Certain information set out in this section and elsewhere in this prospectus has been extracted from the Ourview Report purchased by us from Ourview Consultancy, an independent third party.

In addition, certain information in this section has been extracted from various official government publications and websites. We have taken reasonable care in the extraction and reproduction of such information presented in this section and elsewhere in this prospectus. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Neither the Company, Sole Global Coordinator, the Sponsor nor the Underwriters or any of their respective affiliates or advisers or other parties involved in the Global Offering has independently verified the information directly or indirectly derived from these sources, and no representation is given as to its accuracy. Prospective investors should not place undue reliance on any of such information contained in this prospectus.

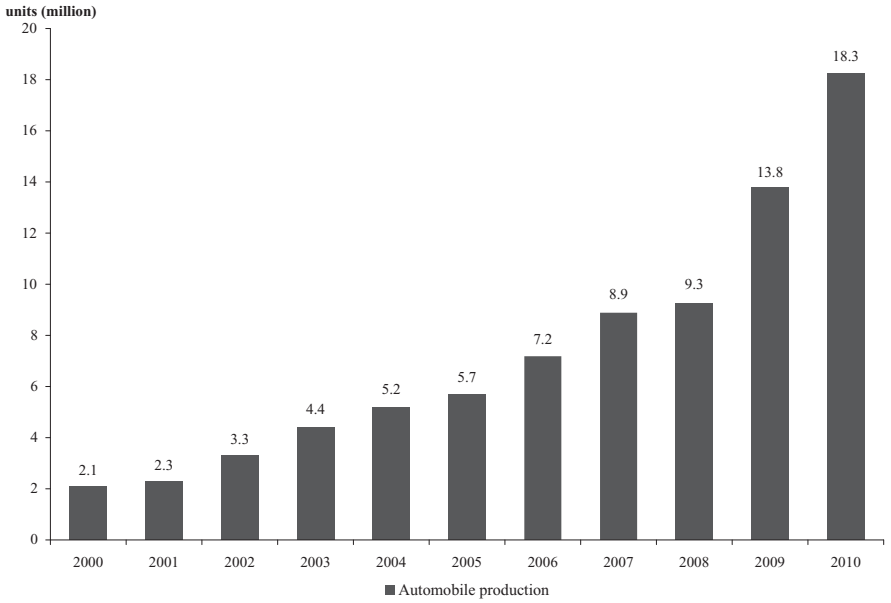
The Ourview Report was issued by Ourview Consultancy. Ourview Consultancy, an independent third party, was set up in 2004 and is headquartered in Beijing. It is one of the PRC consultancy firms specialising in market research relating to automobile parts and automobile electronics products in the PRC. 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 compressors manufacturers.

OVERVIEW OF THE PRC AUTOMOBILE INDUSTRY

Market size of the PRC automobile industry

The PRC automobile industry has grown rapidly in the past few years. The PRC automobile production increased from 2.1 million units in 2000 to 18.3 million units in 2010, representing a CAGR of 24.3% from 2000 to 2010, which made China the largest automobile market in the world. This significant development was primarily driven by rapid economic growth in the PRC, continued increase of annual disposable income per capita, rapid urbanisation and improved road infrastructure.

PRC Automobile Production from 2000 to 2010



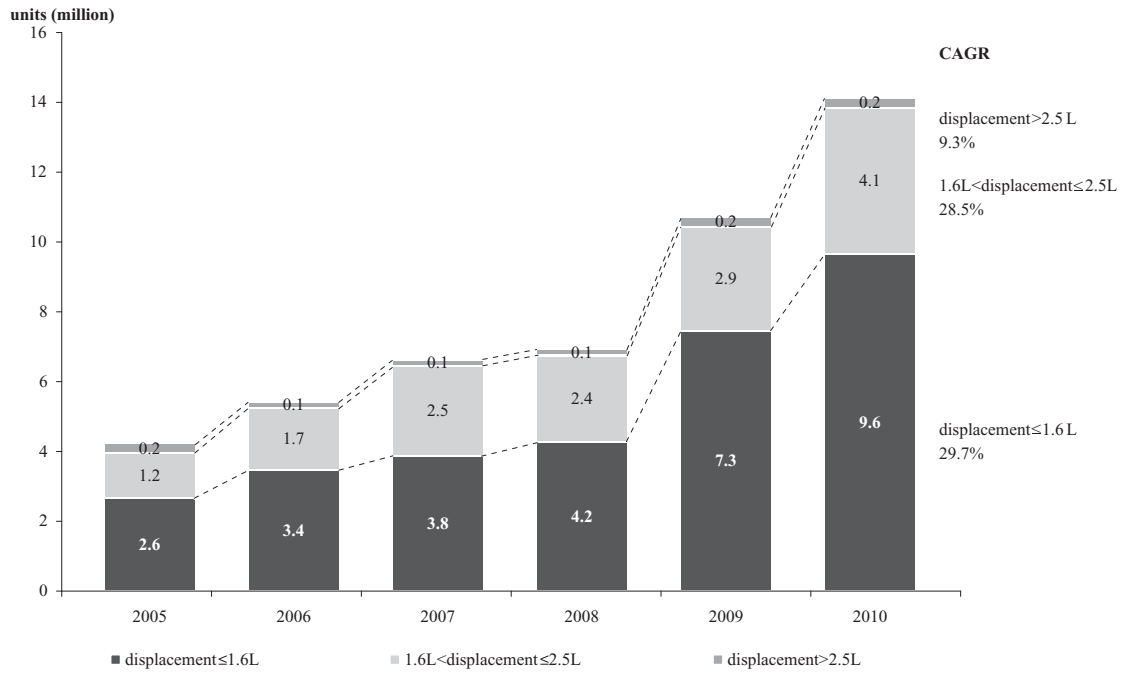
Source: Ourview Report

According to the Ourview Report, benefiting from the continued growth of China's economy, ongoing government incentive policies and the relatively low rate of automobile ownership (the rate of automobile ownership in the PRC in 2010 was 58 units per thousand people compared to 850 units, 620 units and 360 units per thousand people in the US, Japan and Korea, respectively), the PRC automobile market growth is forecasted to remain at 14.0% annually in the coming years.

Passenger vehicles market by displacements

The small-displacement vehicles sector recorded the highest growth in the past five years in the PRC passenger vehicles market, representing a CAGR of 29.7%. In 2010, small-displacement vehicles were the largest sector in the PRC passenger vehicles market, accounting for 68.8% of all passenger vehicles. The sector's strong growth was mainly due to strong demand in PRC cities (excluding Beijing, Shanghai, Guangzhou, Shenzhen and Tianjin), high oil prices, increasing demand for environmental protection and government incentive policies. The Group believes that this sector will continue to lead the growth of the passenger vehicles market in China.

PRC Passenger Vehicles Production by Displacements from 2005 to 2010

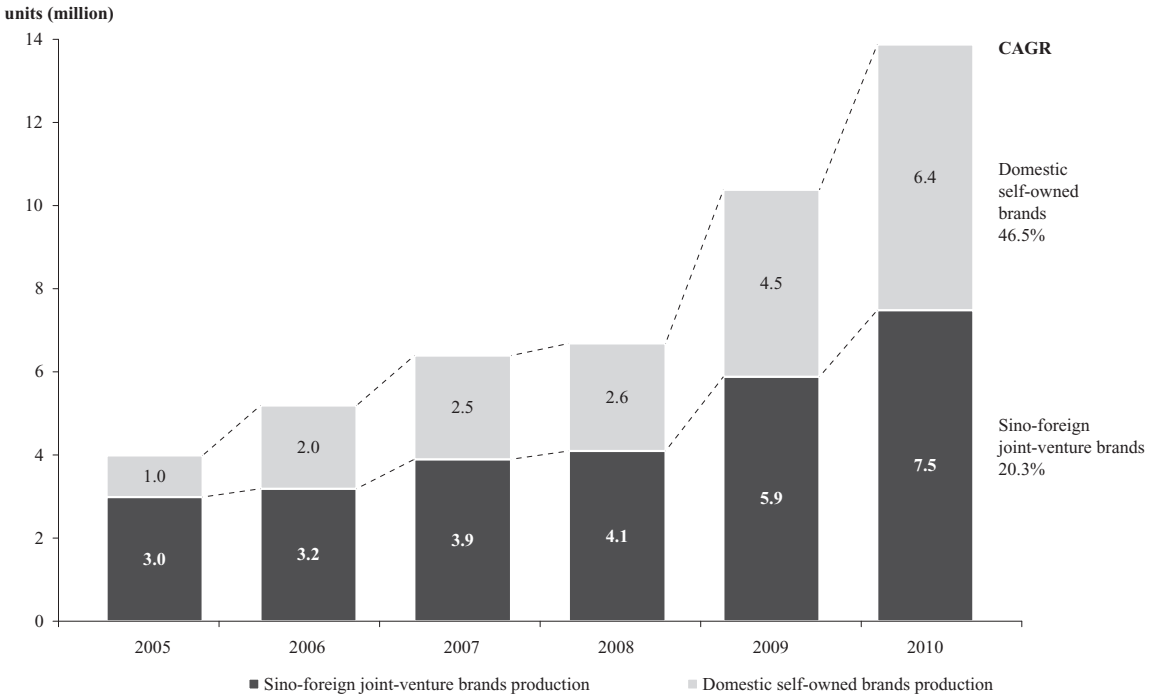


Source: Ourview Report

Passenger vehicles market by brands

The production of the self-owned brands has grown rapidly in the PRC passenger vehicles market in the past five years, representing a CAGR of 46.5%, which was higher than the overall growth of the passenger vehicles market. The market share of the domestic self-owned brands increased from 24.1% in 2005 to 46.1% in 2010. We believe that the good performance of the domestic self-owned brands was driven by the following factors: focus on small-displacement vehicles, ongoing improvement in product quality and R&D capabilities and competitive pricing. Representative domestic self-owned brands include BYD, Chery and Geely. In recent years, domestic enterprises with their self-owned brands have been enhancing their brand images and R&D capabilities through overseas acquisitions which have helped to further strengthen their competitive advantages in the domestic passenger vehicles market.

PRC Passenger Vehicles Production by Brands from 2005 to 2010



Source: Ourview Report

New energy automobile

In the past few years, due to the increasing demand for energy-saving, environmental protection and surging oil prices, new energy automobile development has been promoted worldwide. New energy automobile technologies had also leapt forward in the past few years, laying the preliminary foundation for industrialisation. The PRC government promulgated "Automobile Industry Adjustment and Revival Plan" (汽車產業調整和振興規劃) on 20 March 2009, which expressly aims to increase the number of new energy automobiles to 500,000 units between 2009 and 2011 and to increase the share of new energy automobiles in the passenger vehicles market to around 5%. Meanwhile, the PRC government issued a series of supplemental policies to drive the development of the new energy automobile industry, which includes tax incentive policies, subsidies, and building electric vehicle charging stations. In the electric vehicle sector, a few enterprises with self-owned brands, including BYD, have been increasing their R&D investment. In December 2008, BYD's F3DM dual-mode electric vehicle, a plug-in hybrid electric vehicle requiring no commercial charging station and the first of its kind in the world, was released to the market.

OVERVIEW OF THE PRC AUTOMOBILE AIR-CONDITIONING COMPRESSORS INDUSTRY

Automobile air-conditioning compressor technologies

The automobile air-conditioning compressor is the integral component of an automobile air-conditioning system, which together with the condenser, evaporator and other parts making up the overall air-conditioning system.

After years of technological development, there are four generations of compressors in the global automobile air-conditioning compressor industry, each generation has its own characteristics

and target markets. Among these generations, scroll compressors are recognised as the latest generation. Scroll compressors are also most suitable for electric vehicles due to its unique structure and characteristics (such as high energy efficiency and low starting torque).

Comparison of the Four Generations of Automobile Air-conditioning Compressors

Type of Compressor	Machining Precision	Major Scope of Application	Volumetric Efficiency	Weight	Volume	Energy Saving	Advantages	Disadvantages
1st generation-piston compressor	low	buses and trucks	below 60%	heavy	large	poor	• mature technology • low processing precision and costs • relatively easy to repair	• low cooling efficiency • bulky • relatively high degree of vibration during operation and not suitable to be installed in small vehicles
2nd generation-swash plate compressor	relatively low	various displacements vehicles	65%	relatively heavy	relatively large	relatively poor	• balanced structure with good stability • advanced processing technology and low processing cost • higher cooling capacity, suitable for use in large-displacement vehicles	• low cooling efficiency with volume ratio of about 65%-70% • relatively bulky
3rd generation-rotary vane compressor	high	small-displacement vehicles	85%	light	small	relatively good	• compact structure with good stability • higher cooling efficiency with volume ratio of about 85% • small size and light weight, suitable for use in small-displacement vehicles • low noise and less vibration	• require higher level of precision • difficult to be installed in large-displacement vehicles • rotation at high speed can easily cause abrasions on the vane
4th generation-scroll compressor	high	various displacements vehicles	above 95%	light	small	good	• simple structure with good stability • small size and light weight with few components and vulnerable parts • good balance, less vibration, low noise and steady operation • highest cooling efficiency with volume ratio of about 95%-96% • low starting torque, and best energy-saving among vehicles of the same displacement level • most suitable for use in electric vehicles	• require higher rotation speed and need an accelerator to restart from idle speed • higher requirements on production facilities and processing precision • difficult for traditional scroll compressors to have varied displacements

Source: Ourview Report

Historical price of aluminium

Aluminium is a major raw material for producing automobile air-conditioning compressors. In between June 2003 and December 2010, the price of aluminium ranged from RMB10,120 per metric ton to RMB23,790 per metric ton. During the Track Record Period, the price of aluminium ranged from RMB10,120 per metric ton to RMB20,460 per metric ton.

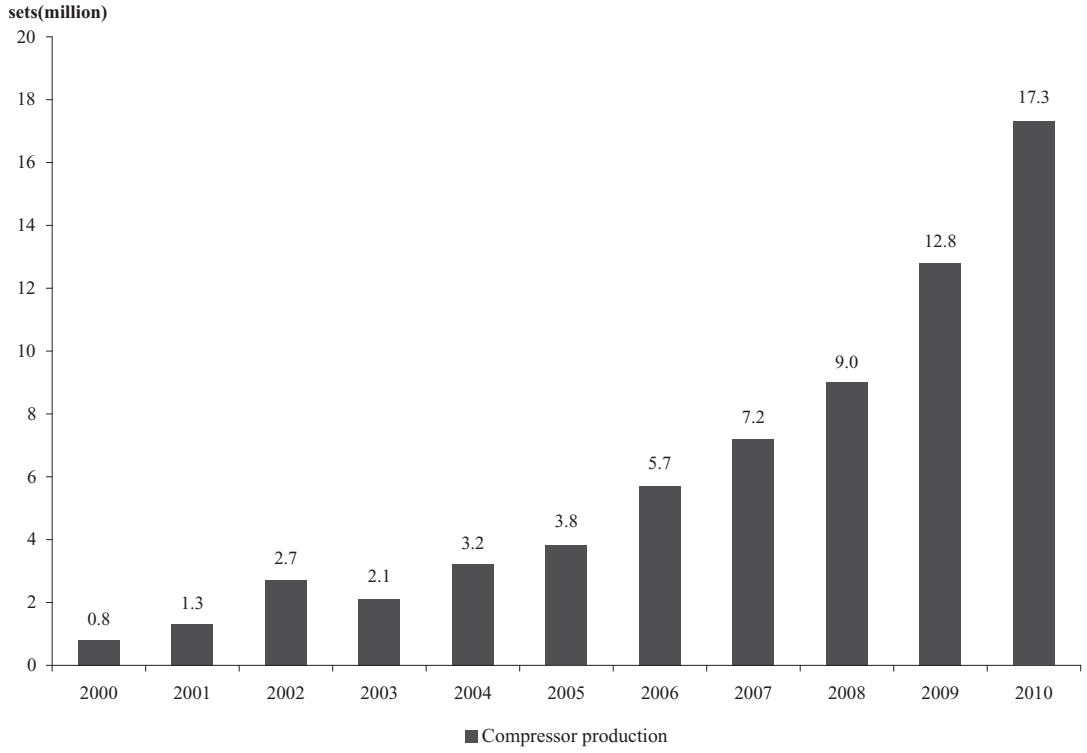
China Shanghai Changjiang Aluminium Spot Price from June 2003 to December 2010

Source: Bloomberg

Market size of the PRC automobile air-conditioning compressor industry

As a result of the rapid growth of the PRC automobile industry, the increased popularity of automobile air-conditioning and the growing after-sales market, automobile air-conditioning compressor production in the PRC had reached a CAGR of 36.3% in the past ten years, which was much higher than the growth rate of 24.3% of the PRC automobile industry for the same period. Following the development of the PRC automobile industry and the growth of the export market, we believe the PRC automobile air-conditioning compressors industry will be able to maintain double-digit growth in the next few years.

The Production of the PRC Automobile Air-conditioning Compressors from 2000 to 2010

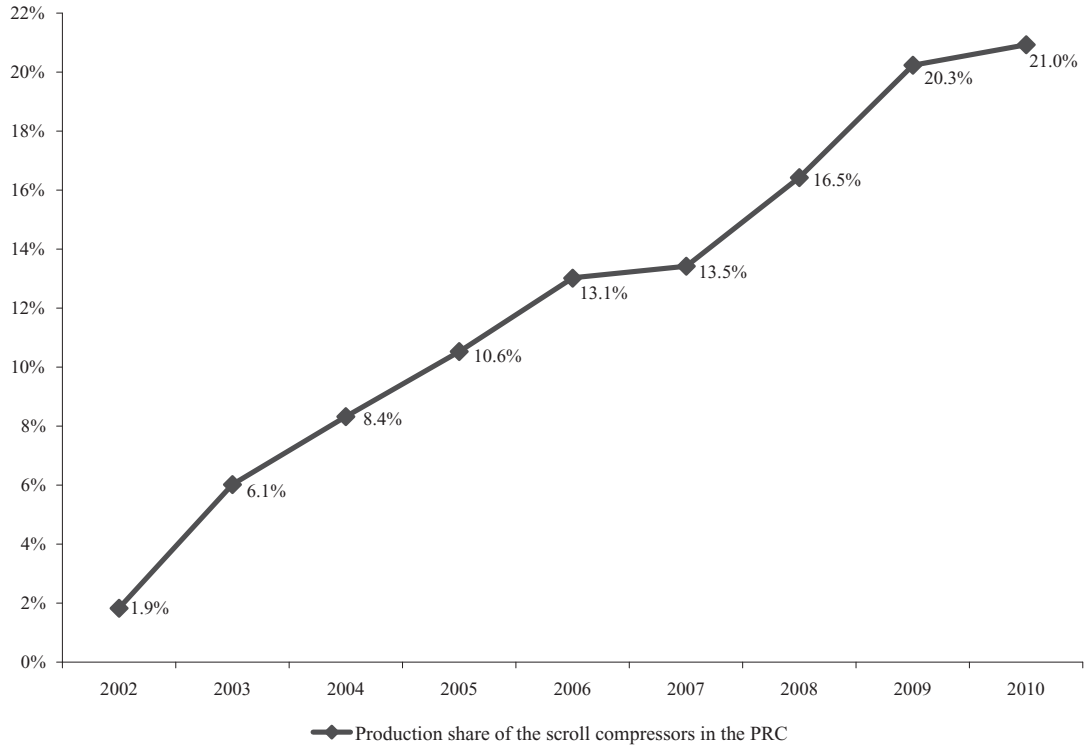


Source: Ourview Report

Market structure of the PRC automobile air-conditioning compressors

The PRC automobile air-conditioning compressor industry started to develop in the 1980s together with the PRC automobile industry at a time when it mainly applied foreign technologies and imported production equipments. Currently, there are four generations of compressor technologies in the PRC automobile air-conditioning compressor industry, of which the use of the first generation, piston compressor, is generally fading out from the PRC market. In 2010, the swash plate compressors represented 68.4% of the total production, while scroll compressors and rotary vane compressors represented 21.0% and 10.6% respectively. Due to its unique technological advantages, the growth of scroll compressors has out-performed the PRC automobile air-conditioning compressor market and its market share has increased from 50,000 sets, representing 1.9% in 2002 to 3.6 million sets, representing 21.0% in 2010. According to the analysis by Ourview Consultancy, scroll compressors are particularly suitable for electric vehicles and therefore its market share will further increase in the future.

Scroll Compressor Production Share in the PRC Automobile Market from 2002 to 2010



Source: Ourview Report

Major automobile air-conditioning compressor enterprises in the PRC

Currently, there are more than 100 automobile air-conditioning compressor manufacturers in the PRC, of which more than 10 of them are scroll compressor manufacturers, and the production by the top ten automobile air-conditioning compressor enterprises in 2010 accounted for 77.9% of the total production in 2010. The automobile air-conditioning compressors can be sold to automobile manufacturers either directly or through air-conditioning system suppliers which, after integrating the compressor into their air-conditioning system, sell the whole system to the automobile manufacturers. Irrespective of either mode of sales, the automobile manufacturers have the absolute discretion to choose their air-conditioning compressor suppliers. At present, most of the major automobile air-conditioning compressor enterprises in the PRC are foreign brands or domestic brands with imported technology and our Group is one of the few automobile air-conditioning compressor enterprises in the PRC with its own intellectual property rights.

The following table sets out the top ten automobile air-conditioning compressor manufacturers (covering all four generations of compressors: piston, swash plate, rotary vane and scroll) in the PRC in 2010 and our Group ranked the second amongst them in terms of production volume. Our Group was the largest scroll compressor manufacturer in the PRC in 2010 and the largest self-owned brand in 2010.

Rank	Company Name	Production Volume ('000 sets)	Types of Compressor Technology
1	Shanghai Sanden Behr[1]	3,600	Swash plate
2	**Our Group**	**2,860**	**Scroll**
3	Chongqing Jianshe	1,500	Rotary vane, Swash plate
4	Dalian Halla	1,190	Swash plate
5	Denso China		
	Yantai Denso	826	Swash plate
	Kunshan Denso	288	Swash plate
6	Valeo China		
	Changchun Valeo	601	Swash plate
	Hunan Huada	260	Swash plate
7	Mudanjiang Foton	854	Swash plate
8	Panasonic Wanbao (Guangzhou)	560	Rotary vane
9	Suzhou Zhongcheng	514	Swash plate
10	Dong Guan Keihin	420	Scroll

Source: Ourview Report

Note:

(1) Figures of Shanghai Sanden Behr Company includes the production and sales data of its subsidiary, Shanghai Sanden Automotive Air-conditioning Co., Ltd. The production of Shanghai Sanden Automotive Air-conditioning Co., Ltd. was 1,170,000 sets in 2010.

Opportunities for the scroll air-conditioning compressor industry in the electric vehicles market

As mentioned above, there are broad market prospects for electric vehicles in the PRC. Due to its low starting torque and high energy efficiency, the scroll compressor is considered to be the best technology for electric vehicles and has been designated as the standard component for the electric compressor according to the national standard of the PRC for "Automobile Air Conditioning Electrically Driven Compressor Assembly" (汽車空調用電動壓縮機總成). Due to our leading position and the advantage of having advanced scroll compressor technology, we believe our Group will benefit from the development of the PRC's electric vehicle industry.

Challenges and threats

The automobile air-conditioning compressors industry is fragmented and highly competitive. Although the manufacturing of automobile air-conditioning compressors has high entry barriers such as capital requirement, self-owned production technology protected by patent and market recognition, the competition among existing market players is still keen. Currently, there are more than 100 air-conditioning compressor manufacturers in the PRC and the production of scroll air-conditioning compressors only accounted for 21.0% of the market share 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 will take time for the automobile manufacturers to switch to the use of the scroll air-conditioning compressors in the manufacturing of the automobiles.