

## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read the whole document before you decide to invest in the Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Shares.*

### OVERVIEW

According to the Timer Auto Report, we are the ninth largest automotive HVAC<sup>(1)</sup> systems supplier in terms of sales volume in the overall automotive HVAC system market in China with a market share of 2.8% in 2011. We are one of the leading suppliers of HVAC systems for SUVs<sup>(2)</sup>, pickup trucks and heavy trucks in terms of sales volume in 2011 in China. We principally engage in the development, production and sales of automotive HVAC systems and a range of automotive HVAC components. Our automotive HVAC systems and HVAC components are mainly used in SUVs, pickup trucks and heavy trucks. We also supply HVAC systems and HVAC components for construction machineries and other types of vehicles such as light trucks, MPVs, sedans and buses. According to the Timer Auto Report, China’s automotive sales volume reached approximately 18.5 million units in 2011 amongst which, approximately 8.9%, 2.1% and 4.8% were attributable to sales of SUVs, pickup trucks and heavy trucks, respectively.

The table below sets forth the breakdown of our turnover by products and other key financial information during the Track Record Period.

Products	Breakdown of turnover by types of products											
	2009		Year ended 31 December 2010						2011			
	RMB'000	% of total turnover	Gross profit RMB'000	Gross profit margin %	RMB'000	% of total turnover	Gross profit RMB'000	Gross profit margin %	RMB'000	% of total turnover	Gross profit RMB'000	Gross profit margin %
HVAC systems	327,513	94.5	92,117	28.1	521,869	95.7	146,290	28.0	560,576	90.4	155,606	27.8
HVAC components <sup>(a)</sup>	19,026	5.5	4,808	25.3	23,633	4.3	4,696	19.9	59,328	9.6	16,571	27.9
<b>Total</b>	<b>346,539</b>	<b>100.0</b>	<b>96,925</b>	<b>28.0</b>	<b>545,502</b>	<b>100.0</b>	<b>150,986</b>	<b>27.7</b>	<b>619,904</b>	<b>100.0</b>	<b>172,177</b>	<b>27.8</b>

(1) HVAC stands for heating, ventilation and air-conditioning, which is a technology to maintain the comfort of the interior environment of an automotive.

(2) SUV stands for sport utility vehicle, which is a generic marketing term of a vehicle similar to a station wagon, but built on a light-track chassis.

---

## SUMMARY

---

The table below sets forth the breakdown of our turnover by types of vehicles during the Track Record Period.

<b>Breakdown of turnover by types of vehicles</b>						
<b>Year ended 31 December</b>						
	<b>2009</b>		<b>2010</b>		<b>2011</b>	
	<i>RMB'000</i>	<i>% of total turnover</i>	<i>RMB'000</i>	<i>% of total turnover</i>	<i>RMB'000</i>	<i>% of total turnover</i>
HVAC systems						
SUVs and pickup trucks	181,082	52.2	254,570	46.7	286,572	46.2
Heavy trucks	120,285	34.7	150,222	27.6	126,946	20.5
Construction machineries	10,271	3.0	32,841	6.0	57,959	9.3
Other vehicles <sup>(b)</sup>	15,875	4.6	84,236	15.4	89,099	14.4
HVAC components <sup>(a)</sup>	<u>19,026</u>	<u>5.5</u>	<u>23,633</u>	<u>4.3</u>	<u>59,328</u>	<u>9.6</u>
<b>Total</b>	<u><u>346,539</u></u>	<u><u>100.0</u></u>	<u><u>545,502</u></u>	<u><u>100.0</u></u>	<u><u>619,904</u></u>	<u><u>100.0</u></u>

The following table sets out the number of units and average selling price of our products sold for the Track Record Period:

<b>Year ended 31 December</b>						
	<b>2009</b>		<b>2010</b>		<b>2011</b>	
	<b>Number of units</b>	<b>Average selling price</b> <i>(RMB/Unit)</i>	<b>Number of units</b>	<b>Average selling price</b> <i>(RMB/Unit)</i>	<b>Number of units</b>	<b>Average selling price</b> <i>(RMB/Unit)</i>
HVAC systems						
SUVs and pickup trucks	126,762	1,429	180,839	1,408	201,042	1,425
Heavy trucks	110,806	1,086	140,785	1,067	120,903	1,050
Construction machineries	3,945	2,604	12,850	2,556	22,959	2,524
Other vehicles <sup>(b)</sup>	<u>29,001</u>	<u>547</u>	<u>93,223</u>	<u>904</u>	<u>106,521</u>	<u>836</u>
Total	<u><u>270,514</u></u>		<u><u>427,697</u></u>		<u><u>451,425</u></u>	
HVAC components <sup>(a)</sup>	<u><u>84,773</u></u>	224	<u><u>107,317</u></u>	220	<u><u>258,783</u></u>	229

*Notes:*

- (a) HVAC component mainly comprises of evaporator, condensers and other HVAC components (such as heater core, radiator, intercooler, oil cooler, HVAC hoses and HVAC housing) for all types of vehicles.
- (b) Other vehicles mainly comprised of light trucks, buses, MPVs and sedans.

We have two production bases. One is located at Jiangning District, Nanjing, Jiangsu while the other is located at Fushun Economic Development Zone, Fushun, Liaoning.

---

## SUMMARY

---

The following table sets forth the aggregated production capacity, actual production volume and utilisation rate of our production bases for the year ended 31 December 2011.

Products	Year ended 31 December 2011 <sup>(2)</sup>		
	Production capacity	Actual production volume	Utilisation rate <sup>(1)</sup>
HVAC system <sup>(1)</sup>	567,984	454,988	80.1%
HVAC components <sup>(1)</sup>	114,972	98,952	86.1%

*Note:*

- (1) You should refer to the notes of the table under the paragraph headed “Production capacity and utilisation rate” in the “Business” section on page 108 of this prospectus for the assumptions and basis of calculation of production capacity and utilisation rate in this table.
- (2) You should refer to the paragraph headed “Production capacity and utilisation rate” in the “Business” section on page 108 of this prospectus for further information on the aggregated production capacity, actual production volume and utilisation rate of our production bases for the Track Record Period.

Our customers are mainly PRC automakers such as, Foton, Hawtai Motor, Shuguang Automotive, Zhongxin Auto and Sinotruk and construction machinery manufacturers such as SANY and other automotive HVAC systems and components suppliers.

Our suppliers are mainly PRC suppliers of aluminium and automotive HVAC components such as compressors, receiver driers, expansion valves and HVAC control units.

Major component in the cost of sales was the cost of raw materials, principally aluminum and other HVAC components such as compressors, receiver driers, expansion valves and HVAC control units which we do not manufacture.

### MAJOR MILESTONES

The following are the major milestones of our history:

- 2002 — Establishment of Xiezhong Nanjing
- 2009 — Establishment of Xiezhong Liaoning
- 2010 — Acquisition of Xiezhong Beijing  
— Establishment of Xiezhong Hubei


---

## SUMMARY

---

### OUR COMPETITIVE STRENGTHS

We believe our success to date and potential for future growth are attributable to our competition strengths which include the following:

- **Leading position in automotive HVAC systems for SUVs, pickup trucks and heavy trucks market in China with strong brand recognition** — We were the fifth largest supplier of automotive HVAC systems for SUVs and pickup trucks and the largest supplier for heavy trucks with a market share of 9.9% and 19.1%, respectively, in terms of sales volume, in China in 2011. We are the ninth largest automotive HVAC systems supplier in terms of sales volume in the overall automotive HVAC system market in China with a market share of 2.8% in 2011. In 2011, our products have been recognised as “Nanjing Famous Brand (南京市名牌產品)”. Our trademark “” have been recognised as “Nanjing Municipal Well-known Trademark (南京市著名商標)” in 2010 and the same trademark have been recognised as “Jiangsu Province Well-known Trademark (江蘇省著名商標)” in 2011.
- **Long established and stable business relationship with our key customers in China** — We have 9 years, 9 years, 6 years and 9 years of business relationship with our major customers, including Foton, Shuguang Automotive, Hawtai Motor and Sinotruk, respectively (according to the Timer Auto Report, Foton and Sinotruk are two leading heavy trucks manufacturers in China). We have been recognised as an “Excellent Supplier” by certain customers, such as Foton, Hawtai Motor, Zhongxing Auto and SANY.
- **Strong research and development capabilities and ability to offer customised products to customers** — In respect of research and development capabilities, we have the following credentials:
  1. our research and development team consists of approximately 117 staffs and 114 of them have received tertiary education or above;
  2. we have 9 registered patents and have applied for registration of 6 other patents;
  3. we have been accredited the 高新技術企業 (High and New Technology Enterprise\*) title in 2009;
  4. our laboratory has been recognised by Foton that it has met its capability requirement on key laboratory in July 2010; and
  5. our laboratory was accredited ISO/IEC 17025: 2005 in February 2009 and again in March 2012, which specifies the general requirements for the competence of testing and calibration laboratories by 中國合格評定國家認可委員會 (China National Accreditation Service for Conforming Assessment\*) in February 2009 and again in March 2012.

---

## SUMMARY

---

- **Stringent quality control** — We have received the ISO/TS16949 certification. We have also earned numerous recognitions and honourable titles such as “Excellent Supplier” (優秀供應商), “Top Ten Suppliers” (十佳供應商) or “Top Ten Excellent Supplier” (十佳優秀供應商) from ten different automakers or construction machinery manufacturers between 2005 and 2011.
- **Experienced, stable and dedicated key management personnel with significant industry expertise** — Our key senior executives, including Mr. Chen Cunyou, Mr. Ge Hongbing and Mr. Huang Yugang, have approximately ten years’ experience working in our Group and have joined us since the establishment of our first operating subsidiary, Xiezhong Nanjing, in 2002.

### OUR STRATEGIES

Our goal is to become a leader in the automotive HVAC systems market in China. We aim to achieve this objective by implementing the following strategies:

- **Reinforcing our leading market position in the automotive HVAC systems for SUVs, pickup trucks and heavy trucks markets in the PRC and expanding our production capacity to support future sales demand** — We intend to reinforce our current leading position by i) exploring sales opportunities with other automakers which also manufacture SUVs, pickup trucks or heavy trucks and proactively participate in their new product development from the initial design stage; ii) enhancing our new product development capabilities; iii) improving our product quality.
- **Expanding our business in sedans and construction machineries HVAC system markets** — We are actively developing our presence in the automotive HVAC systems for construction machineries and other types of vehicles, such as sedans.
- **Strengthening our research and development capabilities and developing HVAC system for electric vehicles** — We are in the course of constructing a research and development building with a gross floor area of 15,631.00 sq.m. in the Jiangning Plant. We have purchased the environment simulation laboratory equipment, which is expected to put into use at the end of 2012.
- **Maintaining our cost advantage** — We will endeavour to maintain our cost advantages primarily through i) new product research and development; ii) optimising our process; and iii) increasing economies of scale.
- **Expanding our current network of production base** — We intend to strengthen our current presence in Liaoning, Beijing and Hubei.

### RISK FACTORS

There are certain risks involved in our operations. Many of these risks are beyond our control. Material risks relating to our business include, amongst others, fluctuations in the prices of aluminium, reliance on major customers, suppliers and the quality of raw material they supply, our credit risk in respect of our high turnover days of trade debtors and bills

---

## SUMMARY

---

receivables, reliance on logistic service provider and stable supply of utilities, seasonal fluctuations, inability to extend our preferential tax treatment, inability to maintain our competitiveness or meet our customers' demand in a timely manner, failure to pass new products approval process, possible warranty, recall or product liability claims, loss of key management personnel, inability to retain skilled workers, no assurance to implement the business plans, inadequate measures to protect intellectual property rights, and dividend payment and penalties under relevant PRC laws and regulations due to non-compliance activities during the Track Record Period. In addition to risks relating to our business, we are also subject to certain risks relating to our industry, the PRC and the Share Offer.

You should also refer to the section titled "Risk Factors" on pages 31 to 49 in this prospectus for further information on risks relating to our business, our industry, the PRC and the Share Offer.

### RECENT DEVELOPMENT

#### Latest Development Trend of the PRC Automotive Market

According to the Timer Auto Report, although China's automotive industry has achieved rapid development in the past few years, the automotive ownership in general is still at a relatively low level as compared to other developed countries. With China's stable economic growth, continued urbanisation, according to Timer Auto Consulting, China's automotive market size in volume is expected to have a CAGR of 8.9% from 2011 to 2015. Timer Auto Consulting estimates that the automotive sales volume in China will reach 26.1 million units in 2015.

According to the Timer Auto Report, with the continuous development of China's automotive market and rising automotive HVAC system penetration rate, China's automotive HVAC system market is expected to have a 10.4% CAGR from 2011 to 2015 in terms of sales revenue, reaching RMB35.2 billion in 2015. In particular, China's SUV and pickup truck HVAC system market is expected to achieve a CAGR of 11.7% from 2011 to 2015 while China's heavy truck HVAC system market is expected to achieve a CAGR of 13.7% in terms of sales volume from 2011 to 2015.

It is expected that urbanisation and rapid economic growth in third-tier cities in the PRC would lead to strong demand for SUVs and pickup trucks. Besides, modern SUVs are known for its comfort and ability to drive through different types of terrain. It is expected that along with the growth in consumers' spending power in the PRC, demand for diversified types of automobiles with various features will remain strong. With HVAC systems for SUV, pickup truck and heavy truck being our primary products, and as we plan to further exploit the sedans market, we foresee that our business will grow in line with the market growth in the long run.

#### Our Recent Development

During the three months ended 31 March 2012, our revenue was at the similar level of the same period in 2011, and our product mix was similar to that in 2011. HVAC systems for SUVs and pickup trucks continued to be our largest source of income in the first quarter of 2012. There was a moderate increase in proportion of revenue contributed by HVAC systems for other vehicles, amongst which vans and sedans are the major types of vehicles.

---

## SUMMARY

---

We expect revenue contributed by HVAC systems for other vehicles may increase in 2012 as we plan to launch new HVAC systems for various vehicle models (such as sedans and buses) in 2012.

During the three months ended 31 March 2012, our gross profit margin was close to that for the year ended 31 December 2011. We maintain a stable gross profit margin mainly because there has not been material change in the selling price of our products, and we carefully control our costs of materials and put effort in improving our product design and reducing the weight of our products. The lighter products on the one hand are more welcome by customers and on the other hand save our material costs.

During the three months ended 31 March 2012, our net profit margin was lower than that for the year ended 31 December 2011, mainly because we had incurred more administrative expenses for the preparation of the Listing and our staff cost had increased mainly because our staff salary and headcount had increased.

### SELECTED FINANCIAL INFORMATION

The following tables set forth selected financial data for the period indicated. You should refer to the Accountants' Report set forth in Appendix I to this prospectus for more information.

#### Selected information from combined income statements

	Years ended 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Turnover</b>	346,539	545,502	619,904
<b>Gross profit</b>	96,925	150,986	172,177
<b>Profit from operations</b>	59,588	100,718	116,329
<b>Profit before taxation</b>	58,059	96,849	108,540
<b>Profit for the year</b>	<u>49,028</u>	<u>80,705</u>	<u>87,009</u>
<b>Attributable to:</b>			
Equity shareholders of the Company	33,821	79,441	86,066
Non-controlling interests	<u>15,207</u>	<u>1,264</u>	<u>943</u>
<b>Profit for the year</b>	<u>49,028</u>	<u>80,705</u>	<u>87,009</u>
<b>Earnings per share (<i>RMB</i>)</b>			
Basic	<u>0.056</u>	<u>0.132</u>	<u>0.143</u>



---

## SUMMARY

---

### Selected information from combined balance sheets

	At 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	217,271	309,247	387,175
Current assets	329,862	486,735	601,367
Current liabilities	371,729	522,960	392,972
Net current (liabilities)/assets	(41,867)	(36,225)	208,395
Total assets less current liabilities	175,404	273,022	595,570
Net assets	155,879	246,680	547,957

### KEY FINANCIAL RATIOS

Set out below the summary of the key financial ratios of our Group during the Track Record Period:

	<i>Notes</i>	As at/for the year ended 31 December		
		2009	2010	2011
Current ratio	1	0.9	0.9	1.5
Debt-to-equity ratio	2	N/A	0.35	0.16
Gearing ratio	3	79.6%	56.0%	26.7%
Gross profit margin		28.0%	27.7%	27.8%
Net profit margin	4	9.8%	14.6%	13.9%

*Notes:*

- (1) Current ratio is calculated based on the total current assets divided by total current liabilities at the end of the respective years.
- (2) Debt-to-equity ratio is calculated based on net debt (including interest-bearing borrowings and bills payable less cash and deposits with banks) over total equity attributable to equity shareholders of the Company at the end of the respective years.
- (3) Gearing ratio is calculated as the debt (including the interest-bearing borrowings, bills payable and amounts due to related parties) divided by total equity attributable to equity shareholders of the Company and debt at the end of the respective years and multiplied by 100%.
- (4) Net profit margin is calculated as net profit attributable to equity shareholders of the Company divided by turnover.

As at 31 December 2009 and 2010, we had net current liabilities which were mainly resulted from the amount due to CUAS by Xiezhong BVI of approximately US\$29 million (equivalent to approximately RMB192 million as at 31 December 2010). Such amount due to CUAS has arisen from the funding from CUAS to Xiezhong BVI in financing Xiezhong BVI to acquire equity interest in Xiezhong Nanjing through Xiezhong HK in 2008. The amount due to CUAS was interest free and had no fixed term of payment, and the amount was capitalised as fully paid-up capital and capital reserve of Xiezhong BVI as part of the Group's reorganisation on 7 November 2011. Because of the capitalisation of such amount due to CUAS in November 2011, there had been an increase in current ratio and decreases



---

## SUMMARY

---

in debt-to-equity ratio and gearing ratio as at 31 December 2011. Should CUAS have not provided such funding and bank borrowings have been used, assuming an interest rate of 5% per annum, we would have incurred additional finance costs of approximately RMB9.9 million, RMB9.7 million and RMB7.8 million, and our net profits would have decreased to RMB39.1 million, RMB71.0 million and RMB79.2 million, for each of the years ended 31 December 2009, 2010 and 2011 respectively. As the amount due to CUAS represented a one-off funding from CUAS solely for the purpose of the acquisition of equity interest in Xiezhong Nanjing, it is expected that the capitalisation of amount due to CUAS, which had been completed in 2011, will not have impact on the Company's margins going forward.

### CONTROLLING SHAREHOLDERS

Sunrise International (an investment holding company wholly-owned by Mr. Chen Hao, son of Mr. Chen Cunyou, an executive Director), Mr. Chen Cunyou, Mr. Chen Hao and the Group of Institutional Shareholders are our Controlling Shareholders. Immediately following the Share Offer and the Capitalisation Issue, Sunrise International and the Group of Institutional Shareholders will respectively hold 30% and 45% interest in the Company before any transfer of Shares by it to the grantees under the Share Incentive Plan.

You should refer to the paragraph titled "Controlling Shareholders" in the "Relationship with Controlling Shareholders" section on page 149 of this prospectus for further information.

### OFFER STATISTICS

	<b>Based on an Offer Price of HK\$0.93 per Share</b>	<b>Based on an Offer Price of HK\$1.32 per Share</b>
Market capitalization of the Shares ( <i>Note 1</i> )	HK\$744 million	HK\$1,056 million
Historical price/earnings multiple ( <i>Note 2</i> )	7 times	10 times
Unaudited pro forma adjusted net tangible asset value per Share ( <i>Note 3</i> )	HK\$0.86	HK\$0.96

*Notes:*

- (1) The calculation of the market capitalization of the Shares is based on the respective Offer Price of HK\$0.93 and HK\$1.32 per Share and 800,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalization Issue but does not take into account of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issue Mandate and the Repurchase Mandate.

---

## SUMMARY

---

- (2) The calculation of the historical price/earnings multiple is based on the profit attributable to equity shareholders of the Company of RMB86,066,000 for the year ended 31 December 2011, the respective Offer Price of HK\$0.93 and HK\$1.32 per Share and on the assumption that 800,000,000 Shares, comprising Shares in issue as at the date of this prospectus and Shares to be issued pursuant to the Share Offer and the Capitalization Issue, had been in issue throughout the year.
- (3) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed “Financial Information” in this prospectus, the respective Offer Price of HK\$0.93 and HK\$1.32 per Share and on the basis of 800,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalization Issue but without taking into account any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issue Mandate and the Repurchase Mandate.

### DIVIDEND POLICY

We currently do not have a dividend policy. You should also refer to the paragraph headed “Dividend and Dividend Policy” in the section titled “Financial Information” on pages 229 and 230 of this prospectus for further information.

### USE OF PROCEEDS

We intend to use the net proceeds to us from the Share Offer in the manner as summarized in table below.

<b>Approximate % and amount of net proceeds</b>	<b>Application of Net Proceeds</b>
<b>69% or HK\$138 million (equivalent to approximately RMB112 million)</b>	<b>Expansion of production plants and upgrade of existing facilities</b>
32% or HK\$64 million (equivalent to approximately RMB52 million)	● Purchase and upgrade of machinery, equipment and other fixed assets of the facilities in our existing production base at Nanjing
27% or HK\$54 million (equivalent to approximately RMB44 million)	● Construction of the New Nanjing Plant
6.7% or HK\$13 million (equivalent to approximately RMB11 million)	● Capital contribution to Xiezhong Beijing for building the Beijing Plant
3.3% or HK\$7 million (equivalent to approximately RMB5 million)	● Capital contribution to Xiezhong Liaoning for upgrade and addition of production facilities
<b>23% or HK\$46 million (equivalent to approximately RMB37 million)</b>	<b>Funding for research and development</b>
<b>8% or HK\$16 million (equivalent to approximately RMB13 million)</b>	<b>Working capital and other general purposes</b>

---

## SUMMARY

---

*Note:*

- (1) Assuming an Offer Price of HK\$1.13 per Share (being the mid-point of the estimated price range), we estimate that the net proceeds to us from the Share Offer will be approximately HK\$200 million (equivalent to approximately RMB162 million), after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Share Offer.

You should also refer to the section titled “Future Plans and Use of Proceeds” on pages 231 to 232 of this prospectus for further information.