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 2010 in terms of production and sales volumes, and our production volume accounted for 16.5% of the entire PRC automobile air-conditioning compressor manufacturing industry in 2010. According to the same report, we were the largest PRC manufacturer of scroll automobile air-conditioning compressors in 2010, and our production volume represented 78.9% of the entire PRC scroll automobile air-conditioning compressor manufacturing industry in 2010. 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.

Compressors are a key component of an automobile air-conditioning system. The scroll compressor is the latest generation compressor, and its production accounted for 21.0% of the total production of automobile air-conditioning compressors in the PRC in 2010. Earlier generations of compressors include the piston compressor, the swash plate compressor and the 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 the swash plate compressor, the 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 21.0% in 2010 in terms of production volume according to the Ourview Report.

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 RMB84,000. 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.*

According to the same report, scroll compressors are not only widely used in traditional gasoline and diesel engine vehicles, they are especially suitable for use in electric vehicles as well. According to the PRC national standard for "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 21.0% of the total PRC market in 2010 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 32.9%, 36.8% and 34.0% respectively of our total revenue for the three years ended 31 December 2008, 2009 and 2010, and foreign joint venture automobile brands, such as DPCA, NAVECO and SGMW. Amongst our customers, Chery, DPCA, SGMW and NAVECO, which were not our top five customers during the Track Record Period, in aggregate, accounted for 5.8%, 4.4% and 5.2% respectively of our total revenue for the three years ended 31 December 2008, 2009 and 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 93.7% of the entire PRC scroll automobile air-conditioning compressor manufacturing industry in 2010. 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 11.6% of the entire PRC scroll automobile air-conditioning compressor manufacturing industry in 2010. 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 3.2% of the entire PRC scroll automobile air-conditioning compressor manufacturing industry in 2010. There were also other smaller players in the market but each of their respective production volumes accounted for not more than 2% of the entire PRC scroll automobile air-conditioning compressor manufacturing industry in 2010 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 420,000 sets and 115,000 sets, respectively, in 2010, which was considerably less than the 2.9 million sets manufactured by the Group in 2010.

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

	Our Group					
	Year ended 31 December					
	2008		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Scroll compressors						
– 066 series	116,827	30.9	241,850	30.3	321,834	25.8
– 086 series	133,875	35.4	266,076	33.4	441,589	35.5
– 106 series	74,212	19.6	172,089	21.6	258,766	20.8
– electric scroll compressors	152	0.0	1,171	0.1	3,507	0.3
Other compressors	15,391	4.1	18,049	2.3	24,691	2.0
Total compressors	340,457	90.0	699,235	87.7	1,050,387	84.4
Others[1]	37,930	10.0	97,791	12.3	194,202	15.6
Total	378,387	100.0	797,026	100.0	1,244,589	100.0

Note:

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

For the three years ended 31 December 2008, 2009 and 2010, our revenue generated from the sales of 086 series scroll compressors accounted for 35.4%, 33.4% and 35.5% of our total revenue respectively. Our revenue from the sales of 066 series scroll compressors showed a decreasing trend for the three years ended 31 December 2008, 2009 and 2010, representing 30.9%, 30.3% and 25.8% of our total revenue respectively. Our revenue generated from the sales of 106 series scroll compressors was 19.6%, 21.6% and 20.8% of our total revenue, respectively, for the three years ended 31 December 2008, 2009 and 2010. The fluctuations of our revenue by product mix during the Track Record Period were relatively moderate and were attributable to the changes in demand of our customers. During the Track Record Period, the average selling prices of our air-conditioning compressors were RMB415.1, RMB389.3 and RMB380.5 per set respectively.

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

	Our Group					
	Year ended 31 December					
	2008		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)
Compressors	820,110	415.1	1,796,268	389.3	2,760,570	380.5

The sales volume increased by 119.0% between the years ended 31 December 2008 and 2009 and by 53.7% between the years ended 31 December 2009 and 2010. The increase was attributable to:

- increased demand from a number of our key customers (for details, please refer to "Business – Sales and marketing – Customers" in this prospectus) for our major products during the Track Record Period;
- the increase in our production capacity during the Track Record Period following the commencement of production in our New Production Base in 2009 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 of the PRC automobile air-conditioning compressors during the Track Record Period.

The average selling price of our products decreased by 6.2% and 2.3% respectively for each of the two years ended 31 December 2009 and 2010. 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 March 2011, 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 25.2%, 26.6% and 26.6% 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	Our Group Year ended 31 December					
	2008		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Automobile manufacturers	254,109	67.2	468,860	58.8	700,695	56.3
Air-conditioning system suppliers	67,584	17.9	212,245	26.6	307,286	24.7
Automobile part distributors	40,238	10.6	82,369	10.4	160,221	12.9
Others	16,456	4.3	33,552	4.2	76,387	6.1
Total	378,387	100.0	797,026	100.0	1,244,589	100.0

For the year ended 31 December 2010, most of our revenues were generated from 49 automobile manufacturers, 40 air-conditioning system suppliers and 117 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 91.0%, 92.5% and 91.2% of the total revenue generated by automobile manufacturers during the Track Record Period, respectively; and

(b) foreign-invested enterprises accounted for 9.0%, 7.5% and 8.8% 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 73.8%, 72.6% and 81.6% of the total revenue generated by air-conditioning system suppliers during the Track Record Period, respectively; and

(b) foreign-invested enterprises accounted for: 26.2%, 27.4% and 18.4% 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 46.8%, 48.0% and 51.8% of the total revenue generated by automobile part distributors during the Track Record Period, respectively;

(b) Northern China[(2)] accounted for 14.3%, 7.9% and 7.2% of the total revenue generated by automobile part distributors during the Track Record Period, respectively;

(c) Southwest China[(3)] accounted for 7.7%, 9.7% and 8.0% of the total revenue generated by automobile part distributors during the Track Record Period respectively;

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

(d) Central and Southern China[4] accounted for 19.3%, 20.7% and 15.1% of the total revenue generated by automobile part distributors during the Track Record Period, respectively; and

(e) Overseas accounted for 11.9%, 13.6% and 17.9% 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.

	Our Group					
	Year ended 31 December					
	2008		**2009**		**2010**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic sales	373,592	98.7	785,822	98.6	1,215,767	97.7
Overseas sales	4,795	1.3	11,204	1.4	28,822	2.3
Total	378,387	100.0	797,026	100.0	1,244,589	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 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.

As at the Latest Practicable Date, we had 39 sales and marketing personnel in different teams for external liaison and internal coordination.

According to the information published by CAAM, the PRC automobile production for the year ended 31 December 2010 amounted to 18.3 million units, representing an increase of 32.4% over the year ended 31 December 2009. For the year ended 31 December 2010, the sales volume of our Group amounted to 2.8 million units, representing an increase of 53.7% over the year ended 31 December 2009. 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

Note:

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

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 60 members, of whom over 80% have received tertiary education. We developed our own proprietary technologies and have 46 registered patents, seven of which are invention patents as at the Latest Practicable Date. 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 mid 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 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 annual production capacity of 2.9 million sets of compressors as at 31 December 2010 and we expect that our annual production capacity will reach 4.0 million sets by July 2011 following completion of the expansion of the New Production Base. We pursue "lean production" and target "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 2008	984	—	984	869	—	869	88.3	—
31 December 2009	1,256	620	1,876	1,294	576	1,870	103.0	92.9
31 December 2010	1,269	1,618	2,887	1,275	1,617	2,892	100.5	99.9

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 central management, supervision and overall coordination of standardisation works in China.*

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 2.9 million sets in 2010 from 0.9 million sets in 2008, representing a CAGR of 82.4%, 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 39.0% over the same period). Our total revenue increased from RMB378.4 million in 2008 to RMB1,244.6 million in 2010 with a CAGR of 81.4%, and our profit increased from RMB31.0 million in 2008 to RMB148.7 million in 2010 with a CAGR of 119.1%. 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' Report in Appendix I to this prospectus respectively.

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

Summary Income Statement Data

	Our Group		
	Year ended 31 December		
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	378,387	797,026	1,244,589
Cost of sales	(282,849)	(585,137)	(913,862)
Gross profit	95,538	211,889	330,727
Other revenue and net income	4,008	1,973	4,135
Distribution expenses	(25,179)	(42,227)	(64,819)
Administrative expenses	(25,848)	(33,639)	(63,197)
Other operating expenses	(5,749)	(5,593)	(5,863)
Profit from operations	42,770	132,403	200,983
Finance costs	(5,078)	(6,600)	(13,223)
Profit before taxation	37,692	125,803	187,760
Income tax	(6,723)	(23,350)	(39,089)
Profit for the year	30,969	102,453	148,671
Attributable to:			
Equity shareholders of the Company	30,969	101,699	148,272
Non-controlling interests	—	754	399
Profit for the year	30,969	102,453	148,671
Basic earnings per share[1] (*RMB*)	0.044	0.145	0.212

Note:

(1) *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 700,000,000 Shares being in issue or issuable, comprising 14,737 Shares in issue as at the date of this prospectus, 699,985,263 Shares to be issued pursuant to the Capitalisation Issue, as detailed in "Further information about the Company – Written resolutions of the Shareholders passed on 11 April 2011" 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

	Our Group		
	As at 31 December		
	2008 *RMB'000*	**2009** *RMB'000*	**2010** *RMB'000*
Non-current assets	264,139	376,472	471,694
Current assets	323,591	604,616	773,486
Current liabilities	425,952	712,142	816,738
Net current liabilities	(102,361)	(107,526)	(43,252)
Total assets less current liabilities	161,778	268,946	428,442
Non-current liabilities	(18,770)	(21,755)	(22,518)
Net assets	143,008	247,191	405,924

Summary Statement of Cash Flows Data

	Our Group		
	Year ended 31 December		
	2008 *RMB'000*	**2009** *RMB'000*	**2010** *RMB'000*
Net cash generated from operating activities	24,486	80,834	75,896
Net cash used in investing activities	(39,277)	(121,018)	(128,068)
Net cash generated from financing activities	42,400	22,279	61,323
Cash at the beginning of the year	7,116	34,726	16,560
Effect of foreign exchange rate changes	1	(261)	590
Cash at end of the year	34,726	16,560	26,301

DISCLOSURE REQUIRED UNDER THE LISTING RULES

In relation to a general banking facility of up to RMB90.0 million granted by Hang Seng Bank (China) Limited on 17 March 2011, the life of which is not specified, CITIC Capital China is required to maintain a shareholding of not less than 45% in the Company prior to Listing. For details, please refer to the "Relationship with Controlling Shareholders – Financial Independence" in this prospectus.

Save as disclosed above, 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 SIX MONTHS ENDING 30 JUNE 2011

Forecast consolidated profit after taxation attributable to equity shareholders of the Company for the six months ending 30 June 2011(1)	Not less than RMB99.2 million (equivalent to HK$117.0 million)
Unaudited pro forma forecast basic earnings per Share for the six months ending 30 June 2011(2)	Not less than RMB0.099 (equivalent to HK$0.117)

Notes:

(1) The bases and assumptions on which the above profit forecast for the six months ending 30 June 2011 has been prepared are summarised in "Profit Forecast" in Appendix III to this prospectus. Our forecast consolidated profit after taxation attributable to equity shareholders of the Company for the six months ending 30 June 2011 prepared by our Directors is based on the audited combined financial statements of our Group for the year ended 31 December 2010,

the unaudited consolidated management accounts of our Group for the two months ended 28 February 2011 and a forecast of the consolidated results of our Group for the remaining four months ending 30 June 2011. 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" as set out in Appendix I to this prospectus.

(2) *The calculation of the unaudited pro forma forecast basic earnings per Share for the six months ending 30 June 2011 is based on the forecast consolidated results of our Group for the six months ending 30 June 2011, assuming the Global Offering had been completed on 1 January 2011 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.*

The Company has undertaken to the Stock Exchange that our interim report for the six months ending 30 June 2011 will be audited pursuant to Rule 11.18 of the Listing Rules.

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$555.2 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$2.09 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$183.2 million or 33.0% of the net proceeds will be used for our capacity expansion plans which include the expansion project of our New Production Base and the establishment of a new production base:

- We plan to use HK$137.6 million or 24.8% of the net proceeds for the 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 2.9 million sets of compressors to 4.0 million sets of compressors by July 2011. The expected capital expenditure required for the expansion plan of the New Production Base is HK$420.8 million. As at 28 February 2011, our Group has contributed HK$184.3 million in relation to the expansion plan of the New Production Base. As the expected capital expenditure is larger than the fund already contributed by our Group and the net proceeds to be allocated for the expansion plan of the New Production Base, our Group will fund the difference by internal resources; and

- We plan to use HK$45.6 million or 8.2% 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;

(ii) HK$324.5 million or 58.4% 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 43.4% 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 30 June 2011, 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$83.3 million or 15.0% 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$27.8 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$19.7 million or 3.6% 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$1.80 per Offer Share, the net proceeds from the Global Offering will be decreased by HK$83.3 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 51.1% and HK$70.8 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 9.7% 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$2.38 per Offer Share, the net proceeds of the Global Offering will be increased by HK$83.3 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 37.8% and HK$93.0 million or 14.6% 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 7.1% 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 Over-allotment Option is exercised in full, we estimate we would receive additional net proceeds of HK$90.1 million, assuming an Offer Price of HK$2.09 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), (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

As at 31 December 2008, 2009 and 2010, the Group recorded net current liabilities of RMB102.4 million, RMB107.5 million and RMB43.3 million, respectively. The net current liabilities of the Group were mainly due to short term bank loans borrowed for general working capital purposes 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 RMB209.4 million, RMB217.3 million and nil, 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 31 December 2010, all the amounts due to related parties had been repaid.

The Group generated net cash inflow from operating activities amounted to RMB24.5 million, RMB80.8 million and RMB75.9 million during the Track Record Period. The net current liabilities position decreased from RMB102.4 million as at 31 December 2008 to RMB43.3 million as at 31 December 2010. The Group also achieved solid sales growth with gross profit margin at 25.2%, 26.6% and 26.6% respectively for the years ended 2008, 2009 and 2010. Net profit also grew by RMB117.7 million or 380.1% from 2008 to 2010.

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, Mr. Qian and BNP Paribas Hong Kong Branch were excluded from the current liabilities for the three years ended 31 December 2010, the Group would record net current assets of RMB107.1 million and RMB109.8 million and RMB162.1 million respectively as at 31 December 2008, 2009 and 2010. 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, given the confirmation from Qinhuai Government above, the risk of any future fine/penalty being imposed on Aotecar Nanjing 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 it may be required to rectify the non-compliance and may be subject to a fine not more than RMB30,000. 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) for its buildings with a gross floor area of 24,931.2 sq. m. 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. However, Aotecar Xiangyun obtained the relevant construction project planning permits (建設工程規劃許可證) for the buildings with a gross floor area of 24,931.2 sq. m. 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 those buildings on 28 October 2010 and 18 November 2010 and obtained the building ownership certificate for its workshops with a gross floor area of 13,795.9 sq. m. on 26 January 2011. Aotecar Xiangyun is yet to obtain the building ownership certificate(s) for the remaining portion with a gross floor area of 11,135.2 sq. m. and such building ownership certificate(s) is expected to be obtained around June 2011. 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) for the remaining portion with a gross floor area of 11,135.2 sq. m. and as it has been able to successfully obtain the building ownership certificate in respect of the workshops with a gross floor area of 13,795.9 sq. m. described above, there should not be any legal impediment for Aotecar Xiangyun to obtain the building ownership certificate(s) for that remaining portion 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

Hengxi Lands

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 the 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 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.

Hengxi Chongwen Land

Aotecar Casting has leased the Hengxi Chongwen Premises located on the Hengxi Chongwen Land pursuant to the Hengxi Chongwen Lease.

The Hengxi Chongwen Land is a piece of collective construction land. Like the Hengxi Lease described above, before the lessor leased the Hengxi Chongwen Land to Aotecar Casting, the consent of the collective construction land owner(s) should have been obtained and the relevant certification procedures of collective construction lands should have been completed. Since those legal requirements have not been fulfilled, the Hengxi Chongwen Lease may become void and the rights of Aotecar Casting in the Hengxi Chongwen Land and the Hengxi Chongwen Premises may not be protected by law.

As to the steel structures on the Hengxi Chongwen Land, since the relevant construction permits and certificates were not obtained before the construction of such steel structures commenced, there is a risk that the relevant governmental authorities may order demolition of such steel structures within a prescribed time and confiscate any realty or unlawful gain from parts which cannot be demolished, and may impose a fine equivalent to not more than 10% of the construction costs, which is approximately RMB61,416.6.

Aotecar Casting produces brake discs, static plates, front end covers and cases in the properties situated on the Hengxi Lands and the Hengxi Chongwen Land. 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 and the Hengxi Chongwen Land 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 Lands and the Hengxi Chongwen Land to the Group at prevailing market prices at the relevant times. Given that the products produced at properties on the Hengxi Lands and the Hengxi Chongwen 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 RMB1,000 to RMB10,000 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 2008, 2009 and 2010 were RMB922,000, RMB1,682,000 and RMB2,199,000 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 2008, 2009 and 2010 were RMB424,000, RMB754,000 and RMB1,090,000 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 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 16 February 2011, 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 16 February 2011, 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 27 January 2011, 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 27 January 2011, 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 Appendix I 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 the 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 contact 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 16 February 2011, 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 27 January 2011 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 Appendix I 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 all of our Directors had attended the training provided by them 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 system and the Group's management has shown a positive attitude of improving the corporate governance of the Group, the Sponsor concurs 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 rely on a stable supply of labour at reasonable cost.
- 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 2008, 2009 and 2010.
- We are subject to risks associated with our trade and other receivables.
- We rely on certain major suppliers.
- 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 business, 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, economic and social conditions and policies of the PRC may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

- 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 the PRC may materially and adversely affect our business, financial condition and results of operations.

- 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 additional capital contributions or loans 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 our Shares may fail to develop or be sustained, which could have a material adverse effect on the market and liquidity of our Shares.

- The trading prices of our 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 our 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$1.80 and HK$2.38 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$1.80 per Offer Share	Based on indicative Offer Price of HK$2.38 per Offer Share
Our market capitalisation upon completion of the Global Offering(1)	HK$1,800.0 million	HK$2,380.0 million
Unaudited pro forma adjusted net tangible assets per Share as at 31 December 2010(2)	HK$0.83	HK$1.00

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).