The decrease was attributable to the requests from customers to reduce prices from time to time since we operate in a competitive industry. The Group normally negotiates with the customers on the prices of the products once or twice a year and at that time, some of our customers would require us to adjust the selling prices in order to reflect the general market rate which was decreasing over the Track Record Period. Upon receiving such requests, we would have internal discussions, which would involve our general manager, on whether we would be able to meet such requests without compromising our profitability. The most recent requests we received from such customers for adjusting our selling price were in July and October 2010, and we were able to meet our customers' requests without compromising our gross profit margin due to economies of scale and effective cost control. Notwithstanding the decrease in average selling price, we were able to maintain steady gross profit margins at 26.6%, 25.2%, 26.6% and 26.1% respectively during the Track Record Period.

Though the average selling price had decreased during the Track Record Period, the significant increase in our scale of operations during the Track Record Period had lowered our production costs and thus allowed us to maintain our market competitiveness.

The following table sets forth the revenue breakdown by our customers during the Track Record Period:

Type of Customers	Aotecar Nanjing		Our Group							
	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Automobile manufacturers	196,552	63.6	254,109	67.2	468,860	58.8	172,959	55.2	358,691	55.8
Air-conditioning system suppliers	59,437	19.2	67,584	17.9	212,245	26.6	80,949	25.8	150,516	23.4
Automobile part distributors	39,996	13.0	40,238	10.6	82,369	10.4	47,828	15.3	96,799	15.1
Others	12,830	4.2	16,456	4.3	33,552	4.2	11,683	3.7	36,577	5.7
Total	308,815	100.0	378,387	100.0	797,026	100.0	313,419	100.0	642,583	100.0

For the six months ended 30 June 2010, most of our revenues were generated from 41 automobile manufacturers, 35 air-conditioning system suppliers and 104 automobile part distributors.

During the Track Record Period, we sold most of our products directly to automobile manufacturers and air-conditioning system suppliers. These air-conditioning system suppliers incorporated our products into their automobile air-conditioning systems and sold the entire automobile air-conditioning system to the automobile manufacturers. In addition, we also derived part of our income from sales of our products to automobile part distributors, who distributed our products to the automobile after-sales market.

Revenue generated from our customers can be divided into the following categories:

A. Automobile manufacturers that are:

(a) domestic enterprises accounted for 87.3%, 91.0%, 92.5% and 93.7% of the total revenue generated by automobile manufacturers during the Track Record Period, respectively; and

(b) foreign-invested enterprises accounted for 12.7%, 9.0%, 7.5% and 6.3% of the total revenue generated by automobile manufacturers during the Track Record Period, respectively.

B. Air-conditioning system suppliers that are:

(a) domestic enterprises accounted for 75.9%, 73.8%, 72.6% and 79.9% of the total revenue generated by air-conditioning system suppliers during the Track Record Period, respectively; and

(b) foreign-invested enterprises accounted for: 24.1%, 26.2%, 27.4% and 20.1% of the total revenue generated by air-conditioning system suppliers during the Track Record Period, respectively.

C. Automobile part distributors located in:

(a) Eastern China[(1)] accounted for 33.6%, 46.8%, 48.0% and 53.2% of the total revenue generated by automobile part distributors during the Track Record Period, respectively;

(b) Northern China[(2)] accounted for 13.6%, 14.3%, 7.9% and 7.1% of the total revenue generated by automobile part distributors during the Track Record Period, respectively;

(c) Southwest China[(3)] accounted for 7.3%, 7.7%, 9.7% and 7.8% of the total revenue generated by automobile part distributors during the Track Record Period respectively;

(d) Central and Southern China[(4)] accounted for 16.6%, 19.3%, 20.7% and 13.0% of the total revenue generated by automobile part distributors during the Track Record Period, respectively; and

(e) Overseas accounted for 29.0%, 11.9%, 13.6% and 18.8% of the total revenue generated by automobile part distributors during the Track Record Period, respectively.

We also generated a small portion of our revenue from overseas sales. We mainly export our products to the US, Japan, Malaysia and other Southeast Asia regions.

	Aotecar Nanjing		**Our Group**							
	Year ended 31 December						**Six months ended 30 June**			
	2007		**2008**		**2009**		**2009**		**2010**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Domestic sales	297,197	96.2	373,592	98.7	785,822	98.6	307,034	98.0	624,286	97.2
Overseas sales	11,618	3.8	4,795	1.3	11,204	1.4	6,385	2.0	18,297	2.8
Total	308,815	100.0	378,387	100.0	797,026	100.0	313,419	100.0	642,583	100.0

Our pricing to all customers is based on a variety of factors, including raw material prices, production costs, overhead sales volume, past relationship and the specifications of different

Notes:

(1) Eastern China: Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province

(2) Northern China: Beijing, Tianjin, Hebei Province, Liaoning Province, Jilin Province, Shaanxi Province and Heilongjiang Province

(3) Southwest China: Chongqing, Sichuan Province and Guizhou Province

(4) Central and Southern China: Henan Province, Hubei Province, Hunan Province, Guangdong Province and Guangxi Autonomous Region

customers. We do not have different pricing strategies for different types of customers. For each specific sales order, our sales department determines the appropriate pricing for that order based on our internal pricing criteria which would be reviewed every three months. Orders with special production requirements are jointly reviewed by the relevant departments, such as the production department and the quality control department, and approved by our general manager before a price quotation is provided to the customer. Since our major customers are automobile manufacturers from whom we generate most of our revenue, we do not offer discount to distributors in exchange for committed sales volume, and we do not have a practice of sales rebate.

In the event that there is an increase in cost, instead of passing the increased cost to our customers, we would endeavour to maintain our cost through products R&D, optimising our production processes, reducing our procurement costs and leveraging off our growing scale as mentioned in "Business – Business strategies – Maintaining our cost advantages" in this prospectus.

Information published by CAAM suggests that passenger vehicle sales have cooled down since April 2010, even though the PRC automobile production for the seven months ended 31 July 2010 amounted to 10.2 million units, representing an increase of 43.6% over the same period last year. Although we anticipate our revenue for the second half of 2010 will likely decrease as compared with the first half of 2010, given our recent production levels, and in light of government support to boost demand for the new energy vehicles sector (please refer to "Industry Overview – New energy automobile" in this prospectus for the government support policies), which is the future focus of the automobile market and one of our competitive strengths, together with our own proprietary technologies, our robust growth in production capacity, stringent cost control and experienced management team as set out in "Business – Competitive strengths" in this prospectus, we believe our Group will continue to grow and maintain its leading position as a supplier of automobile air-conditioning compressors to leading automobile manufacturers.

We put emphasis on our R&D. As at the Latest Practicable Date, our R&D team has more than 50 members, of whom over 80% have received tertiary education. We developed our own proprietary technologies and have 48 registered patents, seven of which are invention patents. Our technologies, though not absolutely unique, has contributed to the current market position of the Group. We have been accredited with the titles of "High and New Technology Enterprise" (高新技術企業) and the "Jiangsu Province Research Centre for Environmental and Energy-efficient Vehicle Air-conditioning Compressor Engineering Technology" (江蘇省節能環保汽車空調壓縮機工程技術研究中心). We have obtained the copyright in "Aotecar scroll compressor process simulation software V1.0" (渦旋壓縮機過程模擬軟件). Furthermore, we have been approved by the National TC238 on Refrigerating & Air-conditioning Equipment of Standardisation of China (全國冷凍空調設備標準化技術委員會), an institute authorised by the PRC Standardisation Administration[(1)], as the key drafting organisation for the national standards for "Scroll Automobile Air-conditioning Compressors for use in Small-displacement Vehicles" (汽車空調用小排量渦旋壓縮機), which are expected to be published in 2011 as the relevant national standards in the PRC. We are conscious of the keen competition from existing market players and will continue our efforts in strengthening our

Note:

(1) The PRC Standardisation Administration, under the supervision of the General Administration of Quality Supervision, Inspection and Quarantine, is a public institution authorised by the State Council to administer unified management, supervision and overall coordination of standardisation works in China.

R&D capabilities in order to maintain our competitiveness in the industry. Please refer to "Business – Research and development" in this prospectus for details of our R&D strategies.

Our two production bases (the Old Production Base and the New Production Base) are located in Nanjing, Jiangsu Province, with an aggregate current annual production capacity of 3.0 million sets of compressors as at the Latest Practicable Date and we expect that the annual production capacity will reach 4.0 million sets by mid 2011 following completion of the expansion of the New Production Base. We pursue "lean production" and take "zero defect" as our quality goal. After obtaining certification from CCCAP for our compressors in 2001, we obtained the ISO/TS 16949:2002 system certification in 2003, as a result of our design, manufacture and implementation of the quality control system for our automobile air-conditioning compressors. We are able to satisfy the product quality expectations of our customers by responding swiftly to quality control queries and continuously improving our quality control measures.

The table below sets out the estimated production capacity and utilisation rates of our production facilities located at the Old Production Base and the New Production Base. For details of computation, please refer to "Business – Production facilities and production capacity" in this prospectus.

	Estimated Production Capacity *('000 sets)*			**Actual Production Volume** *('000 sets)*			**Utilisation Rate** *(%)*	
	Old Production Base	**New Production Base**	**Total**	**Old Production Base**	**New Production Base**	**Total**	**Old Production Base**	**New Production Base**
31 December 2007 .	714	—	714	634	—	634	88.8	—
31 December 2008 .	984	—	984	869	—	869	88.3	—
31 December 2009 .	1,256	620	1,876	1,294	576	1,870	103.0	92.9
30 June 2010	697	814	1,511	709	818	1,527	101.7	100.5

We achieved strong and continued growth in production, revenue and profit in the past few years as a result of the strengthening of our R&D capabilities and our broadening customer base. Our production has grown to 1.9 million sets in 2009 from 0.6 million sets in 2007, representing a CAGR of 71.7%, which was much higher than the growth in the overall industry (according to the Ourview Report, the CAGR of PRC automobile air-conditioning compressor production was 33.2% over the same period). Our total revenue increased from RMB308.8 million in 2007 to RMB797.0 million in 2009 with a CAGR of 60.7%, and our profit increased from RMB41.7 million in 2007 to RMB102.5 million in 2009 with a CAGR of 56.7%. We believe that the fast-paced growth of our business has enabled us to consolidate our leading position in the industry, enhance our relationships with our customers and strengthen our R&D capabilities.

OUR COMPETITIVE STRENGTHS

We believe the following are our key competitive strengths:

- Leading position and strong brand recognition in the PRC automobile air-conditioning compressor industry
- Advanced products and technologies
- Long established and stable business relationships with the leading domestic automobile manufacturers
- Strong R&D capabilities
- Cost advantages
- Advanced production facilities and measures
- Stringent quality control
- Experienced, stable and committed management team

OUR STRATEGIES

We aim to become a competitive automobile air-conditioning compressor supplier in the global market. We intend to achieve this by focusing on the following strategies:

- Further strengthening our leading position in the small-displacement vehicle and domestic self-owned brand vehicle markets and increasing our sales to Sino-foreign joint venture automobile brands
- Strengthening our R&D capabilities
- Increasing our investment in electric vehicle air-conditioning compressors
- Increasing our production capacities
- Maintaining our cost advantages
- Gradually expanding our sales in overseas markets

SUMMARY FINANCIAL INFORMATION

The following tables set forth a summary income statement data, a summary statement of financial information data and a summary statement of cash flows data which are derived from the Accountants' Reports of our Group and Aotecar Nanjing in Appendices IA and IB to this prospectus respectively.

The following summary financial information of our Group and Aotecar Nanjing have been prepared in accordance with IFRSs and should be read in conjunction with the respective Accountants' Reports.

Summary Income Statement Data

	Aotecar Nanjing	Our Group			
	Year ended 31 December			Six months ended 30 June	
	2007 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2009 *RMB'000* *(unaudited)*	2010 *RMB'000*
Turnover	308,815	378,387	797,026	313,419	642,583
Cost of sales	(226,655)	(282,849)	(585,137)	(229,995)	(475,024)
Gross profit	82,160	95,538	211,889	83,424	167,559
Other revenue and net income	2,059	4,008	1,973	108	3,913
Distribution expenses	(21,377)	(25,179)	(42,227)	(17,147)	(33,166)
Administrative expenses	(14,999)	(25,848)	(33,639)	(16,162)	(25,232)
Other operating expenses	(2,491)	(5,749)	(5,593)	(2,766)	(2,916)
Profit from operations	45,352	42,770	132,403	47,457	110,158
Finance costs	(4,088)	(5,078)	(6,600)	(3,400)	(6,249)
Profit before taxation	41,264	37,692	125,803	44,057	103,909
Income tax	479	(6,723)	(23,350)	(8,532)	(20,389)
Profit for the year/period	41,743	30,969	102,453	35,525	83,520
Attributable to:					
Equity shareholders of the Company	41,743	30,969	101,699	35,488	82,562
Non-controlling interests	—	—	754	37	958
Profit for the year/period	41,743	30,969[(1)]	102,453	35,525	83,520
Basic earnings per share[(2)] (*RMB*)	N/A	0.041	0.136	0.047	0.110

Notes:

(1) The decrease in our profit for the year ended 31 December 2008 as compared with the year ended 31 December 2007 was mainly due to certain non-recurring items, including: (i) an one-off compensation benefit given to Mr. Qian amounting to RMB7.4 million, representing fair value adjustments in relation to the transfer by CUAS to Mr. Qian of a 3% beneficial interest and an option over a further 2% interest in both the issued share capital of Aotecar International and the loan to Aotecar Hong Kong, in recognition of the past contributions of Mr. Qian to the growth and development of the Group and as an incentive of his continued efforts; (ii) a tax credit of RMB5.3 million in the year ended 31 December 2007; and (iii) an increase in the amortisation charges of intangible assets of RMB3.1 million as a result of the acquisition of Aotecar Nanjing by our Group in December 2007. Please refer to "Financial Information" in this prospectus for further explanations.

(2) The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company during the Track Record Period and on the assumption of 750,000,000 Shares being in issue or issuable, comprising 14,737 Shares in issue as at the date of this prospectus, 749,985,263 Shares to be issued pursuant to the Capitalisation Issue, as detailed in "Further Information About The Company – Written resolutions of the Shareholders passed on 9 November 2010" in Appendix VI to this prospectus, as if the Shares were outstanding throughout the Track Record Period. There were no dilutive potential ordinary shares during the Track Record Period, and therefore, diluted earnings per share are not represented.

Summary Statement of Financial Information Data

	Aotecar Nanjing	Our Group			
		As at 31 December			As at 30 June
	2007	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	117,750	241,849	264,139	376,472	431,735
Current assets	245,663	248,862	323,591	604,616	832,953
Current liabilities	166,239	382,670	425,952	712,142	912,277
Net current assets/(liabilities)	79,424	(133,808)	(102,361)	(107,526)	(79,324)
Total assets less current liabilities	197,174	108,041	161,778	268,946	352,411
Non-current liabilities	—	18,425	18,770	21,755	19,536
Net assets	197,174	89,616	143,008	247,191	332,875

As the acquisition of Aotecar Nanjing by our Group on 29 December 2007 was recognised using the purchase method of accounting, the financial information for Aotecar Nanjing for the year ended 31 December 2007 has not been included in the "Accountants' Report of the Group" in Appendix IA to this prospectus. Thus the financial information of Aotecar Nanjing has been set out in a separate accountants' report included as "Accountants' Report of Aotecar Nanjing" in Appendix IB to this prospectus.

During the Track Record Period, the management of the Group and Aotecar Nanjing remained substantially the same and Aotecar Nanjing engaged in substantially the same principal business activities as the Group. Therefore, the financial information presented in the prospectus can be used for analytical and comparison purposes even though the financial information of Aotecar Nanjing and the Group were presented under separate accountants' reports. For details, please refer to the "Financial Information – Basis of preparation" in this prospectus for a reconciliation of the balance sheets between Aotecar Nanjing and our Group.

Summary Statement of Cash Flows Data

	Aotecar Nanjing	Our Group			
	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash generated from operating activities	35,143	24,486	80,834	49,911	41,036
Net cash used in investing activities	(13,530)	(39,277)	(121,018)	(49,580)	(85,739)
Net cash (used in)/generated from financing activities	(20,000)	42,400	22,279	(4,721)	119,164
Cash at beginning of the year/period	5,503	7,116	34,726	34,726	16,560
Effect of foreign exchange rate changes	—	1	(261)	—	(9)
Cash at end of the year/period	7,116	34,726	16,560	30,336	91,012

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

Forecast combined profit after taxation attributable to equity shareholders of the Company for the year ending 31 December 2010[(1)]	Not less than RMB139.8 million (equivalent to HK$159.4 million)
Unaudited pro forma forecast basic earnings per Share for the year ending 31 December 2010[(2)]	Not less than RMB0.14 (equivalent to HK$0.16)

Notes:

(1) *The bases and assumptions on which the above profit forecast for the year ending 31 December 2010 has been prepared are summarised in "Profit Forecast" in Appendix III to this prospectus. Our forecast combined profit after taxation attributable to equity shareholders of the Company for the year ending 31 December 2010 prepared by our Directors is based on the audited combined financial statements of our Group for the six months ended 30 June 2010, the unaudited combined management accounts of our Group for the three months ended 30 September 2010 and a forecast of the combined results of our Group for the remaining three months ending 31 December 2010. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in "Accountants' Report of the Group" as set out in Appendix IA to this prospectus.*

(2) *The calculation of the unaudited pro forma forecast basic earnings per Share for the year ending 31 December 2010 is based on the forecast combined results of our Group for the year ending 31 December 2010, assuming the Global Offering had been completed on 1 January 2010 and a total of 1,000,000,000 Shares were in issue during the entire period, taking no account of any additional income our Group may have earned from the estimated net proceeds from the Global Offering, or any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option.*

DIVIDEND POLICY

No dividend was declared during the Track Record Period. We may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as we may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. Our Shareholders in general meeting may approve and make any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time decide to pay such interim dividends as appear to them to be justified by our profits. No dividend shall be declared or payable except out of our profits or reserves set aside from profits in our Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for such purpose in accordance with the Companies Law and our Articles of Association. Any declaration of dividends may or may not reflect our prior declarations of dividends and any dividend recommendation will be at the absolute discretion of our Board.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including IFRSs. Some of our subsidiaries in China, which are foreign-invested enterprises, set aside part of their net profit as statutory reserves, in accordance with the requirements of relevant PRC laws and the provisions of their respective articles of association. These portions of our subsidiaries' net profits are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries and associated companies may enter into in the future.

Our Board has absolute discretion in determining whether to declare any dividend for any period and, if it decides to declare a dividend, the amount of dividend to be declared. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future.

USE OF PROCEEDS

We estimate that the net proceeds to our Company from the Global Offering, after deducting the underwriting commissions and estimated expenses in relation to the Global Offering payable by us, will be HK$634.6 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$2.70 per Share, being the midpoint of the Offer Price range set out in this prospectus. We intend to use the net proceeds for the following purposes:

(i) HK$222.1 million or 35.0% of the net proceeds will be used for (i) our capacity expansion plans which include the expansion project of our New Production Base and the establishment of a new production base; and (ii) selective acquisitions and investments which either supplement our existing business or fit into our long-term strategy:

- We plan to use HK$144.8 million or 22.8% of the net proceeds for the capacity expansion plan of the New Production Base, mainly for purchases and installation of machinery and equipment and/or construction of factory and office buildings and staff quarters, and we expect that the aggregate annual production capacity will increase from 3.0 million sets of compressors to 4.0 million sets of compressors by mid 2011 after the expansion;

- We plan to use HK$45.6 million or 7.2% of the net proceeds for the acquisition of land for the establishment of a new production base. It is intended that the new production base will be established in Nanjing or its adjacent areas for the production of automobile air-conditioning compressors. As at the Latest Practicable Date, our Group was in the course of identifying an appropriate site for the new production base and it is expected that such can be identified by the end of 2011; and

- We plan to use HK$31.7 million or 5.0% of the net proceeds for acquisitions and investments primarily related to the manufacturing of automobile air conditioning compressors and, to a lesser degree, related to other auto component system providers in the PRC. We plan to selectively target acquisitions or investments that will strengthen our leading position in the manufacturing of automobile air-conditioning compressors in the PRC. We would also selectively target other auto component providers that we could leverage on our extensive customers network in the auto industry in the PRC. No specific acquisition candidates or investment opportunities had been identified as at the Latest Practicable Date;

(ii) HK$334.2 million or 52.7% of the net proceeds will be used for loan repayment. For details of the loans, please refer to "Financial Information – Indebtedness" in this prospectus:

– HK$241.2 million or 38.0% of the net proceeds will be used for the repayment of borrowings from BNP Paribas Hong Kong Branch which was outstanding as at the Latest Practicable Date. The loan was used to settle the indebtedness due to CUAS and Mr. Qian in June 2010. The loan facility shall be repaid within one month after the Listing or by 31 December 2010, whichever is earlier, and the applicable interest rate for any outstanding loan amount under the facility is BNP Paribas Hong Kong Branch's cost of funds (determined conclusively by BNP Paribas Hong Kong Branch at its sole discretion) plus 0.2% per annum. The Group intends to repay the amount due to BNP Paribas Hong Kong Branch immediately after Listing; and

– HK$93.0 million or 14.7% of the net proceeds will be used for the repayment of borrowings from DBS Bank Ltd., Hong Kong Branch which was outstanding as at the Latest Practicable Date. The loan has been used for general working capital purpose. The tenure of the loan facility is 24 months from the date of the relevant loan agreement (being 11 June 2010) and the applicable interest rate for any outstanding loan amount under the facility is HIBOR plus 1.5% per annum;

(iii) HK$31.7 million or 5.0% of the net proceeds will be used to support and strengthen our product R&D capability in respect of our existing product portfolio and potential new products, including (i) enhancing our R&D facilities to improve the quality of our electric compressors and to produce compressors with smaller size for meeting the changing market needs; (ii) collaborating with third party institutions, such as universities in the PRC and overseas to develop new technologies and/or products; and (iii) expediting the commercialisation of our R&D results; and

(iv) HK$46.6 million or 7.3% of the net proceeds will be used for working capital and other general purposes.

Although from time to time, we identify certain potential strategic investments and acquisition targets for preliminary evaluation and assessment, as at the Latest Practicable Date, we did not have any finalised understanding, commitments or agreements, and we had not engaged in any related negotiations or entered into any letter of intent (whether legally binding or not) with respect to any acquisitions, alliances, joint ventures or strategic investments. We may or may not proceed with any or all of these investment and/or acquisition projects.

To the extent that the net proceeds are not immediately applied for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit the net proceeds into short-term deposits with financial institutions in Hong Kong and/or the PRC.

If the Offer Price is finally determined at the lower end of the indicative Offer Price range, being HK$2.35 per Offer Share, the net proceeds from the Global Offering will be decreased by HK$85.3 million, as compared with the above computation (which is based on the midpoint of the indicative Offer Price range and assuming the Over-allotment Option is not exercised). In such case, our Directors intend to apply HK$241.2 million or 43.9% and HK$82.4 million or 15.0% of the net proceeds towards repayment of loans from BNP Paribas Hong Kong Branch and DBS Bank Ltd., Hong Kong Branch respectively and to apply HK$45.6 million or 8.3% of the net proceeds towards acquisition of land for the establishment of a new production base. The Directors intend to apply the remaining net proceeds of the Global Offering in the same manner as mentioned above with the difference being adjusted to the other items above on a pro rata basis.

If the Offer Price is finally determined at the higher end of the indicative Offer Price range, being HK$3.05 per Offer Share, the net proceeds of the Global Offering will be increased by HK$85.3 million, as compared with the above computation (which is based on the midpoint of the indicative Offer Price range and assuming the Over-allotment Option is not exercised). Our Directors intend to allocate the additional net proceeds for the purposes described in (i) (solely for the purposes of capacity expansion plan of the New Production Base and for acquisition and investments as mentioned under item (i) above), (iii) and (iv) above on a pro rata basis.

If the Over-allotment Option is exercised in full, we estimate we would receive additional net proceeds of HK$98.7 million, assuming an Offer Price of HK$2.70 per Share, being the midpoint of the Offer Price range stated in this prospectus. The additional net proceeds received from the exercise of the Over-allotment Option will be applied to the purposes described in (i) (solely for the purposes of capacity expansion plan of the New Production Base and for acquisition and investments under item (i) above), (iii) and (iv) above on a pro rata basis.

We will issue an announcement in Hong Kong if there is any material change in the use of proceeds described above.

NET CURRENT LIABILITIES POSITION

As at 31 December 2007, 2008, 2009 and 30 June 2010, the Group recorded net current liabilities of RMB133.8 million, RMB102.4 million, RMB107.5 million and RMB79.3 million, respectively. The net current liabilities of the Group were mainly due to short term bank borrowings and amounts due to CUAS and Mr. Qian, being related parties of the Group. During the Track Record Period, the aggregate amounts due to CUAS and Mr. Qian amounted to RMB224.1 million, RMB209.4 million, RMB217.3 million and RMB17,000.0, majority of which were due to the acquisition of Aotecar Nanjing by the Group from Fang Brothers in December 2007. For details, please refer to "History, Development and Reorganisation" in this prospectus. As at 30 September 2010, all the amounts due to related parties had been repaid.

The Group generated net cash inflow from operating activities amounted to RMB35.1 million, RMB24.5 million, RMB80.8 million and RMB41.0 million during the Track Record Period. The net current liabilities position decreased from RMB133.8 million as at 31 December 2007 to RMB79.3 million as at 30 June 2010. The Group also achieved solid sales growth while maintaining the gross profit margin at around 26.0%. Net profit also grew by RMB60.7 million or 145.4% from 2007 to 2009.

We obtained a bank loan of USD31.0 million from BNP Paribas Hong Kong Branch to repay the amounts due to CUAS and Mr. Qian in June 2010. Upon Listing, we will repay the bank loan of USD31.0 million from BNP Paribas Hong Kong Branch in full by proceeds from the Global Offering. If the amounts due to CUAS and Mr. Qian were excluded from the current liabilities for the three years ended 31 December 2009, we would record net current assets of RMB90.3 million, RMB107.1 million and RMB109.8 million respectively as at the three years ended 31 December 2009. Our Directors are of the opinion that taking into account the estimated net proceeds from the Global Offering, we will record a net current assets position after the Global Offering. In addition, the working capital available to us is sufficient for our present requirements and for at least the next 12 months from the date of this prospectus.

As at the Latest Practicable Date, we had not experienced any liquidity issues in the ordinary course of business.

NON-COMPLIANCE OF THE GROUP

As all of our operations are in China, we are required to conduct our business in compliance with the PRC laws and regulations. However, certain of our activities were or are not in compliance with the relevant PRC laws and regulations.

Lands and properties

Aotecar Nanjing

Aotecar Nanjing has failed to obtain relevant construction project planning permits (建設工程規劃許可證), construction licences (建設工程施工許可證) and building ownership certificates for certain building structures at the Old Production Base and may be required to demolish those buildings and pay a fine equivalent to not more than 10% of the construction costs, which is RMB1,183,200.0. In relation to parts which cannot be demolished, any realty or unlawful gains received from those parts may be confiscated. Aotecar Nanjing received a letter from Qinhuai Government confirming that they had liaised with other relevant competent governmental authorities to seek that no further fine or enforcement action would be imposed on Aotecar Nanjing and to ensure that Aotecar Nanjing would not incur any economic loss due to new fine or punishment, and that the Qinhuai Government would bear full responsibilities to ensure that Aotecar Nanjing would not suffer any economic loss. Therefore, our PRC Legal Advisers considered that as Qinhuai Government will take measures to ensure the above matters, the risk of any future fine/penalty being imposed on us is low, and the financial and operational impacts on our Group due to such non-compliance is minimal. Our Directors consider that since only a gross floor area of 4,465.5 sq. m. is used for production on the said building structures and Aotecar Xiangyun has agreed to let Aotecar Nanjing relocate its production lines to the New Production Base, which is estimated to take no more than 10 days at a cost of around RMB400,000.0, the non-compliance would not have material financial and operational impact on the Group.

Also, Aotecar Nanjing leased out a gross floor area of 2,996.0 sq. m. before it obtained relevant construction permits and building ownership certificates for the leased property and may be liable for an administrative penalty from RMB500.0 to RMB2,000.0 and may be required to rectify the non-compliance. Since the lessee has actual knowledge of the non-compliance, as advised by the PRC Legal Advisers, Aotecar Nanjing would not be liable for the compensation as stipulated in the lease contract if the lease is ruled invalid by the courts. Also, the amount of the administrative penalty would be relatively small. As such, the PRC Legal Advisers and the Directors are of the view that the non-compliance would not have material financial and operational impact on the Group.

Aotecar Xiangyun

Aotecar Xiangyun failed to obtain a land use rights certificate before constructing buildings on the New Production Base. As a result, a fine of RMB804,000.0 was imposed on Aotecar Xiangyun which has been paid in full. Since we have subsequently obtained the relevant certificate, the PRC Legal Advisers advised that we would not be penalised again for the above non-compliance. Also, we were late in making full payment for our acquisition of the New Production Base and a surcharge of RMB246,680.0 was imposed. Similarly, since the consideration and the surcharge had been fully settled, the PRC Legal Advisers advised that there is no risk that we would be required to make any additional payment for the late payment.

Aotecar Xiangyun also failed to obtain construction project planning permits (建設工程規劃許可證) and construction licences (建築工程施工許可證) before constructing buildings on the New Production Base. As advised by the PRC Legal Advisers, Aotecar Xiangyun may receive a demolition order and any realty or unlawful gains from parts which cannot be demolished may be confiscated. It may also be imposed of a fine equivalent to not more than 10% of the construction costs. Aotecar Xiangyun obtained the relevant construction project planning permits (建設工程規劃許可證) for all buildings on 14 July 2010 and 16 September 2010. In addition, it obtained the relevant construction licences (建築工程施工許可證) for all buildings on 28 October 2010 and 18 November 2010. It shall arrange for the application for building ownership certificate(s) by the end of November 2010, and is expected to obtain the same by the end of 2010. As advised by our PRC Legal Advisers, since Aotecar Xiangyun has already obtained the land use rights certificate, the construction project planning permits (建設工程規劃許可證) and the construction licences (建築工程施工許可證), there should not be any legal impediment for Aotecar Xiangyun to obtain the building ownership certificate(s) subject to the submission of all the necessary documents in compliance with the required procedures in accordance with the PRC laws. As such, the Directors are of the view that the above would not have material financial and operational impact on the Group.

Aotecar Casting

Aotecar Casting leased the Hengxi Lands and the Hengxi Leased Factory from Changheng Casting pursuant to the Hengxi Lease. As those lands are collective construction lands, Changheng Casting is required to obtain consent from the owners of the collective land owners and to complete relevant certification procedures before leasing the Hengxi Lands and the Hengxi Leased Factory to

Aotecar Casting. Since the legal requirements have not been fulfilled, the Hengxi Lease may become void and the rights of Aotecar Casting in the Hengxi Lands and the Hengxi Leased Factory may not be protected under the PRC law.

In respect of the Hengxi Owned Factory, since Changheng Casting had not obtained the relevant land use right certificate and the building ownership certificate at the time when it transferred the Hengxi Owned Factory to Aotecar Casting, the PRC Legal Advisers advised that the transfer had not been duly registered in accordance with PRC laws, and therefore Aotecar Casting is not entitled to the immovable property right in the Hengxi Owned Factory. As to the Hengxi Workshop, since the relevant construction permits and certificates were not obtained before the construction of Hengxi Workshop, there is a risk that the relevant governmental authorities may order demolition of the Hengxi Workshop within a prescribed time and confiscate any realty or unlawful gain from parts which cannot be demolished and may further impose a fine of equivalent to not more than 10% of the construction costs, which is RMB161,600.0.

In order to rectify the title issues of the Hengxi Lands and the Hengxi Properties, Aotecar Casting has contacted its lessor, Changheng Casting, and asked for its assistance in contacting the relevant authorities with a view to complete the relevant certification procedures. Changheng Casting has agreed to offer its help in discussing the same with the relevant parties.

Aotecar Casting produces brake discs, static plates, front end covers and cases in the properties situated on Hengxi Lands. To minimise the financial and operation risks of Aotecar Casting in the event that it will be required to vacate from the properties on the Hengxi Lands due to title issues, Aotecar Nanjing had entered into memoranda of understanding with two existing suppliers, which are independent third parties, to provide products currently produced by Aotecar Casting at properties on the Hengxi Land to the Group at prevailing market prices at the relevant times. Given that the products produced at properties on the Hengxi Land are not highly technically complicated products and only involve general aluminium casting procedures, our Directors consider that the transfer from producing our own brake discs, static plates, front end covers and cases to purchasing them from third party suppliers, if necessary, would only have minimal impact on our overall operations and production costs.

Details of our land and properties are set out in the "Business – Properties" and "Appendix IV – Property Valuation" in this prospectus.

Leased staff quarters

Aotecar Xiangyun

Aotecar Xiangyun has leased a total of 450.0 sq.m. staff quarters from a landlord who could not provide the relevant building title document for review. As such, our PRC Legal Advisers advised that the lease for the relevant leased quarters may be invalid and unenforceable under the PRC law. However, Aotecar Xiangyun as lessee would not be liable for any civil or criminal responsibilities or any administrative penalty. Nevertheless, the lease has not been registered at the relevant authority and the PRC Legal Advisers advised that Aotecar Xiangyun may be liable for a fine of RMB100.0 to RMB1,000.0 for the non-registration though the non-registration would not affect the validity of the lease.

Moreover, our Directors consider that the lease of Aotecar Xiangyun is only short-term for staff quarters and any early termination would not materially affect the finance and operations of the Group.

Details of our leased staff quarters are set out in the "Business – Properties" and "Appendix IV – Property Valuation" in this prospectus.

Social Insurance and housing provident fund contributions

Aotecar Nanjing and Aotecar Casting have failed to make sufficient Social Insurance and housing provident fund contributions for and on behalf of our employees due to different levels of acceptance of the Social Insurance and housing provident fund schemes by employees. The amounts of unpaid contributions to Social Insurance of Aotecar Nanjing and Aotecar Casting for the financial years ended 31 December 2007, 2008, 2009 and for the six months ended 30 June 2010 were RMB185,000, RMB922,000, RMB1,682,000 and RMB1,332,000 respectively, while the amounts of the unpaid contributions to housing provident funds of Aotecar Nanjing and Aotecar Casting for the financial years ended 31 December 2007, 2008, 2009 and for the six months ended 30 June 2010 were RMB79,000, RMB424,000, RMB754,000 and RMB557,000 respectively. According to the PRC Legal Advisers, the amount of the maximum fine/penalty that may be imposed on our Group for the non-compliance with Social Insurance regulations is three times of the amount equivalent to the salary amount not reported to the relevant Social Insurance authorities, but no fine will be imposed on the unpaid housing provident contribution after Aotecar Nanjing and Aotecar Casting open housing provident fund accounts with the competent authorities. In the event that the administrative penalties were imposed on the Company in any particular financial year, the Company's profits in that particular financial year would be materially affected. There is no assurance that the relevant government authorities will not levy these administrative penalties on us or when such administrative penalties will be levied on us.

Aotecar Nanjing had obtained a written confirmation from the Social Insurance Collection and Payment Administration Centre of Nanjing (南京市社會保險徵繳管理中心), the competent Social Insurance authority, on 12 October 2010, which confirmed that Aotecar Nanjing had duly contributed Social Insurance for its employees since its incorporation and Aotecar Nanjing had no record of overdue contributions. Aotecar Nanjing further obtained a written confirmation from the Provincial Institutions Housing Provident Fund Administration Centre of Jiangsu Province (江蘇省省級機關住房資金管理中心) on 13 October 2010, which confirmed that Aotecar Nanjing had duly contributed housing provident fund without any record of being sanctioned for any overdue contribution or non-compliance and there is no record of overdue contribution of Aotecar Nanjing.

Similarly, Aotecar Casting had obtained a written confirmation from the Social and Labour Insurance Administration of Nanjing City Jiangning District (南京市江寧區社會勞動保險所) on 13 August 2010, which confirmed that Aotecar Casting had duly contributed Social Insurance for its employees since its incorporation without any record of being sanctioned for any non-compliance and the basis and percentage of Social Insurance contribution complied with the requirements of the PRC law. Aotecar Casting further obtained a written confirmation from the Housing Provident Fund Administration Centre of Nanjing (南京住房公積金管理中心), the competent housing provident fund authority, on 14 September 2010, which confirmed that Aotecar Casting had promptly and duly contributed housing provident fund for its employees without any non-compliance with laws, regulations or local rules related to housing provident fund. Our PRC Legal Advisers confirmed that the aforementioned are competent Social Insurance and housing provident fund authorities. On the basis of the above, our PRC Legal Advisers are of the view that the risk of the Group being required to contribute the unpaid amounts or imposed fines by the relevant authorities is relatively low. Taking into account the advice from our PRC Legal Advisers above, the Directors consider that the financial impact to the Group is minimal and no provision has been made in this regard, which would not affect the true and fair view of the financial information in Appendices IA and IB to this prospectus. As advised by the PRC Legal Advisers, according to the general practice in Nanjing, the contribution basis can only be adjusted in July every year. Aotecar Nanjing will adjust the amount of contribution basis to the required level in July 2011.

In relation to Aotecar Casting, it had entered into Labor Service Despatch Agreements (勞務派遣合同) with Nanjing Baiye, which would provide foundry and general operational workers to Aotecar Casting as required with effect from 26 September 2010 and would bear the liability to make sufficient Social Insurance and housing provident fund contributions for and on behalf of each dispatched worker. Aotecar Casting only need to pay the labour service fees to Nanjing Baiye as agreed and stipulated in the Labor Service Despatch Agreements. On the basis as above, our Directors consider that such non-compliance would only have minimal financial and operational impacts on the Group. For details, please refer to "Business – Employees – Social Insurance and housing provident fund contributions" in this prospectus.

Environmental assessment and approvals

Aotecar Casting failed to conduct any environmental impact assessment prior to construction and to apply for environmental protection facilities verification approval from the local environmental protection bureau. Our PRC Legal Advisers advised that the relevant environmental authority may impose a fine from RMB50,000.0 to RMB200,000.0 for failure to conduct the environmental impact assessment prior to construction, and a suspension order plus a fine of not more than RMB50,000.0 for not having applied for environmental protection facilities approval. Aotecar Casting had retrospectively applied for the required environmental impact assessment approval and had obtained a verbal confirmation from Nanjing Jiangning District Environmental Bureau (南京市江寧區環境保護局) that a grace period of two years from May 2010 had been granted for improvement, during which no penalties or order of suspension will be imposed on Aotecar Casting. As at the Latest Practicable Date, Aotecar Casting had commenced the study for the deployment of improved environmental-friendly measures, utilising cleaner energies such as electricity or gas rather than coke (the "**Environmental Improvement Project**"). A task force comprises of three senior staff had been formed for the Environment Improvement Project and it had been in close contacts with the relevant local authorities for the improvements in Aotecar Casting. In accordance with the procedures in the Environmental Improvement Project, Aotecar Casting would need about two years to complete the project. If required, the Group will also engage an environmental consultancy firm to advise on the effectiveness of the plan to ensure an effective implementation of the improvement plan.

On 14 October 2010, Aotecar Casting obtained a letter from Nanjing Jiangning District Environmental Bureau (南京市江寧區環境保護局) stating there is no circumstances which would trigger penalties to be imposed on Aotecar Casting for violation of environmental laws. In order to mitigate the possible impact to the Group in the event that a suspension order is imposed, Aotecar Nanjing had entered into two memoranda of understanding with two existing suppliers, being independent third parties, who agreed to supply necessary production parts to the Group which are currently produced by Aotecar Casting at prevailing market prices at the relevant times if a suspension order was imposed. Given the above, our Directors are of the view that such non-compliance would not have material financial and operational impact on the Group. For details, please refer to "Business – Safety and environmental matters – Environmental protection" in this prospectus.

Production licence

Aotecar Xiangyun failed to obtain a production licence between March 2009 upon its commencement of production and July 2010. The maximum fine/penalty would be confiscation of products so produced and the resultant income gained and a fine of up to three times the value of the manufactured products. In the event that the administrative penalties were imposed on the Company in any particular financial year, the Company's profits in that particular financial year would be materially affected. There is no assurance that the relevant government authorities will not levy these administrative penalties on us or when such administrative penalties will be levied on us. However, on the basis that (i) Aotecar Xiangyun has properly rectified its non-compliance by obtaining a valid production licence on 2 July 2010, (ii) the Nanjing Bureau of Quality and Technical Supervision (南京市質量技術監督局), being the competent authority, confirmed in writing on 12 October 2010 that Aotecar Xiangyun is in compliance with the laws and regulations in connection with production licence and administration of product quality, and Aotecar Xiangyun's products are in line with the relevant national quality standards, and (iii) the competent authority had actual knowledge that Aotecar Xiangyun had once conducted production prior to the obtaining of the said production licence, our PRC Legal Advisers advised that the risk of any fine or penalty in relation to the above historical non-compliance is low, and our Directors consider that such historical non-compliance would not have any operational and financial impacts on the Group. For details, please refer to "Regulatory Overview – Production licence of industrial products and implementation procedures".

For those non-compliance of the Group mentioned in "Summary – Non-compliance of the Group" in this prospectus, the Company's PRC Legal Advisers considered that most of the risks of future fines or penalties being imposed on the Group were low. Taking into account the advice from the PRC Legal Advisers, the Directors consider the financial and operational impact on the Group is minimal and would not affect our future expansion plan and no provision has been made in this regard, which would not affect the true and fair view of the financial information in Appendices IA and IB to this prospectus.

The non-compliance incidents as mentioned above were mainly due to inadvertent error of the Group and a lack of a very comprehensive understanding in certain rules and regulations in the PRC. In order to prevent future non-compliance, we have adopted an internal control system and retained an independent external advisory firm to conduct follow-up reviews on our measures and policies. Also, we have established a new position of compliance officer, who will report to the Board directly on a monthly basis to ensure that the Group's operations are in compliance with applicable laws, rules and regulations, to strengthen the existing internal control framework and to recommend remedial plans to the Board should there be any internal control deficiencies. Mr. Chui Wing Fai, our Company Secretary has been appointed as our compliance officer. In addition to professional qualifications and solid experience in finance and accounting, Mr. Chui also possesses experience in managing, overseeing, coordinating and handling regulatory compliance, corporate governance and corporate secretarial matters of both listed and unlisted companies with operations in Hong Kong and the PRC. Mr. Chui will have access to external professionals retained or to be retained by the Group from time to time if applicable, including the compliance adviser, external legal counsel, auditors and other advisers as necessary and will report directly to the Board. We have retained Chen & Co. Law Firm as our PRC legal advisers in respect of legal and regulatory compliance matters in the PRC, and Chen & Co., Law Firm will provide training to all of our Directors in relation to the compliance of PRC laws and regulations applicable to our Group's operations. For details, please refer to "Business – Measures to prevent future non-compliance" in this prospectus.

In view of the above advice and opinion given by the PRC Legal Advisers and after taking into consideration the remedial actions taken by the Group, the adoption of the internal control systems and the Group's management has shown a positive attitude of improving the corporate governance of the Group, the Joint Sponsors concur with the Director's view that the aforementioned non-compliance incidents were not intentional and that the non-compliances would not individually and collectively affect the Group's business operations and financial position.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be categorised into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering.

Risks relating to our business

- We rely on certain major customers for a significant portion of our revenue.

- We may be subject to requests from customers to reduce prices from time to time which may affect our ability to maintain steady gross profit margins.

- We may face increases in the prices of raw materials, parts and components.

- We may face simultaneous increases in the prices of raw materials, parts and components and requests from customers for price reductions.

- We may lack adequate production capacity to meet market demand for our products.

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

- We may not be able to attract and retain members of our senior management team and other key personnel.

- The interests of our Controlling Shareholders may be different from those of our other Shareholders.

- We may fail to pass the approval process for new products or maintain existing approvals of our customers.

- Our entry into international markets may expose us to certain risks.
- We may not be able to obtain sufficient capital in a timely manner and/or on acceptable terms for implementation of our business strategies.
- We may face potential product liability claims or suffer losses due to product recall.
- A subsidiary of our Group had once conducted business prior to obtaining a production licence.
- Changes in interest rates may affect our financing costs.
- We had net current liabilities as at 31 December 2007, 2008, 2009 and 30 June 2010.
- We rely on certain major suppliers.
- We rely on a stable supply of labour at reasonable cost.
- We have limited insurance coverage.
- We may be subject to penalties under relevant PRC laws and regulations due to failure to make full Social Insurance and housing provident fund contributions for our employees.
- We are subject to potential changes or discontinuation of the preferential tax treatments in the PRC currently available to us.
- There are uncertainties under the New EIT Law.
- Our business is subject to operational risks.
- We may fail to adequately protect our proprietary technology, product designs and technical know-how.
- Registration of our Group’s logo as a trademark is pending approval.
- We do not have valid titles or rights to use certain properties occupied by us.
- We are exposed to environmental liabilities.

Risks relating to our industry

- We operate in a competitive industry and face intense competition from our competitors.
- The automobile air-conditioning compressor industry is characterised by a decreasing trend of average selling price.
- Market demand for our products may be affected by a slowdown in the growth rate of the PRC automobile industry.

- Changes in automobile industrial policies may adversely affect our financial condition and results of operations.

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

- There may be changes in the existing laws and regulations or additional or stricter laws and regulations on environmental protection and safety matters in the PRC.

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

Risks relating to conducting business in the PRC

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

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

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

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

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

- Our Company is a holding company that relies on payments from our subsidiaries for funding.

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

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

- Shortage of fuels and utilities in the PRC could affect our business.

Risks relating to the Global Offering

- An active trading market for the Shares may fail to develop or be sustained, which could have a material adverse effect on the market and liquidity of the Shares.

- The trading prices of the Shares may be volatile following the completion of the Global Offering and the Offer Price may not be indicative of subsequent trading price.
- Purchasers of the Offer Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.
- There may be a dilutive effect on the earnings per Share associated with the Share Option Schemes and an impact on future earnings.
- Certain facts and statistics from official sources contained in this prospectus have come from various publicly available sources whose reliability cannot be assumed or assured.
- Acts of God, acts of war, epidemics, such as severe acute respiratory syndrome (SARS) or influenza (including H5N1 and H1N1), and other disasters may affect our business and operations as well as the Global Offering.

OFFER STATISTICS

We have compiled the Global Offering statistics on the assumption that the Over-allotment Option is not exercised. The indicative offer prices of HK$2.35 and HK$3.05 per Offer Share do not include the 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee, which are payable by investors under the Global Offering.

	Based on indicative Offer Price of HK$2.35 per Offer Share	Based on indicative Offer Price of HK$3.05 per Offer Share
Our market capitalisation upon completion of the Global Offering(1)	HK$2,350.0 million	HK$3,050.0 million
Unaudited pro forma adjusted net tangible assets per Share as at 30 June 2010(2)	HK$0.81	HK$0.98

Notes:

(1) The calculation of the market capitalisation is based on the assumption that 1,000,000,000 Shares will be in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option).

(2) The unaudited pro forma adjusted net tangible assets per Share in the above table is calculated after the adjustments referred to in "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" in Appendix II to this prospectus and on the basis of 1,000,000,000 Shares in issue immediately following the Global Offering (excluding any Shares which may be issued under the Over-allotment Option).