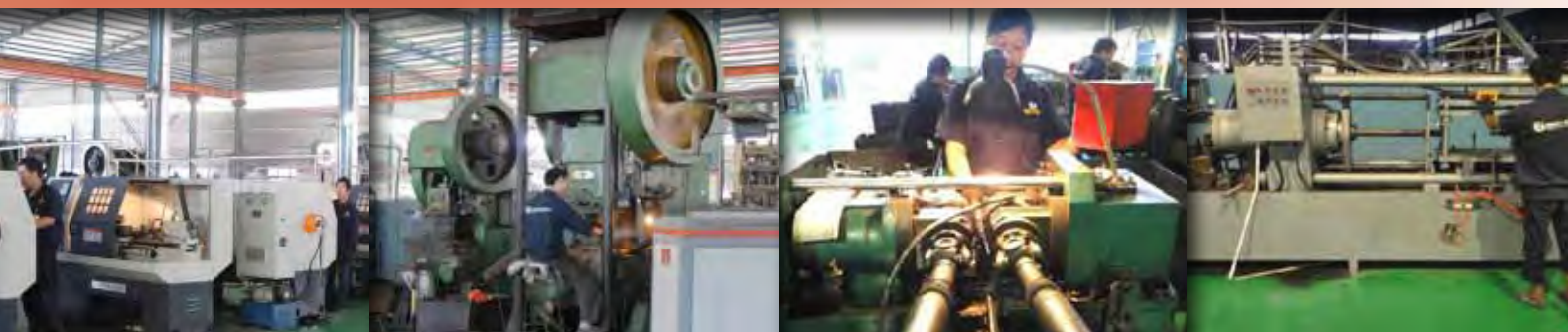




CHINA AUTOMOBILE PARTS HOLDINGS LIMITED
中国汽车零件控股有限公司



PROSPECTUS | CHINA AUTOMOBILE PARTS HOLDINGS LIMITED



PROSPECTUS

CHINA AUTOMOBILE PARTS HOLDINGS LIMITED

中国汽车零件控股有限公司

(Bermuda Company No. 46416)

(Incorporated as an exempted company in Bermuda under the Companies Act 1981 of Bermuda)

(Malaysian Foreign Company Registration No. 995377-M)

(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)

THE INITIAL PUBLIC OFFERING OF UP TO 150,000,000 ORDINARY SHARES OF US\$0.10 EACH ("SHARES") COMPRISING:-

(I) PUBLIC ISSUE OF 90,000,000 NEW SHARES COMPRISING:-

- 30,000,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 60,000,000 NEW SHARES AVAILABLE FOR PRIVATE PLACEMENT TO SELECTED INVESTORS;

AND

(II) OFFER FOR SALE OF UP TO 60,000,000 SHARES AVAILABLE FOR PRIVATE PLACEMENT TO SELECTED INVESTORS,

AT AN ISSUE/OFFER PRICE OF RM0.68 PER SHARE PAYABLE IN FULL ON APPLICATION PURSUANT TO ITS LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

Principal Adviser, Lead Placement Agent and Managing Underwriter



AmInvestment Bank

AmInvestment Bank Berhad

(Company No.: 23742-V)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Placement Agents and Joint Underwriters



AmInvestment Bank

AmInvestment Bank Berhad

(Company No.: 23742-V)

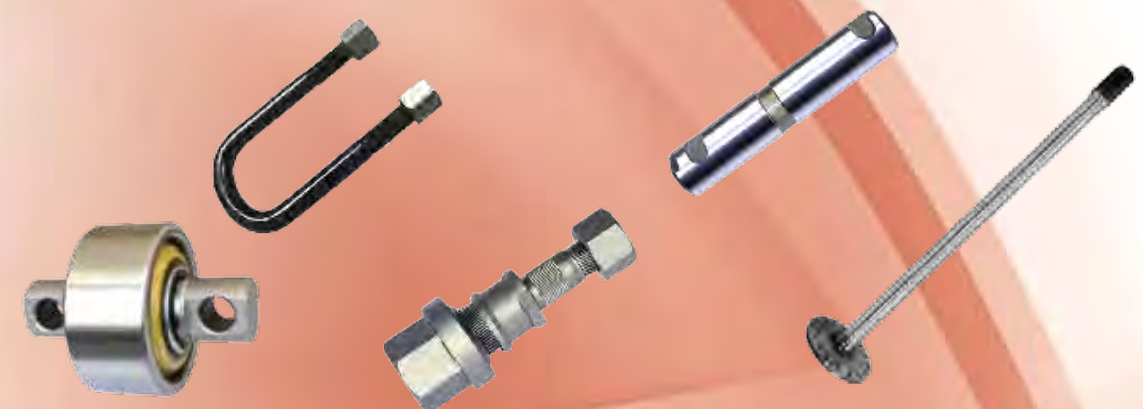
(A Participating Organisation of Bursa Malaysia Securities Berhad)



M & A SECURITIES SDN BHD (15017-H)

(A Wholly-Owned Subsidiary of INSAS BHD)

(A Participating Organisation of Bursa Malaysia Securities Berhad)



INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. TURN TO SECTION 3 OF THIS PROSPECTUS FOR "RISK FACTORS".

This Prospectus is dated 11 January 2013

RESPONSIBILITY STATEMENTS

OUR DIRECTORS, PROMOTERS AND/OR OFFEROR HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

AMINVESTMENT BANK BERHAD BEING OUR PRINCIPAL ADVISER, LEAD PLACEMENT AGENT, MANAGING UNDERWRITER, JOINT PLACEMENT AGENT AND JOINT UNDERWRITER, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING ("IPO").

STATEMENTS OF DISCLAIMER

THE SECURITIES COMMISSION MALAYSIA ("SC") HAS APPROVED THE ISSUE, OFFER OR INVITATION FOR THE OFFERING (WHERE APPLICABLE) AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF INVESTMENT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS, OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

APPROVAL HAS BEEN OBTAINED FROM BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING AND QUOTATION OF THE SECURITIES BEING OFFERED. ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE IPO, OUR COMPANY OR OUR SECURITIES.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE HEREIN BY US AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS. BURSA SECURITIES MAKES NO REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THIS PROSPECTUS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THIS PROSPECTUS.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORM, HAS ALSO BEEN LODGED WITH THE COMPANIES COMMISSION OF MALAYSIA WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE *CAPITAL MARKETS AND SERVICES ACT 2007* ("**CMSA**").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE IPO FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE ACCEPTANCE OF APPLICATIONS FOR THE SHARES IS CONDITIONAL UPON PERMISSION BEING GRANTED BY BURSA SECURITIES FOR THE QUOTATION OF THE ENTIRE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY ON THE MAIN MARKET OF BURSA SECURITIES. ACCORDINGLY, ALL MONIES PAID IN RESPECT OF ANY APPLICATION ACCEPTED WILL BE RETURNED WITHOUT INTEREST TO THE APPLICANTS IF THE AFORESAID PERMISSION IS NOT GRANTED WITHIN SIX (6) WEEKS FROM THE DATE OF ISSUE OF THIS PROSPECTUS (OR SUCH LONGER PERIOD AS MAY BE SPECIFIED BY THE SC), PROVIDED THAT THE COMPANY IS NOTIFIED BY BURSA SECURITIES WITHIN THE AFORESAID TIME FRAME. IF SUCH MONIES ARE NOT REPAID WITHIN FOURTEEN (14) DAYS AFTER THE COMPANY BECOMES LIABLE TO DO SO, THE PROVISION OF SUB-SECTION 243(2) OF THE CMSA SHALL APPLY ACCORDINGLY.

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT <http://www.bursamalaysia.com>. THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME.

YOU MAY ALSO OBTAIN A COPY OF THE ELECTRONIC PROSPECTUS FROM THE WEBSITE OF AFFIN BANK BERHAD AT <http://www.affinOnline.com>, THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT <http://www.eipocimb.com>, THE WEBSITE OF CIMB BANK BERHAD AT <http://www.cimbclicks.com.my>, THE WEBSITE OF MALAYAN BANKING BERHAD AT <http://www.maybank2u.com.my> THE WEBSITE OF RHB BANK BERHAD AT <http://www.rhb.com.my>, AND THE WEBSITE OF PUBLIC BANK BERHAD AT <http://www.pbebank.com> VIA HYPERLINK TO THE WEBSITE OF BURSA SECURITIES.

THE INTERNET IS NOT A FULLY SECURED MEDIUM. INTERNET APPLICATIONS MAY BE SUBJECT TO RISKS IN DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION. THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTION.

IF YOU ARE IN DOUBT OF THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US, OUR ADVISER OR EQUINITI SERVICES SDN BHD, A PAPER / PRINTED COPY OF THIS PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER / PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER / PRINTED COPY OF THIS PROSPECTUS, WHICH IS IDENTICAL TO THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC, SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "**THIRD PARTY INTERNET SITES**") WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:-

- (i) WE DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES. ACCORDINGLY, WE ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, THE CONTENT ON, OR ANY DATA, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;

- (II) WE ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY OF THE TERMS OF ANY OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, FILES OR OTHER MATERIALS PROVIDED BY SUCH PARTIES; AND
- (III) ANY DATA, FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR DISCRETION AND RISK. WE ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, YOU ARE ADVISED THAT:-

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, I.E. TO THE EXTENT THAT THE CONTENT OF THE ELECTRONIC PROSPECTUS ON THE WEB OBSERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION MAY BE VIEWED VIA WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT RESPONSIBLE FOR THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, WHICH HAS BEEN OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, AND SUBSEQUENTLY COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND
- (II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF THE ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURED MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OF OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND SAVE FOR THE FILING OF A COPY OF THIS PROSPECTUS WITH THE REGISTRAR OF COMPANIES IN BERMUDA, THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH OR BY ANY REGULATORY AUTHORITY OR OTHER RELEVANT BODY OF ANY JURISDICTION OTHER THAN MALAYSIA.

NO ACTION HAS BEEN OR WILL BE TAKEN TO ENSURE THAT THIS PROSPECTUS COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. IT SHALL BE YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS ON THE LAWS TO WHICH THE OFFERING OR YOU ARE OR MIGHT BE SUBJECTED. NEITHER WE NOR THE ADVISER NOR ANY OTHER ADVISERS IN RELATION TO THE OFFERING SHALL ACCEPT ANY RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATION MADE BY YOU SHALL BECOME ILLEGAL, UNENFORCEABLE, VOIDABLE OR VOID IN ANY COUNTRY OR JURISDICTION.

THE CIRCULATION OF THIS PROSPECTUS AND THE ISSUE, OFFER OR INVITATION OF THE SECURITIES MAY BE RESTRICTED IN CERTAIN JURISDICTIONS OUTSIDE MALAYSIA AND THEREFORE PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES SHALL SEEK ADVICE ON AND OBSERVE ANY SUCH RESTRICTIONS. THIS PROSPECTUS DOES NOT CONSTITUTE AN ISSUE, OFFER OR INVITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH ISSUE, OFFER OR INVITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH ISSUE, OFFER OR INVITATION.

IT SHALL BE YOUR SOLE RESPONSIBILITY IF YOU ARE OR MAY BE SUBJECT TO THE LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER THE OFFERING WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS.

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR THE OFFERING WOULD BE IN COMPLIANCE WITH THE TERMS OF THE OFFERING AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED. WE WILL FURTHER ASSUME THAT YOU HAD RECEIVED THIS PROSPECTUS AND ACCEPTED THE OFFERING IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA IN CONNECTION THEREWITH.

WE WILL NOT, PRIOR TO ACTING ON ANY ACCEPTANCE IN RESPECT OF THE OFFERING, MAKE OR BE BOUND TO MAKE ANY ENQUIRY AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA AND WILL NOT ACCEPT OR BE DEEMED TO ACCEPT ANY LIABILITY IN RELATION THERETO WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION THEREWITH.

HOWEVER, WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION TO TREAT ANY ACCEPTANCE AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

THE BERMUDA MONETARY AUTHORITY HAS GIVEN ITS CONSENT TO THE ISSUE AND OFFER OF THE SHARES PURSUANT TO THE OFFERING ON THE TERMS REFERRED TO IN THIS PROSPECTUS. A COPY OF THIS PROSPECTUS WILL BE FILED WITH THE REGISTRAR OF COMPANIES IN BERMUDA. THE BERMUDA MONETARY AUTHORITY IN GRANTING SUCH PERMISSION AND THE REGISTRAR OF COMPANIES IN BERMUDA IN ACCEPTING THIS PROSPECTUS FOR FILING ACCEPT NO RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF OUR GROUP OR ANY PROPOSAL OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS PROSPECTUS OR ANY OTHER DOCUMENTS.

OUR SECURITIES ARE CLASSIFIED AS SHARIAH-COMPLIANT BY THE SHARIAH ADVISORY COUNCIL OF THE SC ("**SAC**") BASED ON OUR LATEST AUDITED FINANCIAL YEAR. THIS CLASSIFICATION REMAINS VALID FROM THE DATE OF ISSUE OF THIS PROSPECTUS UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW UNDERTAKEN BY THE SAC. THE NEW STATUS IS RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES, ON THE LAST FRIDAY OF MAY AND NOVEMBER.

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INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing and quotation of our entire enlarged share capital on the Main Market of Bursa Malaysia Securities Berhad is set out below:-

<u>Date</u>	<u>Event</u>
11 January 2013	: Publication of Prospectus / Opening date of the application for the IPO

Tentative Dates

18 January 2013	: Closing date of the application for the IPO
22 January 2013	: Balloting of application for the IPO Shares
25 January 2013	: Allotment and allocation of the IPO Shares to successful applicants
30 January 2013	: Listing

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES.

THE APPLICATION PERIOD WILL REMAIN OPEN UNTIL 5.00 P.M. ON 18 JANUARY 2013 OR FOR SUCH FURTHER PERIOD OR PERIODS AS OUR DIRECTORS, PROMOTERS AND OFFEROR TOGETHER WITH OUR MANAGING UNDERWRITER AND JOINT UNDERWRITERS IN THEIR ABSOLUTE DISCRETION MAY MUTUALLY DECIDE. WE WILL NOT ACCEPT ANY LATE APPLICATIONS.

IN THE EVENT THAT THE CLOSING DATE OF THE IPO IS EXTENDED, THE DATES FOR THE BALLOTING, ALLOTMENT AND ALLOCATION OF THE IPO SHARES AND THE LISTING OF OUR COMPANY WILL BE EXTENDED ACCORDINGLY. ANY EXTENSION OF THE ABOVEMENTIONED DATES WILL BE ANNOUNCED BY WAY OF ADVERTISEMENT IN A WIDELY-CIRCULATED DAILY ENGLISH AND BAHASA MALAYSIA NEWSPAPER IN MALAYSIA.

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DEFINITIONS

In this Prospectus and the accompanying Application Form(s), unless where the context requires otherwise, the following definitions / words and abbreviations shall have the following meanings:-

ADA	: Authorised Depository Agent
ADA Code	: ADA (Broker) Code
Admission	: Admission of the Shares to the Official List of the Main Market of Bursa Securities
AmInvestment Bank	: AmInvestment Bank Berhad (23742-V)
Application(s)	: The application(s) for the subscription of the Public Issue Shares by way of Application Forms, Electronic Share Application or Internet Share Application
Application Form(s)	: The official printed application form(s) for the Application of the Public Issue Shares
ATM	: Automated Teller Machine
Authorised Financial Institution(s)	: The authorised financial institution(s) participating in the Internet Share Application, with respect to payments for the Public Issue Shares made available for subscription under the Public Issue
Bermuda Companies Act	: The Companies Act 1981 of Bermuda
Board or Board of Directors	: The Board of Directors of our Company as at the date of this Prospectus
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W), a subsidiary of Bursa Securities
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
BVI	: British Virgin Islands
Bye-laws	: The bye-laws of our Company
CAP-Bermuda or Company	: China Automobile Parts Holdings Limited (中国汽车零件控股有限公司) (Bermuda Company No. 46416) (Malaysia Foreign Company Registration No. 995377-M), incorporated in Bermuda as an exempted company under the Bermuda Companies Act and registered as a foreign company in Malaysia under the Malaysian Companies Act
CAP-Bermuda Share(s) or Share(s)	: Ordinary shares of US\$0.10 each in the capital of CAP-Bermuda
CAP-BVI or Offeror	: China Automobile Parts (BVI) Co., Ltd. (中国汽车零件 (BVI) 有限公司) (BVI Company No. 1676640), incorporated in the BVI as a BVI business company under the BVI Business Companies Act, 2004
CAP Group or Group	: CAP-Bermuda and our subsidiaries, namely CAP-HK and FenSun

DEFINITIONS (Cont'd)

CAP-HK	: China Automobile Parts (Hong Kong) Holding Limited (中国汽车零件(香港)控股有限公司) (Hong Kong Company No. 1682163), incorporated in Hong Kong as a private company with limited liability under the Hong Kong Companies Ordinance (Cap. 32)
CCM	: Companies Commission of Malaysia
CDS	: Central Depository System
Central Depositories Act	: The Securities Industry (Central Depositories) Act, 1991 of Malaysia
China or PRC	: The People's Republic of China
CMSA	: The Capital Markets and Services Act 2007 of Malaysia
CNC	: Computer numerical control / controlled. CNC machineries have in-built computers, which enable quicker, more precise and automated adjustments to machinery settings (compared to manual alterations), to facilitate the fabrication of different product models with varying dimensions and specifications.
Deposited Security	: A security in the Company standing to the credit of a Securities Account of a Depositor subject to the provision of the Central Depositories Act and the Rules
Depositor	: A holder of a Securities Account
Director(s)	: The director(s) of our Company as at the date of this Prospectus
EBIDTA	: Earnings before interest, depreciation, taxation and amortisation
EIT	: Enterprise Income Tax
Electronic Prospectus	: A copy of this Prospectus that is published, circulated or disseminated via the Internet, and/or electronic storage mediums, including but not limited to CD-ROMs
Electronic Share Application	: An application for subscription or purchase of the IPO Shares through Participating Financial Institutions' ATM, in accordance with the terms and conditions of this Prospectus
EPS	: Earnings per Share
Equiniti or Issuing House	: Equiniti Services Sdn Bhd (formerly known as MIDF Consultancy & Corporate Services Sdn Bhd) (11324-H)
FenSun	: QuanZhou FenSun Automobile Parts Co., Ltd. (泉州凤顺汽车零部件有限公司) (PRC Registration No. 350500400050241), incorporated in the PRC as a WFOE under the PRC Law of Wholly Foreign-Owned Enterprises
FIE	: Foreign investment enterprise under the laws of the PRC
FPE(s)	: Financial period(s) ended / ending 30 September
FYE(s)	: Financial year(s) ended / ending 31 December
GDP	: Gross domestic product

DEFINITIONS (Cont'd)

GuoTai	: GuoTai International Holding Limited (国泰国际控股有限公司) (BVI Company No. 1703002), incorporated in the BVI as a BVI business company under the BVI Business Companies Act, 2004
Hong Kong	: Hong Kong Special Administrative Region of the PRC
HK\$ and HK cents	: Hong Kong dollars and cents, respectively
Independent Market Research Report or IMRR	: The research report on the automotive parts industry in China, 2012 prepared by the independent market research consultants, Converging Knowledge Sdn Bhd, the executive summary of which is set out in Section 5 of this Prospectus
Internet Participating Financial Institution(s)	: Participating organisation(s) in the Internet Share Application, as listed in Section 16.6 of this Prospectus
Internet Share Application	: Application for subscription of the Public Issue Shares through an Internet Participating Financial Institution
IPO	: Initial public offering in Malaysia comprising the Public Issue and Offer For Sale, collectively
IPO Price	: RM0.68 per IPO Share, being the price payable by investors under the Public Issue / Offer For Sale
IPO Share(s)	: The Public Issue Shares and Offer Shares, collectively
ISO	: International Organisation for Standardisation
Joint Placement Agents	: AmInvestment Bank and M&A Securities Sdn Bhd
Joint Underwriters	: AmInvestment Bank and M&A Securities Sdn Bhd
Listing	: Admission to the Official List and the listing and quotation of our entire issued and paid-up share capital on the Main Market of Bursa Securities
Listing Requirements	: The Listing Requirements of Bursa Securities
Listing Scheme	: The Pre-IPO Investment, Public Issue, Offer For Sale and Listing, collectively
LPD	: 18 December 2012, being the latest practicable date prior to the publication of this Prospectus by our Company
Malaysian Code	: The Malaysian Code on Take-Overs and Mergers, 2010
Malaysian Companies Act	: The Companies Act, 1965 of Malaysia
Malaysian Public or Public	: Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Managing Underwriter	: AmInvestment Bank
Market Day	: A day on which Bursa Securities is open for trading in securities

DEFINITIONS (Cont'd)

Memorandum or Memorandum of Association	: The memorandum of association of our Company
MI	: Minority interest
MITI	: Ministry of International Trade and Industry, Malaysia
MOFCOM	: Ministry of Commerce of the PRC (中华人民共和国商务部)
N/a	: Not applicable
NA	: Net assets
NBV	: Net book value
NTA	: Net tangible assets
NTL	: Net tangible liabilities
OEM	: Original equipment manufacturer
Offer For Sale	: The invitation by the Offeror to selected investors to purchase the Offer Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
Offer Shares	: Up to 60,000,000 issued and fully paid-up Shares, which are the subject of the Offer For Sale
Official List	: The official list of the Main Market of Bursa Securities
Participating Financial Institution(s)	: The participating financial institution(s) for Electronic Share Application, as listed in Section 16.5 of this Prospectus
PAT	: Profit after taxation
PATMI	: Profit after taxation and minority interests
PBT	: Profit before taxation
PE Multiple	: Price earnings multiple
PLC	: Programmable logic control / controlled. PLC machineries have detached programming devices, which enable quicker, more precise and automated adjustments to machinery settings (compared to manual alterations), to facilitate the fabrication of different product models with varying dimensions and specifications.
Pre-IPO Investment	: The issuance of 60,000,000 Shares to the Pre-IPO Investors for an aggregate cash consideration of RM20.0 million
Pre-IPO Investors	: Wisdom Delight Limited, Xiangfeng International Holdings Limited and Huateng International Holdings Limited, collectively
Prescribed Security	: Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provisions of the Central Depositories Act and the Rules
Principal Adviser	: AmInvestment Bank

DEFINITIONS (Cont'd)

Promoters	: CAP-BVI, GuoTai, Ong Juan Tee and Terry Li, collectively
Prospectus	: This Prospectus dated 11 January 2013 issued by our Company in respect of the IPO
Public Issue	: The invitation by our Company to the Public to subscribe for the Public Issue Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
Public Issue Shares	: The 90,000,000 new ordinary shares of US\$0.10 each, which are the subject of the Public Issue
R&D	: Research and development
Record of Depositors	: A record provided by Bursa Depository to the Company under Chapter 24.0 of the Rules
RM and sen	: Ringgit Malaysia and sen, respectively
RMB and RMB cents	: PRC Renminbi and cents, respectively
Rules	: The Rules of Bursa Depository
SAC	: Shariah Advisory Council of the SC
SAFE	: State Administration of Foreign Exchange of the PRC (中华人民共和国国家外汇管理局)
SAIC	: State Administration for Industry and Commerce of the PRC (中华人民共和国国家工商行政管理总局)
SC	: Securities Commission Malaysia
SC Guidelines	: The SC's Equity Guidelines
Securities Account	: An account established by Bursa Depository for a Depositor for the purpose of recording the deposit of securities and for dealing in such securities by the Depositor
Shareholder	: Registered holders of the shares of our Company
Sqm	: Square metre(s)
Terry Li	: Li Guo Qing (李国清), our Promoter, substantial Shareholder and Director
Underwriting Agreement	: The underwriting agreement dated 26 December 2012 made between the Company, the Managing Underwriter and the Joint Underwriters for the underwriting of 30,000,000 Public Issue Shares upon the terms and subject to the conditions contained therein
US	: United States of America
US\$ and US cents	: US dollars and cents
WFOE	: Wholly foreign-owned enterprise under the laws of the PRC

DEFINITIONS (Cont'd)

YongShun : JinJiang YongShun Automobile Parts Co., Ltd. (晋江永顺汽车零部件有限公司) (PRC Registration No. 350582100071686), incorporated in the PRC as a limited liability company under the PRC Company Law

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INTERPRETATION

All references to “Company” and “CAP-Bermuda” in this Prospectus are to China Automobile Parts Holdings Limited (中国汽车零件控股有限公司), references to “our Group” is to our Company and our subsidiaries, and references to “we”, “us”, “our” and “ourselves” are to our Company, and where the context requires, our Company and our subsidiaries. Our Company is incorporated in Bermuda under the Bermuda Companies Act and is registered as a foreign company in Malaysia under Section 332(1) of the Malaysian Companies Act. However, for your ease of reference and understanding, all substantial shareholders and their indirect shareholdings in our Company have been identified based on Section 69D and Section 6A of the Malaysian Companies Act.

In this Prospectus, words referring to the singular shall, where applicable, include the plural and *vice versa*, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include a company or a corporation.

Any reference in this Prospectus, the Application Form(s), Electronic Share Applications or Internet Share Applications to any legislation, statute, statutory provision, rules, regulations or enactment is a reference to that legislation, statute, statutory provision for the time being as amended or re-enacted, and to any repealed legislation, statute or statutory provision, rules, regulations or enactment which it re-enacts (with or without modification). Any word defined in the Malaysian Companies Act, Bermuda Companies Act, CMSA, Listing Requirements or any statutory modification thereof and used in this Prospectus and the Application Form(s) shall, where applicable, have the meaning ascribed to it under the Malaysian Companies Act, Bermuda Companies Act, CMSA, Listing Requirements or any statutory modification thereof (as the case may be).

Any reference to a time of day in this Prospectus, the Application Form(s), Electronic Share Applications or Internet Share Applications shall be a reference to Malaysian time unless otherwise stated.

Certain names, phrases, statements, terminology and other references originally in Chinese text in source documents / materials have been translated into English in this Prospectus solely for the convenience of readers. The Chinese text may be subject to differing interpretations and translations and accordingly no representation is made that any such translations into English accurately reflect the text or meaning of the relevant original source documents / materials. In case of any inconsistency between the English names and their respective official Chinese names, the Chinese names shall prevail.

The term “entity” includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust.

The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest tenth / hundredth or one / two decimal places. Any numeric discrepancies in the tables included in this Prospectus between the listed amounts and the totals thereof are due to rounding differences.

In this Prospectus, references to “a person who is deemed connected” with another are references to such persons as defined under Section 122A of the Malaysian Companies Act. A person shall be deemed connected to a Director or substantial Shareholder of the Company if he is:-

- (a) a member of that Director’s or substantial Shareholder’s family, which is defined to include his spouse, parent, child (including adopted child and step-child), brother, sister and the spouse of his child, brother or sister;
- (b) a body corporate that is associated with that Director or substantial Shareholder;
- (c) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which that Director or substantial Shareholder or member of his family is a beneficiary; or
- (d) a partner of that Director or substantial Shareholder, or a partner of a person connected with the Director or substantial shareholder.

INTERPRETATION (Cont'd)

A body corporate is associated with a Director or substantial Shareholder if:-

- (a) the body corporate is accustomed or is under an obligation, whether formal or informal, or its Directors or substantial Shareholders are accustomed, to act in accordance with the directions, instructions or wishes of that Director or substantial Shareholder;
- (b) that Director or substantial Shareholder has a controlling interest in the body corporate; or
- (c) that Director or substantial Shareholder or persons connected with him, or that Director or substantial Shareholder and persons connected with him, are entitled to exercise, or control the exercise of, not less than fifteen per centum of the votes attached to the voting shares in the body corporate.

This Prospectus contains forward-looking statements, which are statements other than statements of historical facts, and are based on assumptions that are subject to known and unknown risks, uncertainties and contingencies. The words, such as "believe", "plan", "expect", "intend", "estimate" and similar expressions are used to identify such forward-looking statements. These forward-looking statements represent our Directors' views and beliefs with respect to the future of our Group, and do not constitute a guarantee of the future performance of our Group.

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EXCHANGE RATES

The average and closing exchange rates as outlined in the table below, are extracted from published information by Bloomberg L.P. The average exchange rate for each financial period is the average of the closing exchange rates on the last day of each month during that financial period. These exchange rates have been presented solely for information only and should not be construed as a representation that those RMB or US\$ amounts could have been, or could be, or was converted into RM, at any particular rates, the rates stated below, or at all.

	RMB : RM rate		US\$: RM rate	
	Average	Closing	Average	Closing
FYE 2009	0.5157	0.5037	3.5222	3.4390
FYE 2010	0.4747	0.4636	3.2092	3.0600
FYE 2011	0.4741	0.5033	3.0556	3.1665
FPE 2012	0.4878	0.4871	3.0843	3.0638

(Source: Bloomberg L.P.)

The high and low exchange rates between RMB and RM, and between US\$ and RM for each of the past six (6) months prior and up to the LPD were as follows:-

	RMB : RM rate		US\$: RM rate	
	High	Low	High	Low
June	0.5031	0.4956	3.2020	3.1558
July	0.5018	0.4902	3.1942	3.1192
August	0.4936	0.4857	3.1432	3.0860
September	0.4912	0.4815	3.1190	3.0417
October	0.4903	0.4816	3.0769	3.0312
November	0.4926	0.4876	3.0715	3.0398

(Source: Bloomberg L.P.)

As at LPD, the closing exchange rate between RMB and RM was RMB1 to RM0.4876, whilst the closing exchange rate between US\$ and RM was US\$1 to RM3.0398.

The above exchange rates have been calculated with reference to exchange rates quoted from Bloomberg L.P. and should not be construed as representations that the RMB or US\$ amounts actually represent such amounts or could be or was converted into the RM at the rate indicated, or at any other rate, or at all. Fluctuations in the exchange rates between the RMB and the RM will affect the RMB equivalent of the RM price of our Shares on Bursa Securities and the RM equivalent of any cash dividend paid by us in RMB.

We believe that we have extracted the relevant information in its proper form and context in this Prospectus, and have not verified the above exchange rates.

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Designation	Address	Profession	Nationality
Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim	Independent Non- Executive Chairman	'Lambori' No. 12 Jalan Pantai 9/7 46000 Petaling Jaya Selangor Darul Ehsan Malaysia	Company director	Malaysian
Ong Juan Tee	Non-Independent Non-Executive Vice Chairman	16/F, Unit B Skyline Tower 18 Tong Mi Road Mongkok, Kowloon Hong Kong	Company director	Chinese (Hong Kong)
Terry Li	Managing Director	Jiang Bin Garden (Room 1405, Building No. 4) Shuang Gou, Meiling Road Jinjiang City Fujian Province, PRC	Company director	Filipino
Wang YuYun	Executive Director	Jiang Bin Garden (Room 1405, Building No. 4) Shuang Gou, Meiling Road Jinjiang City Fujian Province, PRC	Company director	Chinese (PRC)
Lim Kock Hooi	Independent Non- Executive Director	37 Jalan BU3/4 Bandar Utama Damansara 47800 Petaling Jaya Selangor Darul Ehsan Malaysia	Company director	Malaysian
Chung Wai Choong	Independent Non- Executive Director	51, Jalan 7 A Kemensah Heights 68000 Ampang Selangor Darul Ehsan Malaysia	Company director	Malaysian
Dr. Chen Boon Heow	Independent Non- Executive Director	109-10-16 Gold Coast Resort Persiaran Bayan Indah 11900 Bayan Lepas Pulau Pinang Malaysia	Company director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Chung Wai Choong	Chairman of Audit Committee	Independent Non-Executive Director
Dr. Chen Boon Heow	Member of Audit Committee	Independent Non-Executive Director
Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim	Member of Audit Committee	Independent Non-Executive Chairman
Lim Kock Hooi	Member of Audit Committee	Independent Non-Executive Director

CORPORATE DIRECTORY (Cont'd)

JOINT COMPANY SECRETARIES	<p>: Codan Services Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda</p> <p>Chan Yoke Peng (MAICSA 7053966) Suite 13.03, 13th Floor, Menara Tan & Tan 207, Jalan Tun Razak 50400 Kuala Lumpur Malaysia</p> <p><i>Note: Codan Services Limited will resign as a Joint Company Secretary upon listing of our Shares on Bursa Securities and will be appointed as Assistant Secretary of our Company.</i></p>
COMPANY AGENT IN MALAYSIA	<p>: AD-Consult Sdn. Bhd. Suite 13.03, 13th Floor, Menara Tan & Tan 207, Jalan Tun Razak 50400 Kuala Lumpur Malaysia Telephone No. : +6 (03) 2164 0206 / 2164 0118 Facsimile No. : +6 (03) 2164 0207</p>
REGISTERED OFFICE IN BERMUDA	<p>: Clarendon House 2 Church Street Hamilton HM11 Bermuda Telephone No. : +1 (441) 295 5950 Facsimile No. : +1 (441) 292 4720</p>
REGISTERED OFFICE IN MALAYSIA	<p>: Suite 13.03, 13th Floor, Menara Tan & Tan 207, Jalan Tun Razak 50400 Kuala Lumpur Malaysia Telephone No. : +6 (03) 2164 0206 / 2164 0118 Facsimile No. : +6 (03) 2164 0207</p>
HEAD OFFICE	<p>: Neikeng Industrial Area Shangfang Village, Neikeng Town Jinjiang City, Fujian Province PRC (中国福建省晋江市内坑镇上方村内坑工业区) Telephone No. : +86 (0595) 6858 5555 Facsimile No. : +86 (0595) 6858 9555 E-mail : cnfensun@126.com Website : www.fensun.com.cn</p>
REGISTRAR AND TRANSFER OFFICE IN MALAYSIA	<p>: Tricor Investor Services Sdn Bhd Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur Telephone No. : +6 (03) 2264 3883 Facsimile No. : +6 (03) 2282 1886</p>

CORPORATE DIRECTORY (Cont'd)

BERMUDA SHARE REGISTRAR	: Codan Services Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda Telephone No. : +1 (441) 295 5950 Facsimile No. : +1 (441) 292 4720
AUDITORS AND REPORTING ACCOUNTANTS	: BDO (AF 0206) Chartered Accountants 12 th Floor, Menara Uni.Asia 1008 Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Telephone No. : +6 (03) 2616 2888 Facsimile No. : +6 (03) 2616 3190
SOLICITORS FOR THE LISTING AND LEGAL ADVISERS TO THE COMPANY ON MALAYSIAN LAW	: Wong Beh & Toh Advocates & Solicitors Peti #30, Level 19, West Block Wisma Selangor Dredging 142-C Jalan Ampang 50450 Kuala Lumpur Malaysia Telephone No. : +6 (03) 2713 6050 Facsimile No. : +6 (03) 2713 6052
LEGAL ADVISERS TO THE COMPANY ON BERMUDA LAW	: Cónyers Dill & Pearman Pte. Ltd. 9 Battery Road #20-01 Straits Trading Building Singapore 049910 Telephone No. : +65 6223 6006 Facsimile No. : +65 6223 7887
LEGAL ADVISERS TO THE COMPANY ON PRC LAW	: Grandall Legal Group (Guangzhou) 9/F, Cheng Jian Building 189 Ti Yu Xi Road Guangzhou, PRC Telephone No. : +86 (20) 3879 9345 Facsimile No. : +86 (20) 3879 9335
LEGAL ADVISERS TO THE COMPANY ON HONG KONG LAW	: Gallant Y. T. Ho & Co. 5th Floor, Jardine House 1 Connaught Place, Central Hong Kong Telephone No. : +852 2526 3336 Facsimile No. : +852 2845 9294
PRINCIPAL BANKERS	: Rural Commercial Bank of Jinjiang Fujian Bank Limited (Jinjiang Qingyang Branch) 1, Donghua Street Jinjiang City, Fujian Province PRC Telephone No. : +86 (0595) 8566 2127

CORPORATE DIRECTORY (Cont'd)

	Industrial and Commercial Bank of China Limited (Shishi Lingxiu Branch) No 7 – 11 Jinyuan District (South) Qinglian Bridge, Nanyang Road Shishi City, Fujian Province PRC Telephone No. : +86 (0595) 8857 3921
INDEPENDENT MARKET RESEARCH CONSULTANTS	: Converging Knowledge Sdn Bhd E-8-6 Megan Avenue No. 189 Jalan Tun Razak 50400 Kuala Lumpur Malaysia Telephone No. : +6 (03) 2333 8955 Facsimile No. : +6 (03) 2333 8899
ISSUING HOUSE	: Equiniti Services Sdn Bhd (formerly known as MIDF Consultancy & Corporate Services Sdn Bhd) Level 8, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Telephone No. : +6 (03) 2166 0933 Facsimile No. : +6 (03) 2166 0688
PRINCIPAL ADVISER, LEAD PLACEMENT AGENT AND MANAGING UNDERWRITER	: AmInvestment Bank Berhad (23742-V) 22nd Floor, Bangunan AmBank Group No. 55, Jalan Raja Chulan 50200 Kuala Lumpur Malaysia Telephone No. : +6 (03) 2036 2633 Facsimile No. : +6 (03) 2070 8596
JOINT PLACEMENT AGENTS / JOINT UNDERWRITERS	: AmInvestment Bank Berhad (23742-V) 22nd Floor, Bangunan AmBank Group No. 55, Jalan Raja Chulan 50200 Kuala Lumpur Malaysia Telephone No. : +6 (03) 2036 2633 Facsimile No. : +6 (03) 2070 8596 M&A Securities Sdn Bhd (15017-H) No. 45-3, The Boulevard Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Malaysia Telephone No. : +6 (03) 2084 2911 Facsimile No. : +6 (03) 2084 2718
LISTING SOUGHT	: Main Market of Bursa Securities
SHARIAH STATUS	: Approved by the SAC

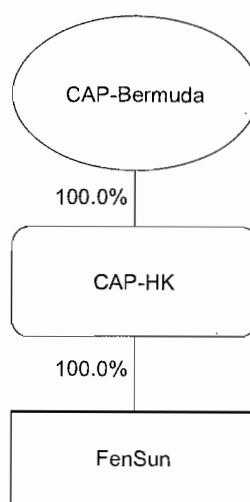
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1. INFORMATION SUMMARY

THIS INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ON OUR GROUP. YOU SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN OUR SHARES. THE SUMMARY INFORMATION SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

1.1 HISTORY AND BUSINESS

As at the date of this Prospectus, our Group structure is as follows:-



Our subsidiaries and their respective principal activities are as follows:-

Subsidiary	Date / place of incorporation	Issued and paid-up share capital	Effective equity interest %	Year commenced operations	Principal activities
<u>Direct</u> CAP-HK	18 November 2011 / Hong Kong	HK\$31,010,000	100.0	N/A ⁽¹⁾	Investment holding
<u>Indirect</u> FenSun	27 September 2004 / PRC	HK\$31,000,000	100.0	2004	Manufacturing, marketing and trading of automobile chassis components

Note:

(1) Not applicable for investment holding company which does not undertake own operations

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1. INFORMATION SUMMARY *(Cont'd)*

We are a manufacturer specialising in fabricating chassis components used in automobiles for transporting goods. Our product portfolio consists of five (5) categories, namely wheel-hub bolts, wheel axles, steel pins, u-bolts, and torque-rod bushings. Steel pins, u-bolts, and torque-rod bushings are components of leaf-spring suspensions, which are commonly utilised in the load-bearing rear section of heavy automobiles, amongst others.

Our product lines are supplied for aftermarket repair, maintenance and modification, with an emphasis on catering for components used in heavy vehicles. Demand for these aftermarket parts are driven by the need to periodically replace such parts, which endure significant wear and tear over the operating life span of goods-transporting vehicles. Additionally, automobiles modified to carry heavier loads require reinforcement of its rear suspension system, which involve replacing existing parts with stronger models capable of enduring higher stresses.

Further details on our history and business are set out in Section 4.1 of this Prospectus.

1.2 COMPETITIVE STRENGTHS

Our success and future prospects are bolstered by a combination of strengths and competencies, as follows:-

- (i) Focus on serving the aftermarket segment for replacement chassis components;
- (ii) Entrepreneurial drive for progression in creating precision and cost-efficient manufacturing of quality and reliable automotive components;
- (iii) Established market and industry reputation;
- (iv) One-stop specialist in chassis components for goods-transporting vehicles; and
- (v) Wide customer base for business growth.

Further details on our competitive strengths and advantages are set out in Section 4.2 of this Prospectus.

1.3 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT

Our Promoters, substantial Shareholders, Directors and senior management are as listed below:-

Name	Designation
<u>Promoters</u>	
CAP-BVI	Promoter and substantial Shareholder
GuoTai	Promoter and substantial Shareholder
Ong Juan Tee	Non-Independent Non-Executive Vice Chairman
Terry Li	Managing Director

1. INFORMATION SUMMARY (Cont'd)

Name	Designation
<u>Substantial Shareholders</u>	
CAP-BVI	Promoter and substantial Shareholder
GuoTai	Promoter and substantial Shareholder
Ong Juan Tee	Non-Independent Non-Executive Vice Chairman
Terry Li	Managing Director
<u>Directors</u>	
Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim	Independent Non-Executive Chairman
Ong Juan Tee	Non-Independent Non-Executive Vice Chairman
Terry Li	Managing Director
Wang YuYun	Executive Director
Lim Kock Hooi	Independent Non-Executive Director
Chung Wai Choong	Independent Non-Executive Director
Dr. Chen Boon Heow	Independent Non-Executive Director
<u>Senior management</u>	
Chai Wai Teck	Chief Financial Officer
Li ShiXian	Production Manager
Li JianDe	Sales and Marketing Manager
Li Jian	Deputy Production Manager
Lu XiaoZhi	Assistant Finance Manager

Further details on our Promoters, substantial Shareholders, Directors and senior management are set out in Section 6 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)

1.4 HISTORICAL FINANCIAL INFORMATION

The following tables set out a summary of the proforma consolidated results of our Group for the past three (3) FYEs 2009, 2010 and 2011 as well as FPEs 2011 and 2012. The proforma consolidated results were prepared on the assumption that our Group had been in existence throughout the periods under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 10.7 of this Prospectus.

Proforma consolidated statements of comprehensive income

	FYE 2009		FYE 2010		FYE 2011		FPE 2011		FPE 2012	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	373,138	192,427	452,094	214,654	605,327	287,106	416,539	194,691	495,464	241,836
Cost of sales	(266,917)	(137,649)	(315,546)	(149,821)	(410,558)	(194,727)	(282,847)	(132,203)	(335,208)	(163,615)
Gross profit	106,221	54,778	136,548	64,833	194,769	92,379	133,692	62,488	160,256	78,221
Other Income	4,819	2,485	5,788	2,748	8,930	4,235	6,318	2,953	7,717	3,767
Administrative expenses	(6,199)	(3,197)	(7,716)	(3,664)	(17,294)	(8,202)	(9,559)	(4,468)	(42,636) ⁽¹⁾	(20,810) ⁽¹⁾
Selling and distribution expenses	(5,104)	(2,632)	(6,435)	(3,055)	(7,886)	(3,741)	(5,659)	(2,645)	(3,999)	(1,952)
Finance costs	(271)	(139)	(680)	(323)	(997)	(473)	(623)	(291)	(1,866)	(911)
PBT	99,466	51,295	127,505	60,539	177,522	84,198	124,169	58,037	119,472	58,315
Tax expense	(12,538)	(6,466)	(32,219)	(15,298)	(44,810)	(21,253)	(31,094)	(14,534)	(36,374)	(17,754)
PAT	86,928	44,829	95,286	45,241	132,712	62,945	93,075	43,503	83,098 ⁽¹⁾	40,561 ⁽¹⁾
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Foreign currency translation	-	(1,175)	-	(4,529)	-	6,813	-	780	(2,038)	(4,150)
Total comprehensive income	86,928	43,654	95,286	40,712	132,712	69,758	93,075	44,283	81,060	36,411
PATMI attributable to equity holders of CAP-Bermuda	86,928	43,654	95,286	40,712	132,712	69,758	93,075	44,283	81,060 ⁽¹⁾	36,411 ⁽¹⁾
EBIDTA	100,734	51,949	129,402	61,440	180,712	85,711	125,941	58,865	124,207	60,626
Gross profit margin (%)	28.47		30.20		32.18		32.10		32.34	
PBT margin (%)	26.66		28.20		29.33		29.81		24.11	
PAT margin (%)	23.30		21.08		21.92		22.34		16.77	
Number of Shares in CAP-Bermuda had our Group been in existence ⁽²⁾ ('000)	600,000		600,000		600,000		600,000		600,000	
Gross EPS (RMB / RM)	0.17	0.09	0.21	0.10	0.30	0.14	0.21	0.10	0.20	0.10
Net EPS (RMB / RM)	0.14	0.07	0.16	0.08	0.22	0.10	0.16	0.07	0.14	0.07
Total borrowings	11,900	5,973	9,900	4,627	25,000	12,585	20,000	9,994	23,000	11,194
Gearing ratio (times) ⁽³⁾	0.04		0.03		0.07		0.07		0.05	
Current ratio (times) ⁽⁴⁾	6.8		5.8		3.5		4.0		6.3	

1. INFORMATION SUMMARY (Cont'd)

Notes:-

- (1) Include a one-off expense of RMB22.8 million (equivalent to RM11.1 million) in relation to 33.75 million Shares received by GuoTai from Ong Juan Tee and dealt with as an equity-settled share-based payment in accordance with IFRS 2 Share-based Payment
- (2) Based on the issued share capital of 600,000,000 Shares after completion of: (i) the acquisition of CAP-HK; and (ii) the Public Issue.
- (3) Computed based on our Group's total interest-bearing borrowings as at the respective proforma consolidated statements of financial position dates, divided by our Group's proforma consolidated shareholders' equity as at 31 December 2009 of RMB289.3 million (equivalent to RM145.2 million); 31 December 2010 of RMB304.6 million (equivalent to RM142.4 million); 31 December 2011 of RMB361.4 million (equivalent to RM181.9 million); 30 September 2011 of RMB300.6 million (equivalent to RM151.3 million); and 30 September 2012 of RMB471.6 million (equivalent to RM229.5 million) upon completion of the Listing.
- (4) Computed based on our Group's proforma consolidated total current assets and total current liabilities as at 31 December 2009, 2010 and 2011, as well as 30 September 2011 and 2012, upon completion of Listing.
- (5) For the purpose of this Prospectus, the statements of financial position items were translated using the financial-period closing exchange rates, and statements of comprehensive income items were translated using average of month-end closing exchange rates for each financial period. The exchange rates used in the translation of the above financial information are summarised below:-

	FYE 2009	FYE 2010	FYE 2011	FPE 2011	FPE 2012
Average rate	RMB1 : RM0.5157	RMB1 : RM0.4748	RMB1 : RM0.4743	RMB1 : RM0.4674	RMB1 : RM0.4881
Closing rate	RMB1 : RM0.5019	RMB1 : RM0.4674	RMB1 : RM0.5034	RMB1 : RM0.4997	RMB1 : RM0.4867

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1. INFORMATION SUMMARY (Cont'd)

Proforma consolidated statement of financial position of CAP-Bermuda at 30 September 2012

	As at 30 September 2012		(I) After Public Issue		(II) After (I) and Utilisation of Proceeds	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	94,875	46,176	94,875	46,176	158,775	77,276
Land use rights	12,975	6,315	12,975	6,315	12,975	6,315
	107,850	52,491	107,850	52,491	171,750	83,591
Current assets						
Inventories	13,216	6,432	13,216	6,432	13,216	6,432
Trade and other receivables	95,862	46,655	95,861	46,655	95,861	46,655
Cash and cash equivalents	198,155	96,442	323,900	156,642	232,879	113,342
	307,233	149,529	432,977	210,729	341,956	166,429
TOTAL ASSETS	415,083	202,020	540,827	263,220	513,706	250,020
EQUITY AND LIABILITIES						
Equity attributable to owners of the Company						
Share capital	320,555	156,014	377,124	183,546	377,124	183,546
Share premium	-	-	69,176	33,668	65,016	31,643
Statutory surplus reserve	12,850	6,254	12,850	6,254	12,850	6,254
Share-based payment reserve ⁽¹⁾	22,847	11,120	22,847	11,120	22,847	11,120
Translation reserve	2,037	991	2,037	991	2,037	991
Merger deficit	(257,134)	(125,147)	(257,134)	(125,147)	(257,134)	(125,147)
Retained earnings	244,679	119,085	244,679	119,085	221,718	107,910
TOTAL EQUITY	345,834	168,317	471,579	229,517	444,458	216,317

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1. INFORMATION SUMMARY (Cont'd)

	As at 30 September 2012		(I) After Public Issue		(II) After Proforma I and Utilisation of Proceeds	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Current liabilities						
Trade and other payables	34,089	16,591	34,088	16,591	34,088	16,591
Short term borrowings	23,000	11,194	23,000	11,194	23,000	11,194
Current tax liabilities	12,160	5,918	12,160	5,918	12,160	5,918
TOTAL LIABILITIES	69,249	33,703	69,248	33,703	69,248	33,703
TOTAL EQUITY AND LIABILITIES	415,083	202,020	540,827	263,220	513,706	250,020
Net assets	345,834	168,317	471,579	229,517	444,458	216,317
Number of ordinary shares assumed in issue ('000)	510,000	510,000	600,000	600,000	600,000	600,000
Net (liabilities) / assets per ordinary share (RMB / RM)	0.68	0.33	0.79	0.38	0.74	0.36

Notes:-

- (1) Being a one-off expense of RMB22.8 million (equivalent to RM11.1 million) in relation to 33.75 million Shares received by GuoTai from Ong Juan Tee and dealt with as an equity-settled share-based payment in accordance with IFRS 2 Share-based Payment.
- (2) For the purpose of presentation, all the statements of financial position items, which include the equity instruments and reserves were translated using the closing exchange rates applicable as at 30 September 2012.

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1. INFORMATION SUMMARY (Cont'd)

Proforma consolidated statement of cash flows for FPE 2012

	FPE 2012	
	RMB'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	119,472	58,315
Adjustments for:		
Share-based payment	22,847	11,152
Depreciation of property, plant and equipment	3,031	1,479
Amortisation of land use rights	208	102
Interest expense	1,831	894
Interest income	(335)	(164)
Operating profit before changes in working capital	147,054	71,778
Changes in working capital		
Inventories	(2,114)	(1,032)
Trade and other receivables	40,007	19,527
Trade and other payables	(24,185)	(11,805)
Cash generated from operations	160,762	78,468
Interest received	335	164
Interest paid	(1,831)	(894)
Tax paid	(37,712)	(18,407)
Net cash from operating activities	121,554	59,331
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(64,901)	(31,678)
Net cash used in investing activities	(64,901)	(31,678)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from issuance of shares by subsidiaries	8	4
Proceeds from issuance of ordinary shares in CAP-Bermuda	40,001	19,524
Proceeds from Public Issue by CAP-Bermuda	125,384	61,200
Payment of estimated listing expenses	(14,751)	(7,200)
Drawdown of borrowings	33,000	16,107
Repayment of borrowings	(35,000)	(17,084)
Net cash from financing activities	148,642	72,551
Net increase in cash and cash equivalents	205,295	100,204
Cash and cash equivalents at beginning of financial year	27,486	13,836
Exchange differences	98	(698)
Cash and cash equivalents at end of financial year	232,879	113,342

Note:-

(1) For the purpose of presentation, all the statement of cash flows items were translated using the average exchange rates applicable as at 30 September 2012.

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1. INFORMATION SUMMARY (Cont'd)

The proforma consolidated results of our Group are mainly extracted from the audited financial statements of CAP-Bermuda for the financial period from 4 April 2012 to 30 September 2012, and FenSun for FYEs 2009, 2010 2011 and FPE 2012 as well as the unaudited management accounts of CAP-HK for the financial period from 18 November 2011 to 30 September 2012, after incorporating adjustments that are appropriate for the preparation of the proforma consolidated financial information as set out in subsection 3.1(A) Proforma I, Section 10.7 of this Prospectus.

There were no audited financial statements for CAP-Bermuda for FYEs 2009, 2010 and 2011 as CAP-Bermuda was only incorporated on 4 April 2012. Similarly, there were no audited financial statements for CAP-HK for FYEs 2009, 2010 and 2011 as well as FPE 2012 as CAP-HK was only incorporated on 18 November 2011 and the first set of the audited financial statements of CAP-HK shall cover the financial period from 18 November 2011 to 31 December 2012.

The audited financial statements of CAP-Bermuda and FenSun, as well as the unaudited management accounts of CAP-HK, have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively, the "IFRSs").

Further information on our Group's proforma consolidated results is set out in Section 10.7 of this Prospectus.

1.5 PRINCIPAL STATISTICS RELATING TO THE IPO

	No. of Shares	Share capital US\$
Authorised share capital	1,000,000,000	100,000,000
Existing issued and paid-up share capital	510,000,000	51,000,000
New Shares to be issued pursuant to the Public Issue	90,000,000	9,000,000
Enlarged issued and paid-up share capital upon Listing	600,000,000	60,000,000
Offer For Sale	60,000,000	6,000,000
IPO Price per Share	RM0.68	
Market capitalisation (based on the IPO Price and enlarged issued and paid-up share capital after Listing)	RM408,000,000	
Proforma consolidated NA per Share (based on the enlarged issued and paid-up share capital after the IPO and after deducting the estimated listing expenses of RM7.2 million)	RMB0.74 (equivalent to RM0.36 ⁽¹⁾)	

Note:-

(1) Based on the closing exchange rate of RMB1:RM0.4867 for FPE 2012, as set out in Paragraph 1.1 of the proforma consolidated financial information in Section 10.7 of this Prospectus.

Further details on the IPO and our proforma consolidated NA are set out in Section 2 and Section 10.7 of this Prospectus, respectively.

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1. INFORMATION SUMMARY *(Cont'd)*

1.6 UTILISATION OF PROCEEDS

The Public Issue is expected to raise gross proceeds of RM61.2 million, which shall accrue to us. We intend to utilise the proceeds raised in the following manner:-

	Estimated timeframe for utilisation upon Listing	Amount RM'000
(i) Expand production centre	within 15 months	25,000
(ii) Increase production capacity	within 18 months	6,100
(iii) Marketing and branding	within 12 months	6,000
(iv) Estimated listing expenses	Immediate	7,200
(v) Working capital	On-going	16,900
Total proceeds		61,200

Further details on the utilisation of proceeds are set out in Section 2.7 of this Prospectus.

1.7 RISK FACTORS

You should carefully consider the following risk factors in evaluating an investment in the IPO Shares:-

Risks relating to our business and operations

- (i) Dependence on our distribution partners
- (ii) Brand infringements
- (iii) Losses due to product liability claims or product recall
- (iv) Dependence on Executive Directors and senior management
- (v) Operational risks
- (vi) Availability of funds to sustain operations and growth

Risks relating to the industry in which we operate

- (i) Price fluctuation and availability of steel
- (ii) Competition
- (iii) Dependence on demand for commercial automobiles

Risks relating to our business in China

- (i) Changes to PRC's environmental laws and regulations
- (ii) Uncertainty in the legal system of the PRC
- (iii) Changes in economic, political and social conditions of the PRC
- (iv) Increase in income tax or changes in income tax incentives of the PRC
- (v) Restrictions on dividends / payments from our subsidiaries
- (vi) Changes in laws / regulations in respect of currency conversion
- (vii) Difficulty in enforcing Malaysian judgment against our Company, our Executive Directors and senior management
- (viii) Non-renewal and revocation of permits and business licenses
- (ix) Labour laws in the PRC may adversely affect our results of operations

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1. INFORMATION SUMMARY (Cont'd)

Risks relating to our Company being incorporated in Bermuda

- (i) Rights and protection accorded to our Shareholders
- (ii) Recognising Depositors as our Shareholders
- (iii) Take-over protections
- (iv) Purchase by our Company of our own Shares

Risks relating to our intermediate holding company being incorporated in Hong Kong

- (i) Political and economic uncertainties in Hong Kong

Risks relating to investment in our Shares

- (i) No prior market for our Shares
- (ii) Capital market risks or share price volatility
- (iii) Control by Promoters
- (iv) Potential delay in or failure of our Listing
- (v) Delay or failure in the Admission and trading of the IPO Shares
- (vi) Payment of dividends
- (vii) Future fundraisings may dilute shareholders' equity or restrict our operations
- (viii) Capital restrictions on funds raised in Malaysia
- (ix) Material litigation, claim or arbitration or legal uncertainties
- (x) Disclosure regarding forward-looking statements

Further details on risk factors are set out in Section 3 of this Prospectus.

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2. PARTICULARS OF THE IPO

This Prospectus is dated 11 January 2013. The IPO is subject to the terms and conditions of this Prospectus.

A copy of this Prospectus has been registered with the SC and lodged with the CCM, which takes no responsibility for its contents. A copy of this Prospectus will be filed with the Registrar of Companies in Bermuda. The Bermuda Monetary Authority has given its consent to the issue of the Public Issue Shares and the sale of the Offer Shares pursuant to the IPO on the terms referred to in this Prospectus. The Registrar of Companies in Bermuda in accepting this Prospectus for filing and the Bermuda Monetary Authority in granting its permission accept no responsibility for the financial soundness of our Group or any proposal or for the correctness of any of the statements made or opinions expressed in this Prospectus or any other documents.

Our Shares are classified as Shariah-compliant by the SAC based on our latest audited financial year. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

The approval of the SC for the IPO, as set out in Section 7 of this Prospectus, shall not be taken to indicate that the SC recommends the IPO. You should rely on your own evaluation to assess the merits and risks of the IPO.

Bursa Securities has approved our admission to the Official List of the Main Market of Bursa Securities and for the listing and quotation of our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities, vide its letter dated 24 December 2012. Listing and quotation of our Shares will commence after, amongst others, receipt of confirmation from Bursa Depository of the receipt of allotment and allocation information for the crediting of the IPO Shares, and receipt of an undertaking that all notices of allotment will be issued and despatched to all successful applicants prior to the date of listing and quotation of the Shares, failing which any allotment and allocation made on an application to subscribe for and/or purchase of our Shares pursuant to this Prospectus is required under Malaysian law to be void.

Acceptance of Application(s) for the IPO Shares will be conditional upon permission being granted by Bursa Securities for the quotation of the entire enlarged issued and paid-up share capital of our Company on the Main Market of Bursa Securities. Accordingly, monies paid in respect of any Application(s) accepted from the IPO will be returned without interest within 14 days if the aforesaid permission is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that we are notified by or on behalf of Bursa Securities within the aforesaid timeframe. If such monies are not repaid within the said period, the provisions of sub-Section 243(2) of the CMSA shall apply accordingly.

If our Company is required by applicable Malaysian laws to cancel any issued Public Issue Shares and repay application monies to applicants, subject to compliance with the Bermuda Companies Act, our Company will buy-back the Public Issue Shares at the IPO Price. Information relating to the buy-back of Shares by our Company is set out in Section 14.1.4 of this Prospectus.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as a Prescribed Security. In consequence thereof, our Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules. We will not issue any share certificates to successful applicants. Please note that Bursa Depository or its nominee will be entered in the register of members of our Company as the registered joint-holder of the entire issued share capital of our Company with the Depositors.

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2. PARTICULARS OF THE IPO (Cont'd)

Person(s) submitting Application(s) by way of Application Form or by way of Electronic Share Application or Internet Share Application must have a CDS Account. If you do not have a CDS account, you may open one (1) by contacting any of the ADAs listed in Section 16.10 of this Prospectus. In the case of an Application by way of Application Form, an applicant should state his CDS Account number in the space provided in the Application Form. In the case of an Application by way of Electronic Share Application or Internet Share Application, only an applicant who is an individual and has a CDS Account can make an Application. A corporation or institution cannot apply to subscribe for and/or purchase of the IPO Shares by way of Electronic Share Application or Internet Share Application.

Pursuant to the Listing Requirements, at least 25% of our total number of Shares for which listing is sought must be held by at least 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing. In the event that the above requirement is not met, we may not be allowed to proceed with our Listing on the Main Market of Bursa Securities. In the event thereof, monies paid in respect of all Applications will be returned if the said permission is not granted.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Main Market of Bursa Securities is not to be taken as an indication of our merit or the merit of our Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by us. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date hereof.

Nonetheless, should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus that arise from the date of issue of this Prospectus up to the date of Listing, we shall issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA and file a copy thereof with the Registrar of Companies in Bermuda.

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of the IPO Shares are subject to Malaysian laws and the Company and the Offeror, together with the Principal Adviser, Lead Placement Agent, Managing Underwriter, Joint Placement Agents and Joint Underwriters, take no responsibility for the distribution of this Prospectus and the offer of any part of the IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for and/or purchase the IPO Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are in doubt concerning this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.

If you intend to have a detailed review of the relevant laws and regulations of Bermuda, Hong Kong or China, or a detailed explanation on the comparability and/or discrepancy of the relevant laws and regulations between that of Bermuda, Hong Kong and/or China, and that of Malaysia, you are recommended to seek independent legal advice from experts of the respective jurisdictions.

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2. PARTICULARS OF THE IPO (Cont'd)

2.1 SHARE CAPITAL

Details of our share capital are as follows:-

	No. of Shares	Share capital US\$
Authorised share capital	1,000,000,000	100,000,000
Existing issued and paid-up share capital	510,000,000	51,000,000
New Shares to be issued pursuant to the Public Issue	90,000,000	9,000,000
Enlarged issued and paid-up share capital upon Listing	600,000,000	60,000,000
Offer For Sale (Up to)	60,000,000	6,000,000
IPO Price per Share	RM0.68	
Market capitalisation (based on the IPO Price and enlarged issued and paid-up share capital after Listing)	RM408,000,000	

The IPO Price is payable in full upon Application, subject to the terms and conditions of this Prospectus. The board lot size for our enlarged issued and paid-up share capital upon Listing will be standardised at 100 units per board lot.

2.1.1 Classes of Shares and rights

As at the date of this Prospectus, our Company has only one (1) class of shares, being ordinary shares of US\$0.10 each, all of which rank *pari passu* with one another. The rights and privileges of our Shares are stated in the Bye-laws of our Company.

The Shares owned by our Directors and substantial Shareholders are not entitled to any different voting rights from the IPO Shares. There are no founder, management or deferred Shares reserved for issuance for any purpose. The Public Issue Shares comprised in the IPO Shares will, when issued and fully paid for on the terms of this Prospectus, rank *pari passu* in all respects with our other existing issued and fully paid Shares, including voting rights, liquidation rights, and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

Subject to any special rights attaching to any Shares which we may issue in the future, the holders of our Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and in respect of surplus in the event of our liquidation, in accordance with our Bye-laws and the Bermuda Companies Act.

At any of our general meetings, on a show of hands, every person present who is a Shareholder (other than Bursa Depository or its nominee) entitled to attend and vote thereto or is a representative or proxy or attorney of such a Shareholder shall have one (1) vote; on a poll, every such Shareholder (other than Bursa Depository or its nominee) present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each Share held.

2. PARTICULARS OF THE IPO (Cont'd)

2.1.2 Rights to attend general meetings

Under the Bermuda Companies Act, only those persons who agree to become members of a Bermuda company and whose names are entered on the register of members of such a company are considered members, with rights to attend and vote at general meetings. Depositors (holding Shares jointly with Bursa Depository or its nominee) are recognised as members of our Company by virtue of their names being contained in the Record of Depositors entered in the register of members of our Company at our registered office in Bermuda and in the branch register of members of our Company at our branch office in Malaysia, and hence are accorded the full rights of membership such as voting rights, the right to appoint proxies, the right to receive shareholders' circulars, proxy forms, annual reports, prospectuses and takeover documents.

Depositors will be recognised as members of our Company for so long as the Record of Depositors is entered in the register of members and branch register of our Company. For so long as the shares of our Company are listed on Bursa Securities, our Company is required to procure from Bursa Depository a copy of the Record of Depositors as at the close of each market day and entered in our Company's register of members and branch register upon receipt the same.

In the event a Depositor is not named in the Record of Depositors entered in our register of members or branch register, *prima facie*, such Depositor will not be recognised as a member of our Company.

Our Shares will be deposited with Bursa Depository as deposited securities and the share certificate in respect of any deposited security held jointly by a Depositor and Bursa Depository or its nominee shall be issued in the name of, and delivered to Bursa Depository or its nominee and no share certificate will be issued to the Depositor. A Depositor shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

2.2 PURPOSES OF THE IPO

The purposes of the IPO are as follows:-

- (i) To enable our Group to gain recognition and enhance our profile through a listing status and further augment our corporate reputation;
- (ii) To further enhance the financial position of our Group and to enable us to gain access to the capital markets to raise funds for our future expansion, diversification and the overall continued growth of our Group;
- (iii) To provide an opportunity for Malaysian investors and institutions to participate in our equity and continuing growth; and
- (iv) To facilitate the listing and quotation of our entire enlarged issued and paid-up share capital on Bursa Securities.

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2. PARTICULARS OF THE IPO (Cont'd)

2.3 DETAILS OF THE IPO

We (for ourselves and on behalf of the Offeror) will undertake the Public Issue and Offer For Sale in conjunction with, and as an integral part of our Listing, as follows:-

(i) Public Issue

The Public Issue of 90,000,000 Public Issue Shares, representing 15.0% of our enlarged issued share capital, is offered at the IPO Price, payable in full on application upon the terms and conditions as set out in this Prospectus, and will be allocated and allotted in the following manner:-

(a) Malaysian Public via balloting

30,000,000 Public Issue Shares, representing 5.0% of our enlarged issued share capital, to be allocated via balloting, will be made available for application by the Malaysian Public ("**Balloting Portion**"); and

(b) Selected investors via placement

60,000,000 Public Issue Shares, representing 10.0% of our enlarged issued share capital, by way of private placement to selected investors ("**Placement Portion**").

The Public Issue will increase our total number of issued shares from 510,000,000 Shares to 600,000,000 Shares.

All new Shares issued pursuant to the Public Issue shall, when allotted, issued and fully paid up on the terms of this Prospectus, rank *pari passu* in all respects with our existing issued and paid-up Shares, except that the Public Issue Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of issue and allotment of the Public Issue Shares.

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2. PARTICULARS OF THE IPO (Cont'd)

(ii) Offer For Sale

Concurrent with the Public Issue, the Offeror will offer for sale up to 60,000,000 Shares, representing up to 10.0% of our enlarged issued and paid-up share capital at the IPO Price, payable in full on application upon such terms and conditions as set out in this Prospectus.

Details of the Offeror are set out below:-

Offeror	Address	Relationship with Our Group	Shareholdings before the IPO ⁽¹⁾		Offer Shares (up to)		Shareholdings after the IPO ⁽²⁾	
			Direct	Indirect	No. of Shares	% Before IPO ⁽¹⁾	Direct	Indirect
CAP-BVI	263 Main Street, Road Town, Tortola, BVI	Promoter and substantial Shareholder	386,250,000	-	60,000,000	11.8	(3)326,250,000	-
			75.7	-		10.0	54.4	-

Notes:-

- (1) Based on our issued and paid-up share capital of 510,000,000 Shares before the Public Issue
(2) Based on our enlarged issued and paid-up share capital of 600,000,000 Shares after the Public Issue
(3) Assuming that up to 60,000,000 Shares under the Offer For Sale are fully placed out

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2. PARTICULARS OF THE IPO (Cont'd)

All the 30,000,000 Public Issue Shares available in the Balloting Portion under Section 2.3(i)(a) of this Prospectus have been fully underwritten.

The 60,000,000 Public Issue Shares in the Placement Portion under Section 2.3(i)(b) of this Prospectus are not underwritten as irrevocable undertakings have been obtained from selected investors to take up the Public Issue Shares available under the Placement Portion.

There is no minimum subscription amount to be raised from the IPO.

2.4 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price was determined after taking into consideration, amongst others, the following factors:-

- (i) our Group's operating and financial history and position as outlined in Section 4.1 and Section 10.1 respectively of this Prospectus;
- (ii) our competitive strengths as listed in Section 4.2 of this Prospectus;
- (iii) our future plans and strategies as set out in Section 4.15 of this Prospectus;
- (iv) our proforma EPS of RM0.10 for FYE 2011, based on our enlarged issued and paid-up share capital of 600,000,000 Shares upon Listing; and
- (v) our proforma consolidated NA as at 30 September 2012 of RM0.38 per Share, based on our enlarged issued and paid-up share capital of 600,000,000 Shares upon Listing.

However, you should note that the market price of our Shares upon listing on Bursa Securities is subject to the vagaries of market forces and other uncertainties, which may affect the price of the Shares being traded.

You should bear in mind the risk factors as set out in Section 3 of this Prospectus and form your own views on the valuation of the IPO Shares and the reasonableness of the bases used before deciding to invest in our Shares.

2.5 DILUTION

Dilution is the amount by which the IPO Price to be paid by the applicants for our Shares under the IPO exceeds our proforma consolidated NA per Share after the IPO. The proforma consolidated NA per Share as at 30 September 2012 based on the issued and paid-up share capital of 510,000,000 Shares before the IPO is RM0.33.

Pursuant to the Public Issue of 90,000,000 new Shares at the IPO Price of RM0.68 per Share and after adjusting for the effects of the utilisation of proceeds, the proforma consolidated NA of our Group as at 30 September 2012 would increase to RM0.38 per Share based on the enlarged issued and paid-up capital of 600,000,000 Shares after the IPO. This represents an immediate increase in adjusted NA of RM0.05 per Share to our existing Shareholders and dilution in NA of RM0.30 per Share to new investors, representing 44.1% dilution to our new investors.

2. PARTICULARS OF THE IPO (Cont'd)

The following table illustrates such dilution on a per Share basis:-

	RM
IPO Price	0.68
Proforma consolidated NA per Share as at 30 September 2012	0.33
Increase in proforma consolidated NA per Share contributed by new investors	0.05
Proforma consolidated NA per Share after the IPO	0.38
Dilution in NA per Share to new investors	0.30

2.6 PRE-IPO COST PER SHARE

The following table shows the comparison between the IPO Price and the average price per Share to Directors, substantial Shareholders and Pre-IPO Investors, of the Shares acquired by them in transactions during the past three (3) years, or which they have the right to acquire, save for the Public Issue Shares which are all issued / offered at the IPO Price:-

	Number of Shares	Total consideration		Average price per Share
		US\$	(RM) ⁽¹⁾	(RM)
CAP-BVI	⁽²⁾ 386,250,000	⁽²⁾ 41,843,932	⁽²⁾ 132,582,500	⁽²⁾ 0.343
GuoTai	⁽³⁾ 63,750,000	-	⁽³⁾ 10,000,000	⁽³⁾ 0.157
Wisdom Delight Limited	9,100,000	-	3,033,333	0.333
Xiangfeng International Holdings Limited	25,450,000	-	8,483,333	0.333
Huateng International Holdings Limited	25,450,000	-	8,483,333	0.333
New investors				
- Public Issue	90,000,000	-	61,200,000	0.68
- Offer For Sale (Up to)	60,000,000	-	40,800,000	0.68

Notes:-

- (1) Based on the closing exchange rate of US\$1: RM3.1685 as at 31 December 2011, as set out in Paragraph 1.1 of the proforma consolidated financial information in Section 10.7 of this Prospectus.
- (2) Calculated based on:-
 - 10 initial Shares issued at US\$0.10 each upon incorporation;
 - 449,999,999 Shares issued in satisfaction of the consideration for the acquisition of CAP-HK by CAP-Bermuda amounting to US\$44,999,999;
 - 33,750,000 Shares received by GuoTai from Ong Juan Tee; and
 - 30,000,000 Shares sold to GuoTai for a consideration of RM10.0 million.
- (3) Out of the 63,750,000 Shares held by GuoTai, 33,750,000 Shares were received by GuoTai from Ong Juan Tee on 25 April 2012. This Shares received by GuoTai was dealt with as an equity-settled share-based payment in accordance with IFRS 2 Share-based Payment. The fair value of the shares is estimated at RM0.333 per share (or equivalent to RMB0.6615 based on the closing exchange rate of RMB1:RM0.5034 as at 31 December 2011) based on the value of shares acquired by the Pre-IPO Investors.

Further, on 12 June 2012, GuoTai acquired 30,000,000 Shares from CAP-BVI for a purchase consideration of RM10.0 million, representing an average price of RM0.333 per Share.

Please refer to Section 7.2 for details on the moratorium on the Shares held by the Promoters and the Pre-IPO investors.

2. PARTICULARS OF THE IPO (Cont'd)

2.7 UTILISATION OF PROCEEDS

The Public Issue is expected to raise gross proceeds of RM61.2 million, which we intend to utilise in the following manner:-

	Estimated timeframe for utilisation upon Listing	Amount RM'000
(i) Expand production centre	within 15 months	25,000
(ii) Increase production capacity	within 18 months	6,100
(iii) Marketing and branding	within 12 months	6,000
(iv) Estimated listing expenses	Immediate	7,200
(v) Working capital	On-going	16,900
		61,200

2.7.1 Expand production centre

We intend to utilise RM25.0 million of the Public Issue proceeds to part finance the construction of the second phase of our production centre, which will include:-

- (a) the construction of an additional four (4) floors on the existing warehouse / packaging building (which presently has one (1) floor), and the conversion of the existing first level (measuring approximately 750sqm) into production space.

The second level (measuring approximately 833sqm) is intended to accommodate testing equipment, while the third to fifth level (measuring approximately 833sqm each) is intended for production.

- (b) the construction of an additional six (6) floors on our main warehouse (which presently has three (3) floors), as well as an additional five (5) floors on top of our existing office building (which presently has four (4) floors).

Our main warehouse and office building are attached – we intend to add another three (3) floors (measuring approximately 466sqm each) of office space (on the fifth to seventh levels), whilst the entire eighth to ninth levels will be used as warehouse.

The fourth to seventh level of our warehouse will measure approximately 1,398sqm each; the eighth and ninth floor will measure approximately 1,864sqm each.

We intend to commence the above by mid-2013, with completion expected by first quarter of 2014. The total funds expected to be required for completion of the second phase of our production centre is approximately RMB58.0 million (approximately RM29.2 million), the remainder of which we intend to fund via internally-generated funds and/or borrowings. The construction cost was estimated based on the total area to be expanded for the warehouse, office and production together with the prevailing market costs for building and renovation, which were obtained via inquiries with several contractors. Please refer to Section 4.15 of this Prospectus for further details.

2. PARTICULARS OF THE IPO (Cont'd)

Level			Level	
5	833 sqm	Production area	9	1,864 sqm
4	833 sqm	Production area	8	1,864 sqm
3	833 sqm	Production area	7	1,398 sqm
2	833 sqm	Testing equipment and R&D	6	1,398 sqm
1	Existing storage area (750 sqm)	Convert to production	5	1,398 sqm
			4	1,398 sqm
			3	Existing Warehouse
			2	Existing Office
			1	

2.7.2 Increase production capacity

We intend to utilise RM6.1 million of the Public Issue proceeds to acquire machinery and equipment to increase our capacity for the production of u-bolts, wheel axles and steel pins.

We intend to commence the installation of the aforementioned machinery and equipment after the completion of the second phase expansion of our production centre. The planned increase in our installed production capacity is anticipated to be completed by mid 2014. With the installation of these machineries, we expect our production capacity to increase to approximately 88,000 tonnes of steel per annum. For information purposes, our production capacity for FYE 2012 is 58,000 tonnes.

Details of the earmarked machinery and equipment are as follows:-

Name	Unit	Estimated cost RMB'000	Estimated cost (⁽¹⁾)RM'000
Lathe	2	1,200	604
High precision CNC machine	2	760	383
Hydraulic press	4	800	403
Moulding machine	2	960	483
Mould processing workstation	1	450	227
Belt furnace	2	900	453
Straightening machine	2	300	151
Other ancillary equipments	131	6,692	3,369
Total	146	12,062	6,072

Note:-

(1) The RM amounts in the table above have been translated based on the closing exchange rate of RMB1:RM0.5034 as at 31 December 2011.

2.7.3 Marketing and branding

We intend to utilise RM6.0 million of the Public Issue proceeds to embark on a marketing and branding campaign primarily within China, by way of:-

- advertisements and branding promotions (banners etc.) including print media (trade publications and industry-specific magazines etc.), the internet, billboards, and promotional material (posters, brochures, souvenirs etc.), estimated to be approximately RM4.8 million; and
- increasing marketing activities (trade fair presence and business development), market research and visits as well as sub-distributor / retailer / end-user relationship building, estimated to be approximately RM1.2 million.

2. PARTICULARS OF THE IPO (Cont'd)

Our marketing and branding campaign is intended to work hand in hand with our plan to strengthen our existing distribution network, in order for us to expand our distribution to include new provinces such as Inner Mongolia, Ningxia, Gansu and Xinjiang.

The Public Issue proceeds allocated for our campaign is expected to fund our marketing and branding initiatives, which are on-going endeavours to expand our market and proprietary brand presence. We intend to continue to fund such activities via internally-generated funds and/or borrowings, after we have completed the utilisation of Public Issue proceeds allocated for this purpose.

2.7.4 Estimated listing expenses

The estimated expenses for our Listing are as follows:-

Estimated listing expenses	Amount RM'000
Fees to authorities	215
Professional fees ⁽¹⁾	4,220
Underwriting and brokerage fees	2,025
Printing, advertising and other expenses in relation to Listing	500
Miscellaneous	240
Total	7,200

Note:-

(1) Includes fees for the Principal Adviser, Reporting Accountants, Solicitors, Independent Market Research Consultants and other professional advisors, as well as the Issuing House.

We will bear all expenses and fees incidental to our Listing, including professional fees, underwriting and selling commission, brokerage, placement fees, authorities' fees, advertising and other fees.

The Offeror will bear all expenses relating to the Offer For Sale.

If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.

2.7.5 Working capital

Our requirement for working capital will increase in tandem with growth in the scale of our production output, hence we intend to utilise RM16.9 million of the Public Issue proceeds as additional working capital to finance our day-to-day operations, including the purchase of raw material, defrayment of operational expenses, payment to creditors, payment of salaries and/or expansion of workforce. Our Group intends to utilise the proceeds to be allocated for working capital purposes in the following manner:-

	Amount RM'000
Purchase of raw material	4,350
Defrayment of operational expenses	3,850
Payment to creditors	4,350
Payment of salaries and/or expansion of workforce	4,350
Total	16,900

2. PARTICULARS OF THE IPO (Cont'd)

2.8 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

Our utilisation of the proceeds from the IPO is expected to have the following positive financial impact on our Group:-

(i) Enhancement of available working capital

We will utilise RM16.9 million of the IPO proceeds for our working capital requirements, which includes the purchase of raw material, defrayment of operational expenses, payment to creditors, payment of salaries and/or expansion of workforce. Our cash and cash equivalents balance will be increased to approximately RM157.6 million upon Listing. This will allow us the flexibility to internally fund our daily operational activities and to pursue acquisition, investment and/or joint venture opportunities.

(ii) Enhancement of our corporate reputation as well as our proprietary brands

The proceeds raised will enable us to increase our branding and marketing initiatives through an increase in advertising and promotional activities, such as an increase in the number of advertisements placed in target media, an increase in the amount of exposure of our brands and a greater presence at international and local trade fairs and exhibitions. We expect these initiatives to generate greater recognition of our products and proprietary brands, providing us with a platform to further expand our business and improve our financial performance.

(iii) Increased production capacity and improved production efficiency

Part of our proceeds is intended to be allocated towards the expansion of our production floor space and capacity. Once our expansion is completed, we expect our increased production capacity to contribute positively to our financial performance.

2.9 UNDERWRITING COMMISSION, PLACEMENT FEE AND BROKERAGE

We will pay the Joint Underwriters an underwriting commission at the rate of 3.5% of the value of the total underwritten 30,000,000 Public Issue Shares under Section 2.3(i)(a) of this Prospectus (being the number of underwritten Public Issue Shares multiplied by the IPO Price).

We will pay the Joint Placement Agents a placement fee at the rate of 3.5% of the value of the total of 60,000,000 Public Issue Shares reserved for private placement under Section 2.3(i)(b) of this Prospectus (being the number of Public Issue Shares reserved for private placement multiplied by the IPO Price) to be placed out successfully by our Joint Placement Agents.

We will pay the brokerage to be incurred on the sale of the 30,000,000 Public Issue Shares under Section 2.3(i)(a) at the rate of 1.0% of the IPO Price per Share in respect of successful applications that bear the stamp of member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

The Offeror will pay the placement fee to be incurred on the sale of up to 60,000,000 Offer Shares under Section 2.3(ii) of this Prospectus at the rate of 3.0% of the IPO Price per Share.

2. PARTICULARS OF THE IPO (Cont'd)

2.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The salient clauses of the Underwriting Agreement, which may allow the Managing Underwriter and Joint Underwriters to withdraw from their obligations under the Underwriting Agreement after the IPO, as extracted from the Underwriting Agreement, are set out below.

Unless otherwise stated, all capitalised terms herein shall bear the same meanings as prescribed in the Underwriting Agreement.

“(i) Conditions Precedent

Unless waived in writing by the Joint Underwriters (in which case any condition precedent or any part thereof so waived shall be deemed to have been satisfied), the obligations of the Joint Underwriters under this Agreement shall be conditional upon the following:-

- (a) this Agreement having been duly executed by all the parties hereto and duly stamped;*
- (b) the issue of the Public Issue Shares having been approved by the SC and BMA or any other relevant authority and the shareholders of the Company in a general meeting;*
- (c) the listing and quotation of the Public Issue Shares / issued and paid up capital of the Company on the Main Market of Bursa Securities having been unconditionally approved-in-principle by Bursa Securities or subject only to conditions which are acceptable to the Managing Underwriter and Joint Underwriters and such approval is not withdrawn and the Managing Underwriter and Joint Underwriters being reasonably satisfied that such listing and quotation shall be granted within two (2) clear Market Days after an application for quotation is made to Bursa Securities;*
- (d) the Prospectus being in form and substance satisfactory to the Managing Underwriter and Joint Underwriters;*
- (e) the Prospectus having been registered with the SC and lodged with the CCM within two (2) months from the date of this Agreement (“Issue Date”), or within such other period as the parties may mutually agree;*
- (f) there shall not have occurred, on or prior to the Closing Date, in the opinion of the Joint Underwriters (whose opinion is final and binding) any material adverse change or any development reasonably likely to involve a prospective material adverse change in the condition (financial or otherwise) of the Group from that existing as at the date of this Agreement which is material in the context of the Public Issue or the occurrence of any event rendering untrue, inaccurate or incorrect in any material respect any of the representations or warranties contained in Clause 5(1) hereof;*
- (g) there shall not have occurred, on or prior to the Closing Date, any breach of and/or failure to perform any of the undertakings contained in Clause 5(1) hereof;*
- (h) the Managing Underwriter and Joint Underwriters having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 19 hereof;*
- (i) the Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia, Bermuda, Hong Kong and/or the PRC;*

2. PARTICULARS OF THE IPO (Cont'd)

- (j) *the delivery of the following documents to the Managing Underwriter and Joint Underwriters on or before the Closing Date:-*
 - (i) *such reports and confirmations dated the Closing Date from the Board of Directors of the Company as the Managing Underwriter and Joint Underwriters may reasonably require to confirm that there has not been any material adverse change or any development reasonably likely to involve a prospective material adverse change in the condition (financial or otherwise) of the Group from that existing as at the date of this Agreement which is material in the context of the Public Issue and the listing and quotation of the Public Issue Shares and/or the Underwritten Shares; and*
 - (ii) *a certificate, in the form or substantially in the form contained in the Third Schedule hereto, dated the Closing Date signed by a duly authorised officer of the Company on the letterhead of the Company stating that, to the best of his knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 4(1)(j)(i) above;*
- (k) *the Managing Underwriter and Joint Underwriters receiving a copy duly certified by a director or secretary of the Company to be a true copy of a resolution of the Board of Directors of the Company approving the Listing Exercise, the issuance of Prospectus and the execution of this Agreement and the transactions contemplated by it, the issue and offer of the Public Issue Shares and authorising a person or persons to sign this Agreement on behalf of the Company;*
- (l) *the Prospectus having been issued within two (2) months of the date hereof or within such extended period as may be consented to by the Managing Underwriter and Joint Underwriters;*
- (m) *the Managing Underwriter and Joint Underwriters having been satisfied that the Company has in relation to the issue and offer of the Shares complied with and is in compliance with all policies, guidelines and requirements of the relevant authorities of Malaysia and any other jurisdiction within which such Shares are offered and all revisions; amendments and/or supplements thereto and have complied with all conditions imposed by the relevant authorities of Malaysia in respect of their approvals for the Public Issue Shares;*
- (n) *Nothing has come to the knowledge of the Managing Underwriter and/or Joint Underwriters, up to the Closing Date, which shall prevent, impede or prohibit the Listing Exercise including but not limited to occurrence of such events which shall invalidate or nullify any approvals, consents from relevant authorities pertaining to the Listing Exercise;*
- (o) *M&A Securities Sdn Bhd having been appointed as one of the Joint Placement Agents under the terms as set out in the engagement letter dated 24 December 2012 of M&A Securities Sdn Bhd; and*
- (p) *Receipt of placement proceeds totalling RM20,400,000.00, being proceeds for the placement of 30,000,000 Public Issue Shares by either of the Joint Placement Agent within 2 weeks from the date of this Agreement.*

2. PARTICULARS OF THE IPO (Cont'd)

(ii) Termination

- (1) *Subject to Clause 14(2) below but notwithstanding any other provision herein contained, the Managing Underwriter or any Joint Underwriter may by notice in writing to the Company given at any time before the completion of the Listing Exercise, terminate and cancel and withdraw the commitment of such Joint Underwriter to underwrite the Underwritten Shares if:-*
 - (a) *any of the Conditions Precedent set out in Clause 4 hereof are not duly satisfied by the Closing Date; or*
 - (b) *there is any material breach by the Company of any of the representations, warranties or undertakings contained in Clause 5(1) hereof, which is not capable of remedy or, if capable of remedy, is not remedied to the reasonable satisfaction of such Joint Underwriter within ten (10) Market Days from the date the Company is notified by such Joint Underwriter of such breach; or*
 - (c) *there is failure on the part of the Company to perform in any material respect any of its obligations herein contained; or*
 - (d) *there is withholding of material information by the Company which, in the reasonable opinion of such Joint Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Public Issue Shares; or*
 - (e) *the approval of the SC and BMA in respect of the Listing Exercise or the approval-in-principle of Bursa Securities for the listing and quotation of its entire issued and paid-up share capital on the Main Market of Bursa Securities is withdrawn; or*
 - (f) *there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or*
 - (g) *a petition is presented or an order is made or a resolution is passed for the winding up of the Company; or*
 - (h) *an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of the Company; or*
 - (i) *the Company or its subsidiaries becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as they fall due or enters into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors; or*
 - (j) *the Company or its subsidiaries ceases or threatens to cease to carry on the whole or any substantial part of its business; or*
 - (k) *there shall have occurred, or happened any of the following circumstances:-*
 - (i) *any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rates (including but not limited*

2. PARTICULARS OF THE IPO (Cont'd)

to conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing; or

- (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter or such Joint Underwriter (including without limitation, acts of God, national disorder, declaration of a state of national emergency, pandemics, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which, would have or can reasonably be expected to have, in the reasonable opinion of the Managing Underwriter or such Joint Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Public Issue, or the distribution or sale of the Public Issue Shares, or which has or is reasonably likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

- (2) In the event that this Agreement is terminated pursuant to Clause 14(1)(f) or Clause 14(1)(k), the Managing Underwriter, the Joint Underwriters and the Company may confer with a view to deferring the Public Issue by amending its terms or the terms of this Agreement and may enter into a new underwriting agreement accordingly, but neither the Managing Underwriter, the Joint Underwriters nor the Company shall be under any obligation to enter into a fresh agreement.

(iii) **Force majeure**

- (1) Notwithstanding anything herein contained, the Managing Underwriter and/or Joint Underwriters may in their reasonable opinion at any time before the completion of the Listing Exercise, by notice in writing delivered to the Company, terminate the obligations of the Managing Underwriter and/or Joint Underwriters under this Agreement and/or request for the Closing Date to be extended to such reasonable date as the Managing Underwriter and Joint Underwriters may decide, upon the occurrence of the following events:-

- (a) changes in national or international monetary, financial, political, economic or stock market conditions or exchange control or currency exchange rates or interest rates or otherwise as would in the reasonable opinion of the Managing Underwriter and Joint Underwriters prejudice materially and adversely the success of the Public Issue and the listing and quotation of the Public Issue Shares;
- (b) national disorder, outbreak of war, armed conflict or serious threat of the same, hostilities, embargo, detention, revolution, riot, looting, labour disputes, any unavailability of transportation or severe economic dislocation, outbreak of disease, declaration of pandemic, tsunami, respiratory virus, Act of God or the declaration of a state of national emergency;
- (c) material changes in law, regulation, directive, policy or ruling in any jurisdiction which may seriously affect the business of the Group;

2. PARTICULARS OF THE IPO (Cont'd)

(d) *the FTSE Bursa Malaysia KLCI Index ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day:*

(i) *on or after the date of this Agreement; and*

(ii) *prior to the allotment of the Public Issue Shares,*

lower than ninety percent (90%) of the level of the Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to such date and remains at or below that level for at least three (3) Market Days; or

(e) *the imposition of any moratorium, suspension, or material restriction on trading in all securities generally on Bursa Securities for three (3) Market Days;*

and thereupon the parties shall be released and discharged from their respective obligations hereunder, except for the liability of the Company in the payment of costs and expenses referred to in Clauses 19(1), 19(2), 19(3)(a) and 19(4) above incurred prior to or in connection with such termination.

(2) *In the event of a delivery of a request for the Closing Date to be extended by the Managing Underwriter and Joint Underwriters to the Company, the Company shall consent to such request for the extension of the Closing Date.*

(3) *The delivery of a request under Clause 36(2) shall not preclude the Managing Underwriter and/or Joint Underwriters from giving a further request for the extension of the Closing Date or from giving a notice to terminate pursuant to Clause 36(1)."*

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3. RISK FACTORS

In evaluating an investment in the IPO Shares, you should carefully consider all the information contained in this Prospectus, including but not limited to the following general and specific risk factors.

3.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

(i) Dependence on our distribution partners

Our domestic authorised distributors are each responsible for managing their respective coverage areas for the distribution of our products within China, whilst our trading house customers act as intermediaries for export-designated consignments. Thus, our ability to retain reliable and competent distribution partners (in addition to identifying and attaining capable new distribution partners) is crucial to the sustained growth of our business. Please refer to Section 4.9 of this Prospectus for further details on sales to our distribution partners from FYE 2009 to FPE 2012.

Whilst we presently have 19 authorised distributors across China, and eight (8) trading house customers, the cessation of any of our customer relationships will represent a loss of a specific coverage area and end-user customer base. We may not be able to swiftly rebuild our distribution network in such coverage areas, or may not be able to quickly identify and enter into suitable distribution partnerships in such areas. This may result in the loss of market share.

In order to mitigate the abovementioned risk, we enter into standard distribution agreements with our authorised distributors, where we authorise our distributors to sell our products over a particular geographical area within a specified period of usually one (1) year. We have the right to terminate the distribution agreement if the distributor is found to be selling our products outside the area designated in the distribution agreement.

No formal long-term agreement is entered between our Group and any trading house. However, a purchase agreement will be entered between both parties whenever an order has been placed by the trading house. Details of the purchase agreement vary depending on, amongst others, size of order, product specifications, pricing as well as delivery date. As such, different arrangements are made under different circumstances.

Although we have not encountered any request for cessation of relationships by our customers, and most of our customers have relationships with us spanning five (5) years or more, there can be no assurance that our synergistic relationships with our customers will continue indefinitely in the future.

In the event our customers cease or significantly reduce purchases of our products and we are unable to rapidly rebuild alternative and replacement sales and distribution channels, our financial performance may be adversely affected.

(ii) Brand infringements

We have registered our 'PL', 'LIDUN' and 'SUOLI' trademarks in China, details of which together with our other intellectual properties are set out in Section 4.12 of this Prospectus. Sales of our products depend in part on increasing recognition of our proprietary trademarks and our ability to protect our brand equity from third party counterfeiting.

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3. RISK FACTORS (Cont'd)

Although we have registered or applied for the registration of our trademarks, and have joined the China Association For Quality Inspection's Digital Security And Logistics Management Services System, which allows us to attach authenticable labels on our branded products for protection against counterfeiting, it may still be possible for third parties to unlawfully pass-off their products as our products.

Currently, our trademarks are only registered in the PRC and hence do not enjoy protection in other jurisdictions. However, we endeavour to register our trademarks in Hong Kong in tandem with the increasing recognition of our trademarks.

Our financial performance may be adversely affected if we are unable to enforce our intellectual property rights effectively. In the event that third parties unlawfully pass-off their products as our products or counterfeit our products, we may face considerable difficulties and costly litigation in enforcing our intellectual property rights. If we are unable to effectively protect our intellectual property rights in such circumstances, our brand equity will be compromised, which will adversely impact our financial performance.

As at LPD, we are not aware of any violation of our intellectual property rights. However, there can be no assurance that our intellectual property rights will not be infringed upon, and that measures taken by us to protect our trademark will be adequate to prevent brand infringement, product imitation and counterfeiting by others.

(iii) Losses due to product liability claims or product recall

Our business nature exposes us to the risk of product liability claims due to product defects. A substantial claim or a substantial number of claims relating to our products could have an adverse impact on our business operations, financial performance and financial position.

If our products prove to be defective and result in losses to our customers, we may be liable to product liability claims under the law of the PRC or other jurisdictions in which our products are sold or used. In line with general industry practice, we have not obtained insurance coverage for product liability or implemented any other protection scheme. Without having product liability insurance or any other protection scheme, we may have to incur significant time and legal costs to defend lawsuits or pay a substantial amount of damages if we are unsuccessful in defending lawsuits. Further, any such claims could result in negative publicity of our products and adversely affect our customer relationships.

Although we may be able to recover part of the damages by claims against our suppliers when a product defect is caused by materials supplied by our suppliers, there is no assurance for any of such recovery.

As at LPD, there has neither been any product liability claim made against us nor has there been any product recall due to defective products. However, there can be no assurance that we will not face any product liability claims in the future and that such claim will not have an adverse impact on our Group's branding and financial performance.

(iv) Dependence on Executive Directors and senior management

Being in a specialised industry, we believe that our continued success will depend, to a significant extent, on the abilities and continued efforts of our senior management, which includes our Executive Directors.

3. RISK FACTORS (Cont'd)

Our success to date has been largely due to the collective contribution of our senior management team under the leadership of our Managing Director, Terry Li. Our senior management team has collectively contributed to the strategic decision-making that has driven our development and growth, and will continue to propel the future expansion of our Group. The credentials and list of our Executive Directors and senior management are set out in Section 6 of this Prospectus.

Therefore, our continued success is dependent, to a large extent, on our ability to attract and retain the services of our Executive Directors and members of our senior management team. Any loss of the services of any our Executive Directors and members of our senior management team without suitable and timely replacements may limit our competitiveness and hence will affect our business operations and growth prospects.

(v) Operational risks

Various operational risks such as accidents / fire breakout / extraordinary events / machinery breakdowns / power disruption, the occurrence of which are sudden and unexpected, may affect our business operations.

Accident / fire breakout / extraordinary events

We seek to limit the risks and consequences relating to industrial accidents and fire breakout through the implementation of the following plans and risk-management practices:-

- (a) our production personnel are trained and monitored to execute each of our production processes according to set procedures, which are intended to minimise the possibilities of accidents and injuries;
- (b) our facilities are equipped with fire extinguishers. Employees are trained on the use of these equipments, the proper fire-fighting techniques and procedures, and evacuation drills; and
- (c) we ensure that our facilities and warehouses meet all safety requirements imposed by the relevant authorities. We have also improved and enhanced our health and safety system by conducting in-house training and briefings on safety requirements and the proper use of our machineries for new employees. Production supervisors are required to monitor and ensure that all employees comply with these policies.

We have also taken up insurance covering our properties, warehouses, production facilities and equipment as well as inventory. However, there is no assurance that this coverage is sufficient to offset the potential liabilities and financial losses relating to our operations. In the event that the amounts of such liabilities and losses exceed the insurance coverage of our policies, we may have to bear such liabilities and losses ourselves.

There are also other risks such as natural disasters, riots, general strikes, acts of terrorism and other risks that cannot reasonably be insured against, which may adversely affect our operations. A major disruption to our production facilities such as the foregoing could have a material adverse effect on our business operations, financial performance and financial position. We have not encountered any accidents, fire breakouts or extraordinary events since our commencement of operations up to LPD.

3. RISK FACTORS (Cont'd)

Machinery breakdown / power disruptions

Our production team possesses a comprehensive understanding of our machinery workings, which enable them to monitor and regularly maintain our production machinery, as well as the expertise to resolve and repair machinery breakdowns.

In addition, they are also able to communicate expediently with our machinery suppliers in the event of breakdowns that require specialised parts or major part replacements; or during troubleshooting in the event of machineries failing to operate at maximum / achieve peak expectancies. Furthermore, in the event of a single machinery breakdown, we are capable of re-organising parts of our processes to be accomplished using our other in-house machineries.

In order to cope with power failure contingencies, we maintain an in-house backup power supply via diesel generation, to ensure that we are not materially affected in the event of a disruption in power supply.

Although we have not been materially affected by major machinery and equipment breakdowns or material interruptions in our electricity stream as at LPD, there is no assurance that our business operations and financial performance will not be adversely affected by such circumstances, especially in view of our planned production capacity increases moving forward.

(vi) **Availability of funds to sustain operations and growth**

Although we have been financing our operations mainly from internally-generated funds, there is no assurance that we will be able to sustain our operations and continued growth via internal resources. In the event there are insufficient internal resources and we are unable to obtain loans or other credit facilities, we may not be able to successfully implement our business and operational strategies.

Notwithstanding the above, our Listing will enable us to tap into the capital markets in the future to meet long-term funding requirements when the need arises. The effective use of capital may result in relatively cheaper sources of funds as compared to loans and/or credit facilities. Nonetheless, there is no assurance that our performance and prospects will not be materially affected by any difficulties we may face in sourcing for funds, which may affect the timely implementation of our operational and strategic plans.

3.2 RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

(i) **Price fluctuation and availability of steel**

The primary raw material used in our manufacturing is steel, which accounted for 53.3%, 55.4%, 60.8% and 60.5% of our total cost of sales for FYE 2009, FYE 2010, FYE 2011 and FPE 2012 respectively. The price of steel we procure is dependent on the demand and supply conditions of steel in the PRC market, and steel is a commodity commonly traded in the global market.

The increase or decrease in the price of steel is affected by various factors beyond our control, which amongst others, include the general state of the global economy, the level of industrial development worldwide, competition, industrial productivity levels, imposition of import duties / levies and foreign currency fluctuations. An increase in the prices of steel will increase our cost of sales as well as our carrying cost for maintaining inventories. As such, it may have an adverse impact on our financial performance.

3. RISK FACTORS (Cont'd)

As China produces the most steel in the world, we believe that the increase in the price of steel does not only affect us but the industry and country or even the world as a whole and the price increase is commonly passed on to customers. Immediately upon finalisation of confirmed product orders, we place our orders for steel by locking in the quotes obtained earlier from the suppliers according to the required quantities of each product batch. As such, we minimise our risk of being adversely affected by steel price fluctuation by including reasonable price escalation into our quotes to clients for each product batch. As at LPD, our production operation has not been disrupted due to fluctuations in steel prices.

We also depend upon reliable sources of steel for our production processes. If our major suppliers are unable to fulfil our supply requirements, it may result in our inability to operate production facilities at full capacity or if the shortage is severe, it may interrupt our business operations. Further, any delay or disruption in delivery schedules of our purchase orders may affect our operations temporarily.

We procure our steel supply from various suppliers and, as such, there is no over-dependence on any single supplier. We have not faced any difficulties in obtaining our raw materials which led to any adverse effect on our production operation or financial position. We believe that there will not be any difficulties in procuring steel as we source our steel from several suppliers, which we select based on their dependability and reliability. Further, we generally have stockpile of approximately ten (10) days supply of steel in our warehouses as our suppliers are usually able to deliver on the same day from the date of order. As the supply of steel is often readily available in PRC, we have not encountered any significant difficulties in procuring steel nor have we experienced shortage in supply of steel.

In our effort to minimise the effect of steel shortage on us, our Group constantly monitors our steel inventory to ensure that we have sufficient steel at any point in time for production. Further, we have also established long term relationship with our suppliers since the commencement of our operations, namely JinJiang YuFu Group Co., Ltd, Xiamen MinXingDa Trading Development Co., Ltd, Fujian Jinjiang JiaLian Constructions Trading Co., Ltd and Fujian JianXin Steel Co., Ltd. Nonetheless, there is no assurance that we will be able to continually source steel at competitive prices or that an increase in the price of steel will not have a material adverse effect on our business or future earnings of our Group. Please refer to Section 4.5.3 in this Prospectus for more information on our raw materials.

(ii) Competition

The automotive-parts industry is relatively competitive with increasing industry players in China. Our Group has experienced and expects to continue to experience competition from other manufacturers - existing competitors and new entrants. Although competition may exist in the industry, the threat from new entrants is relatively low due to moderately high barriers to entry in terms of capital requirements and technical know-how. However, there can be no assurance that our Group is insulated from competition from existing or new licensed manufacturers.

We compete with other manufacturers as well as new entrants to the market on the basis of price, quality and brand recognition. Current or future competitors may offer products that are comparable or superior to our products at a lower price, which may result in a decline in our financial performance. In addition, we consider quality and branding to be essential to the appeal of our products. Should our competitors offer better quality products or better pricing, our sales may be adversely affected.

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3. RISK FACTORS (Cont'd)

We believe that our competitiveness is contributed by our endeavours to ensure reliability in delivering quality products, our drive for progression in production competencies, our established distribution network, our market reputation and brand equity, and our ability to achieve economies of scale, amongst others. Please refer to Section 4.2 of this Prospectus for further details on our competitive advantages.

Nevertheless, there is no assurance that our endeavours will result in our continuous ability to compete effectively against other industry players in the automotive component aftermarket segment for our product categories.

(iii) Dependence on demand for commercial automobiles

There is a direct correlation between demand for our products and the number of commercial automobiles in use. Commercial automobiles are used in the transport of goods and cargo for industry / mining / construction / agriculture / consumer goods etc., and demand for such commercial transport are contingent on the state of the economy in China and globally.

In the event of adverse economic conditions, which result in the reduction of commercial automobiles in use, demand for aftermarket replacement chassis components will be affected accordingly. Although annual unit sales of commercial automobiles in China has grown steadily in recent years (as illustrated in subsection 2, Section 5 of this Prospectus) due to the continued growth of China's economy, there is no assurance that such favourable conditions will continue indefinitely into the future. The decline in demand for commercial automobile would directly and adversely affect demand for our products and hence our financial performance.

3.3 RISKS RELATING TO OUR BUSINESS IN CHINA

(i) Changes to PRC's environmental laws and regulations

Pursuant to the Administrative Rules regarding Inspection and Acceptance of Environment Protection Facilities (建设项目竣工环境保护验收管理办法), entities in the PRC are required to pass through an inspection and acceptance procedure in respect of environmental protection facilities with local environmental protection authorities after completing construction.

Once an entity shifts to a new operational facility, such entity is required to prepare an environmental impact assessment report for the new operational facility and to apply for the Inspection and Acceptance of Environmental Protection Facilities from the local environmental protection authority. Upon the new operational facility being inspected and accepted by the local environmental protection authority, the entity can then apply for a new pollutant discharge permit. Kindly refer to Section 14.2.9 of this Prospectus for more details of PRC's environmental laws and regulations.

In 2011, FenSun shifted to its new production facility and was required to apply for a new pollutant discharge permit whereby it has to pass through the abovementioned procedures again before a new pollutant discharge permit may be granted. FenSun obtained the pollutant discharge permit on 18 May 2012, which certifies its compliance with the relevant laws and regulations concerning the disposal of wastes. For information purposes, FenSun has a valid pollutant discharge permit when it was operating in its previous production facilities. However, the pollutant discharge permit is no longer valid upon its relocation to its current production facilities.

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3. RISK FACTORS (Cont'd)

Notwithstanding the above, environmental laws and regulations in the PRC have historically been subject to frequent changes. We are unable to predict the future costs or other future effects of environmental laws and regulations on our operations. Any changes to the relevant PRC environmental laws and regulations may impose more stringent compliance requirements which require us to incur additional capital expenditure or costs in order to comply with such laws and regulations and hence may adversely affect our business operations and financial performance. Any failure to adequately restrict the discharge of wastes and/or hazardous substances could also subject us to liabilities in the future.

(ii) Uncertainty in the legal system of the PRC

The legal system in the PRC is based on the Constitution of China and is made up of written laws, regulations, circulars and directives. The Chinese government is still in the process of developing the country's legal system to meet the needs of investors and to encourage foreign investment. As the Chinese economy is undergoing development generally at a faster pace than their legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstance. Precedents on the interpretation, implementation and enforcement of PRC laws and regulations are currently limited and the decisions of the PRC courts do not bind the same in subsequent cases.

As a result, it may be difficult for us to predict the outcome of any disputes that we may be involved in the PRC. Even in cases where judgments are granted in our favour, we may be unable to enforce them if the party does not have the means to satisfy the judgment. In the event that we fail to obtain judgment or are unable to enforce judgments, we may not be able to recover the judgment debt, which we would have otherwise been entitled to. Accordingly, our business operations, financial performance and financial condition may be affected.

(iii) Changes in economic, political and social conditions of the PRC

Since 1978, China's government has undergone various reforms of their economic systems. Such reforms have resulted in economic growth in the PRC in the last three (3) decades. However, many of the reforms are unprecedented or experimental and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further adjustments to the reform measures. This refinement and adjustment process may consequently have a material impact on our business operations or may adversely affect our financial performance. Although the economy in the PRC has enjoyed relatively good growth in the past and is expected to continue to grow in the near future, there is no assurance that such growth will continue.

(iv) Increase in income tax or changes in income tax incentives of the PRC

In accordance with Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises (中华人民共和国外商投资企业和外国企业所得税法), together with its implementation rules which came into effect on 1 July 1994 (collectively, the "Income Tax Laws"), FenSun, which was established as a WFOE in the PRC on 27 September 2004, is exempted from the state corporate income tax for its first two (2) profitable calendar years of operations and is entitled to a 50.0% relief from the state corporate income tax for the following three (3) years (the "Tax Holiday"). In addition, the 3.0% local income tax may be fully exempted during the above specified five (5) years according to local regulations.

3. RISK FACTORS (Cont'd)

The New Income Tax Law was introduced according to which corporate income tax rate applicable to all PRC enterprises (including foreign invested enterprises) will be fixed at 25.0% effective as of 1 January 2008. However, under the New Income Tax Law, foreign investment enterprises which were incorporated prior to 16 March 2007 and were entitled to the Tax Holiday under the Income Tax Laws, would be entitled to continue to enjoy the income tax preferential policy until the expiry date stipulated by the Income Tax Laws and relevant regulations. For enterprises which have not enjoyed the above preferential treatment due to lack of profitability, such preferential period shall commence from FYE 2008.

The first profit-making year of FenSun commenced in FYE 31 December 2005. Accordingly, FenSun was exempted from the corporate income tax in FYE 31 December 2005 and 2006. For FYE 31 December 2007 to 2009, the income tax rate applicable to FenSun would be at a 50.0% reduction from the uniform income tax rate of 25.0%. Subsequent to FYE 31 December 2009, FenSun would be subjected to the uniform income tax rate of 25.0%.

In accordance with the Income Tax Laws and the New Income Tax Law, FenSun was / is subject to the income tax rates as below:-

FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012
12.5%	12.5%	12.5%	25.0%	25.0%	25.0%

If there is an increase in tax rates or changes in the income tax incentives we currently enjoy, we will incur higher income tax charges and this may adversely affect our financial performance and profitability.

(v) Restrictions on dividends / payments from our subsidiaries

SAFE regulates foreign exchange matters in the PRC, including the conversion of RMB into foreign currencies, and *vice versa*. RMB conversions are regulated by Regulations for Foreign Exchange Controls of PRC (中华人民共和国外汇管理条例) and other relevant foreign exchange regulations ("**Forex Laws**").

According to the Forex Laws, China-established FIEs are required to obtain Foreign Exchange Registration Certificates for FIE (外商投资企业外汇登记证) (the "**FIE Certificates**") from SAFE or its local counterpart, so that they can open and operate foreign (non-RMB) currency bank accounts for the payment of:-

- (a) recurring items from the current account, including the distribution of dividends and profits to foreign investors of FIEs subject to the presentation of board resolutions authorizing the distribution; and
- (b) capital items from the capital account, such as repatriation of capital, repayment of loan and for security investment.

Conversions in the current account can be effected freely whilst conversions in the capital account require approval from SAFE or its local counterpart.

As a FIE, FenSun has obtained and will continue to maintain its FIE Certificate. As such, FenSun is able to convert its RMB revenue into foreign currency and repatriate dividends and profits to our Hong Kong subsidiary, CAP-HK and ultimately to our Company and Shareholders.

Further, the funds raised could be repatriated and used in the PRC in the manner set out in Section 2.7 of this Prospectus. The use of such funds in the PRC has to be in accordance with the relevant PRC laws and regulations.

3. RISK FACTORS (Cont'd)

The Chinese government may impose further restrictions or requirements on the conversion of RMB by FenSun for repatriation as dividends to our Company outside the PRC; or our Company re-investing in the PRC. As FenSun generate all our revenue and these revenues are denominated in RMB, any future restrictions on currency exchanges may affect our ability to repatriate such revenues for the distribution of dividends to our Shareholders or for funding our other business activities outside the PRC. Further, any changes could affect our ability to utilise funds raised outside the PRC for use by FenSun.

(vi) Changes in laws / regulations in respect of currency conversion

The value of the RMB against foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments. The People's Bank of China ("PBOC") announced on 19 June 2010 that it would gradually relax the peg between the RMB and a basket of currencies (primarily the USD). This is the resumption of a policy the PBOC had initiated in mid 2005 and suspended in mid 2008.

An appreciation of the RMB will result in our products being more expensive to foreign end-users and may reduce the demand for our products. However, our Executive Directors are of the opinion that a gradual appreciation of the RMB will have minimal impact on our Group's revenue and profit margins derived from sales to trading houses as our Group is not operating on a price war strategy but by differentiation of our products in terms of quality and innovativeness.

Devaluation or depreciation of the RMB will affect the amount of dividends or other distributions received by our Shareholders as well as any foreign currency obligations we may have. A revaluation or an appreciation of the RMB on the other hand may affect the amount of funds that we receive in RMB from fund raising activities outside the PRC.

There can be no assurance that there will not be any material and/or volatile fluctuation in the RMB, the occurrence of which may affect our ability to compete, our financial position, the amount of dividends/distributions our Shareholder may receive, and the amount we may receive from fund raising activities outside the PRC. There is also no assurance that the RMB will not be subject to administrative or legislative intervention by the PRC government or adverse market movements.

(vii) Difficulty in enforcing Malaysian judgment against our Company, our Executive Directors and senior management

FenSun is incorporated in the PRC, and our main operations and assets are located in the PRC. In addition, all of our Executive Directors are non-residents of Malaysia, and substantially all the assets of these persons are located outside Malaysia. As a result, it could be difficult for investors to effect service of process if they wish to make a claim against our Company or our Executive Directors, or to enforce a judgment obtained in Malaysia against our Company and Executive Directors.

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3. RISK FACTORS (Cont'd)

(viii) **Non-renewal and revocation of permits and business licenses**

As a pre-requisite for carrying on our business in the PRC, we are required to obtain certain permits and business licences from various government authorities. Details of our permits, approvals and business licences are set out in Section 4.13. As at the date of this Prospectus, we have obtained all material permits, approvals and business licences for our business operations. However, some of these permits, approvals and business licences are subject to periodic inspection as well as fulfilment of conditions imposed by the relevant government authorities, and the standards of compliance required in relation thereto may from time to time be subject to changes.

Revocation of our permits, licences and certificates may result in our inability to carry on our business. In such an event, our business operations and financial performance may be adversely affected. In addition, it may be costly for us to comply with any subsequent modifications, additions or new restrictions to these compliance standards.

Should there be any subsequent modifications, additions or new restrictions to the current compliance standards, we may incur additional costs to comply with the new or modified standards. In such an event, our business operations and financial performance may be adversely affected.

Although our Group has not experienced any difficulty in obtaining and maintaining the requisite permits and licences in the past, and our Group does not foresee any potential issues arising from the renewal of our existing permits and licenses, there is no assurance that existing permits and licenses will be renewed, or renewed within the anticipated timeframe, or that any new licences required by our Group will be obtained or obtained in a timely manner.

(ix) **Labour laws in the PRC may adversely affect our results of operations**

On 29 June 2007, the PRC government introduced a labour law namely the Labour Contract Law of the PRC (《中华人民共和国劳动合同法》) (“**New Labour Law**”) which became effective on 1 January 2008. The New Labour Law imposes greater liability on employers in relation to entry into fixed term employment contracts and dismissal of employees. In addition, under the newly introduced “Regulation on Paid Annual Leave for Employees” (《职工带薪年休假条例》), which became effective on 1 January 2008, employees who have worked continuously for more than one (1) year are entitled to a paid vacation ranging from five (5) days to 15 days, depending on the length of the employees’ work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three (3) times their normal daily salaries for each vacation days being waived. Any future introduction of new laws and regulations may result in increases to our Group’s labour costs and hence adversely affect our business operations and financial performance.

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3. RISK FACTORS (Cont'd)

3.4 RISKS RELATING TO OUR COMPANY BEING INCORPORATED IN BERMUDA

(i) Rights and protection accorded to our Shareholders

The Malaysian Companies Act provides shareholders of Malaysia-incorporated companies rights and protection of which there may be no corresponding or similar provisions under the Bermuda Companies Act. As our Company is incorporated in Bermuda as an exempted company under the Bermuda Companies Act, our Shareholders may not be accorded the same level of shareholder rights and protection that a shareholder of a Malaysia-incorporated company may be accorded under the Malaysian Companies Act.

The rights of our Shareholders and the fiduciary responsibilities of our Directors under Bermuda law may not be as clearly established as under statutes or judicial precedent in Malaysia. Under Bermuda law, the duties of directors and officers of a company are generally owed to the company only and not to individual shareholders. Shareholders of Bermuda companies do not generally have rights to take action against directors or officers of the company, and may only do so in limited circumstances.

In addition, as at LPD, all our Executive Directors are non-residents of Malaysia, and their assets are mainly located outside Malaysia. Thus, Shareholders may face difficulties in commencing any action in Malaysia against us, our subsidiaries and Directors residing outside Malaysia. Shareholders may also face difficulties in enforcing a judgment obtained in Malaysian courts against us or any of our Directors. Therefore, our Shareholders may have difficulty protecting their interests in the case of actions against our Directors or management, as compared to shareholders of a corporation incorporated in Malaysia.

Any person wishing to have advice on the differences between the Bermuda Companies Act and the Malaysian Companies Act and/or the laws of any jurisdiction is recommended to seek independent legal advice.

Explanatory statements on specific issues, such as "Purchase by our Company of our own Shares", "Rights to attend general meetings" and "Take-over protections" have been set out in Sections 3.4(iv), 2.1.2 and 3.4(iii) of this Prospectus. A summary of certain provisions under the Bermuda company law and a summary of the Memorandum of Association and selected Bye-laws of our Company are set out in Section 14 and 13.2, respectively, of this Prospectus. Each of the summaries and explanatory statements is not intended to be and does not constitute legal advice. Copies of the Memorandum of Association and the Bye-laws of our Company are available for inspection at such place and time as set out in Section 13.8 of this Prospectus.

(ii) Recognising Depositors as our Shareholders

Under the Bermuda Companies Act, only those persons who agree to become members of a company incorporated in Bermuda and whose names are entered on the register of members of such a company are considered members, with rights to attend and vote at general meetings. Depositors (holding shares jointly with Bursa Depository or its nominee) are recognised as members of our Company by virtue of their names being contained in the Record of Depositors entered in the register of members of our Company at our registered office in Bermuda and in the branch register of members of our Company at our branch office in Malaysia, and hence are accorded the full rights of membership such as voting rights, the right to appoint proxies, the right to receive shareholders' circulars, proxy forms, annual reports, prospectuses and takeover documents.

3. RISK FACTORS (Cont'd)

Depositors will be recognised as members of our Company for so long as the Record of Depositors is entered in the register of members and branch register of our Company. For so long as our Company is listed on the Official List, our Company is required to procure from the Bursa Depository a copy of the Record of Depositors as at the close of each market day and such Record of Depositors shall be entered in our Company's register of members and branch register upon receipt of the same.

(iii) Take-over protections

There are presently no requirements under any Bermuda laws or regulations of general application that will require persons who acquire substantial shareholdings in our Company to make take-over offers for our Shares, or to notify us. However, companies incorporated outside of Malaysia but listed on any stock exchange in Malaysia would be subject to the Malaysian Code. As such, our Company, being a company incorporated outside Malaysia and seeking a listing on Bursa Securities would be subject to the Malaysian Code upon its Listing. However, in the event that our Company is not listed or is in the future delisted for whatever reason, it shall not be subject to the Malaysian Code.

To enhance protection in relation to the Malaysian Code to our Shareholders, Bye-law 168 provides that for so long as we are listed on the Official List, the provisions of Division 2 of Part VI of the CMSA and the Malaysian Code shall apply, *mutatis mutandis*, to all take-over offers for our Company.

Bye-law 168 will, due to its binding effect on our members, require our members who make take-over offers in respect of our Shares to comply with the Malaysian Code. However, it is uncertain whether the aforesaid Bye-law will be effective in securing compliance with the Malaysian Code. A person (including a corporation) who is not our member will not be bound to comply with the Malaysian Code by virtue of our Bye-laws. This may affect you because in the event that a person who is not one of our members, whether alone or together with parties acting in concert with him/her, acquires or gains control of 33% or more of our Shares, you may not be offered an opportunity to sell your Shares to such person at the price he had paid for those Shares. In addition, even if a take-over offer is made for our Shares, the take-over offer may not be made in accordance with the procedures stipulated in the Malaysian Code.

In addition, although Bye-law 167(2) of our Bye-laws will, due to its binding effect on our members, require each member to notify and, where applicable, shall procure its relevant beneficial owners having an interest in our Company within the meaning of Section 6A of the Malaysian Companies Act, to notify us and the SC (a) upon becoming a substantial shareholder of our Company or (b) for so long as he remains a substantial shareholder of our Company, upon any change in the percentage level of his interest in our Company or (c) upon ceasing to be a substantial shareholder of our Company, this cannot be enforced by our Company in respect of persons who are not our members because Bye-law 167(2) only binds our members.

All our Promoters have undertaken to SC that, as long as they continue to be substantial Shareholders by virtue of their direct, indirect or deemed interest, they will endeavour to persuade potential offerors in connection with a take-over offer for our Company to comply with the requirements of the Malaysian Code.

Nevertheless, there can be no assurance that the endeavours of our Promoters to persuade potential offerors in connection with a take-over offer for our Company to comply with the requirements of the Malaysian Code, will be successful.

3. RISK FACTORS (Cont'd)

Despite of the foregoing, the SC or any other relevant authorities shall not be precluded from the right, if any, from time to time, to impose on or enforce against a member and/or any person (including a corporation) who is not our member, the requirements and obligations of Division IV of Part VI of the CMSA and the Malaysian Code, or their respective statutory modifications or re-enactment or successor for the time being in force.

(iv) Purchase by our Company of our own Shares

Under the laws of Bermuda, a company may, if authorized by its memorandum of association or bye-laws, purchase its own shares for cancellation or to be held as treasury shares. Our Company has such power to purchase our own Shares, pursuant to paragraph 7 of our Memorandum of Association.

Such power to purchase our own Shares shall, subject to the Bermuda Companies Act, our Memorandum and Bye-laws, and if applicable, the Listing Requirements and the rules and regulations of other regulatory authorities, be exercisable by our Directors upon such terms and subject to such conditions as they think fit, in accordance with Bye-law 3(2) (which provides that the prior approval of our members in general meeting be obtained for such purchase if so required by the Listing Requirements).

Under the laws of Bermuda, such purchases may be effected out of the capital paid-up on the purchased Shares, or out of the funds of our Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for that purpose. Any premium payable on such a purchase over the par value of the Shares to be purchased must be provided for out of the funds of our Company otherwise available for dividend or distribution or out of our Company's share premium account before the Shares are purchased.

Any amount due to a Shareholder on a purchase by our Company of our own Shares may be:-

- (i) paid in cash;
- (ii) satisfied by the transfer of any part of the undertaking or property of our Company having the same value; or
- (iii) be satisfied partly under (i) and partly under (ii).

Further, such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that our Company is, or after the purchase would be, unable to pay our liabilities as they become due. Shares purchased by our Company may either be cancelled (in which event, our Company's issued, but not our authorised, capital will be diminished accordingly) or, may be held as treasury shares.

Under the laws of Bermuda, if a company holds shares as treasury shares the company shall be entered in the register of members as the member holding the shares but the company is not permitted to exercise any rights in respect of those shares and no dividend or other distribution (whether in cash or otherwise) shall be paid or made to the company in respect of such shares. For further details, kindly refer to Section 14.1.4 of this Prospectus.

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3. RISK FACTORS (Cont'd)

Nevertheless, our Company presently has no intention of purchasing our own Shares after our Listing. However, if we decide to do so later, we will seek our Shareholders' approval in accordance with the Bye-laws of our Company and the Listing Requirements. Our Company will make prompt public announcement of any such share purchase and has given an undertaking to Bursa Securities to comply with all requirements that the Listing Requirements may impose in the event of any such share purchase.

3.5 RISKS RELATING TO OUR INTERMEDIATE HOLDING COMPANY BEING INCORPORATED IN HONG KONG

(i) Political and economic uncertainties in Hong Kong

Notwithstanding that our business is predominantly based in China, our Group is still subject to the political and economic uncertainties in Hong Kong in which our subsidiary, CAP-HK is incorporated. Such political and economic uncertainties include, but not limited to, the risks of war, terrorism, nationalism, fiscal and monetary policies of governments, methods of taxation and tax policy, and fluctuations in exchange rates. Further, changes in tax laws or other regulatory actions taken by the Hong Kong government may affect or restrict the repatriation of profits or capital out of Hong Kong to our ultimate holding company, CAP-Bermuda.

3.6 RISKS RELATING TO INVESTMENT IN OUR SHARES

(i) No prior market for our Shares

There has been no prior public market for our securities. There can be no assurance that an active public market will develop or continue to develop upon or subsequent to our Listing or, if developed, that such a market can be or will be sustained. We believe that a variety of factors could cause our Share price to fluctuate and such fluctuations may adversely affect the market price of our Shares.

The IPO Price for our Shares has been determined after taking into consideration a number of factors, including but not limited to, our Group's financial and operating history and condition, competitive strengths and advantages, our Group's future plans, strategies and prospects, prevailing market conditions, and the prospects of the industry in which we operate. There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market of Bursa Securities upon or subsequent to our Listing.

Further, we believe that it is possible that our Shares will be subject to price volatility which may not have any correlation with our Group's net asset value, performance, profitability or financial position. Price volatility may be affected by the liquidity of our Shares, announcements of any developments relating to our business operations, fluctuations in our operating results, general market conditions in the industry in which we operate, as well as investors' perception of our financial performance and/or future prospects.

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3. RISK FACTORS (Cont'd)

(ii) Capital market risks or share price volatility

The performance of the local bourse is very much dependent on external factors such as the performance of the regional and world bourses and the flows of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions in Malaysia as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of the listed securities.

The market price of our Shares may fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:-

- (a) variations in our results of operations;
- (b) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (c) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Malaysia;
- (d) announcements by us of significant acquisitions, disposals, strategic alliances or joint ventures;
- (e) fluctuations in stock market prices and volume;
- (f) our involvement in litigation;
- (g) additions or departures of key personnel;
- (h) success or failure of our management team in implementing business and growth strategies; or
- (i) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors.

Although we are committed to the sound management of our business, there is no assurance that our Share price will not be subject to volatility, due to market sentiments.

Nevertheless, our profitability is not dependent on the performance of Bursa Securities, as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

(iii) Control by Promoters

Upon our Listing, our Promoters, as set out in Section 6.1 of this Prospectus, will collectively hold at least 65.0% of our enlarged issued and paid-up share capital. As a result, they will still be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as influence the outcome of certain matters requiring the vote of our Shareholders unless our Promoters are required to abstain from voting by law and/or by the relevant guidelines or regulations.

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3. RISK FACTORS (Cont'd)

We have appointed four (4) Independent Directors and set up an Audit Committee to ensure that, *inter-alia*, all future transactions involving related parties, if any, are entered into on an arms-length basis, or normal commercial terms that are not more favourable to the related parties than those generally available to third parties and are not to the detriment of our minority Shareholders.

(iv) Potential delay in or failure of our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing on the Main Market of Bursa Securities:-

- (a) the identified investors fail to subscribe to the portion of IPO Shares intended to be placed to them although they have furnished their irrevocable undertaking letters to subscribe for such Shares;
- (b) an underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;
- (c) we are unable to meet the public spread requirement as determined by Bursa Securities i.e. at least 25% of our enlarged issued and paid-up share capital must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing; or
- (d) we are unable to obtain permission from Bursa Securities for our Admission to the Official List and for the quotation of our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities.

In such an event, subject to restrictions set out in Section 3.5(v) below, we will return in full without interest, all monies paid in respect of any Applications accepted. Nevertheless, our Directors will endeavour to ensure compliance with the various requirements for our successful Listing.

(v) Delay or failure in the Admission and trading of the IPO Shares

After the IPO Shares have been allotted and/or allocated to the respective investors' CDS accounts in Bursa Depository, which would occur at least two (2) clear Market Days prior to the anticipated date for Admission, it may not be possible to recover monies paid in respect of IPO Shares from us within a short period of time in the event the Admission and the commencement of trading on the Main Market of Bursa Securities do not occur.

Delays in the Admission and the commencement of trading in shares on Bursa Securities have occurred in the past. In respect of the Public Issue Shares comprised in the IPO Shares, following their allotment and issue to investors, a return of monies to such investors may be effected by way of either a repurchase by us of those shares at the IPO Price, or by way of a reduction of our share capital. A capital reduction would require the approval by special resolution of our Shareholders and a notice of the proposed reduction is required to be published in an appointed newspaper in Bermuda not less than 15 days and not more than 30 days before the date on which the reduction of the share capital is to have effect. The statutory requirement for the publication of the notice cannot be waived nor the period shortened.

3. RISK FACTORS (Cont'd)

Further, neither such capital reduction nor share repurchase shall be effected if on the date the reduction or repurchase (as the case may be) is to be effected, there are reasonable grounds for believing that we are, or after the reduction or repurchase (as the case may be) would be, unable to pay our liabilities as they become due.

If we become liable, we shall, subject to the Bermuda Companies Act, return in full all monies in respect of any application for the Public Issue Shares without interest as soon as we can. However, there can be no assurance that all monies can be recovered within a short period of time due to us first having to comply with relevant requirements under the Bermuda Companies Act relating to either a repurchase by us of those shares at the IPO Price, or by way of a reduction in our share capital.

(vi) Payment of dividends

We are an investment holding company incorporated in Bermuda and operate our business through our China subsidiary, FenSun. Therefore, the availability of funds to us to pay dividends to our Shareholders and to service our indebtedness depends on dividends received from FenSun (via CAP-HK). If FenSun incurs debt or losses, such indebtedness or loss may impair its ability to pay dividends or other distribution to us. As a result, our ability to pay dividends and to service our indebtedness will be restricted.

Our ability to declare dividends in relation to our Share will also depend on our future financial performance, which, in turn, will depend on the successful implementation of our expansion strategy and on financial strength, competitive advantages, regulatory requirements, general economic conditions, demand and prices for our products, costs of raw materials and other factors specific to our industry or specific projects, many of which are beyond our control.

The receipt of dividends from FenSun (via CAP-HK) may also be affected by the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of, existing laws and regulations and other events outside our control. The PRC Laws require that dividends be paid only out of the net profit calculated according to accounting principles in the PRC, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including International Financial Reporting Standards. The PRC laws also require FenSun, an FIE, to set aside part of its net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

In addition, restrictive covenants in bank credit facilities, convertible bonds instrument or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to make contributions to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

(vii) Future fundraisings may dilute shareholders' equity or restrict our operations

We may require additional funding for our future growth. This may result in dilution of our shareholders' equity, or restrictions imposed by additional debt funding.

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our customer base and the need to maintain and expand our production facilities. Thus, we may need additional capital expenditure for mergers and acquisitions or investments. An issue of Shares or other securities to raise funds will dilute Shareholders' equity interests and may, in the case of a rights issue, require additional investments by Shareholders.

3. RISK FACTORS (Cont'd)

Further, an issue of Shares below the then prevailing market price will also affect the value of Shares then held by investors. Dilution in shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price. In addition, any additional debt funding would increase our gearing ratio and may restrict our freedom to operate our business as it may have conditions that:-

- (a) limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- (b) increase our vulnerability to general adverse economic and industry conditions;
- (c) require us to dedicate a portion of our cash flow from operations to repayments of our debt, thereby reducing the availability of our cash flow for capital expenditures, working capital and other general corporate purposes; and
- (d) limit our flexibility in planning for, or reacting to, changes in our businesses and our industry.

If we fail in obtaining more funds to meet requirements for our business, merger and acquisition plans or investments, we may not be able to implement future plans that are essential to our growth.

(viii) Capital restrictions on funds raised in Malaysia

Funds raised from any future fundraisings in Malaysia may be subject to capital control regulations that restrict the outflow of funds raised in Malaysia. Consequently, our ability to use the proceeds for our intended future plans and strategies may be impeded. Any delays or restrictions on repatriation of such funds raised may materially affect the implementation of our planned activities. In turn, our future business growth and financial performance may be materially affected as a result.

(ix) Material litigation, claim or arbitration or legal uncertainties

As at LPD, our Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect our financial position or business or the financial position or business of our subsidiaries.

However, there can be no assurance that there would be no proceedings in the future that could adversely affect the financial position or business of our Group.

(x) Disclosure regarding forward-looking statements

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts, including, without limitation, those regarding our financial position, business strategy, plans and objectives of our management for future operations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

3. RISK FACTORS (Cont'd)

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which our present and future business strategies have been developed and the environment in which we will operate in the future. Such factors include, *inter-alia*, general economic and business conditions, competition, the impact of new laws and regulations affecting us and the industry, changes in interest rates and changes in foreign exchange rates.

In light of these uncertainties, the inclusion of any such forward-looking statement in this Prospectus should not be regarded as a representation or warranty by us, the Offeror or our Principal Adviser, that our plans and/or objectives will be achieved.

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4. INFORMATION ON OUR GROUP

4.1 BUSINESS BACKGROUND

4.1.1 History and development

We are a manufacturer specialising in fabricating chassis components used in automobiles for transporting goods. Our product portfolio consists of five (5) categories, namely wheel-hub bolts, wheel axles, steel pins, u-bolts, and torque-rod bushings. Steel pins, u-bolts, and torque-rod bushings are components of leaf-spring suspensions, which are commonly utilised in the load-bearing rear section of heavy automobiles, amongst others.

Our product lines are supplied for aftermarket repair, maintenance and modification, with an emphasis on catering for components used in heavy vehicles. Demand for these aftermarket parts are driven by the need to periodically replace such parts, which endure significant wear and tear over the operating life span of goods-transporting vehicles. Additionally, automobiles modified to carry heavier loads require reinforcement of its rear suspension system, which involve replacing existing parts with stronger models capable of enduring higher stresses.

Based in Jinjiang City, Fujian Province, we were incorporated by our founder and Vice Chairman, Ong Juan Tee (王焕池) in 2004. Ong Juan Tee has been assisted by our Managing Director, Terry Li and our Executive Director, Wang YuYun (王玉云) since establishment. Commencing operations in 2004, we began with the manufacture of wheel-hub bolts and nuts, steel pins, and other chassis bolt and nut components. In order to build an enterprise identity for our reliable, quality and cost-competitive products, we registered our 'LIDUN' (力顿) and 'SUOLI' (索力) proprietary trademarks in 2005 and 'PL' (培力) in 2006.

In 2006, we set out to focus strategically on fabricating more skill-intensive products. Building on our increasing expertise, we expanded into the manufacture of u-bolts. We henceforth began concentrating on u-bolts, wheel-hub bolts, and steel pins as key product categories.

We also extended our product range to include torque-rod bushings in 2006, by leveraging on our quality-control experience to begin a contract-manufacturing relationship for producing torque-rod bushings, after having identified torque-rod bushings as a natural product portfolio extension, as it is another chassis component that regularly endures substantial wear and tear in heavy automobiles.

In 2009, we extended our product portfolio once more to include wheel axles, again leveraging on our experience to commence in-house manufacturing of axles.

Over the years, we have conceived product innovation ideas to create enhanced product designs for high wear-and-tear usage conditions, a result of our manufacturing expertise and innovation. Realising the importance of intellectual property right protection, we applied for six (6) patents in 2011. Approval was granted by the State Intellectual Property Office of the PRC (中国国家知识产权局) for five (5) patents in 2011 and another one (1) patent in 2012. In 2012, we applied for two (2) additional patents for internally conceived innovations on machinery and mechanism used in wheel-axle fabrication, one of which was approved in the same year.

Since commencement of business, we have progressed from the mastery of manual metalworking competencies, to incorporation of computer-aided machining in tandem with in-house re-engineering of manufacturing processes. This progressive transition has served to assure quality and increase production efficiencies, boosting productivity whilst minimising the possibility of defects along our production chain.

4. INFORMATION ON OUR GROUP (Cont'd)

We successfully applied for and were accredited several quality and management standard certifications in 2011 and 2012, including the internationally-recognised ISO/TS 16949:2009 quality management system by AQA International, LLC, conventionally acknowledged as the eminent accreditation for automotive products. This is a testament and affirmation to our emphasis on quality and precision in our products – a belief which we have held and endeavoured since commencement of our operations.

4.1.2 Key achievements / Milestones / Awards

The following are some of the key milestones of our Group:-

Year	Key Milestone
2004	<ul style="list-style-type: none"> ▲ Incorporation of FenSun ▲ Commenced production of wheel-hub bolts and nuts, steel pins, and other chassis bolt and nut components in Jinjiang City, Fujian Province
2005	<ul style="list-style-type: none"> ▲ Began brand-building in China with 'LIDUN' (力顿) and 'SUOLI' (索力) as our trademarks
2006	<ul style="list-style-type: none"> ▲ Commenced manufacture of u-bolts, and contract production of torque-rod bushings ▲ Set strategic focus on skill-intensive products, concentrating on u-bolts, wheel-hub bolts, and steel pins as key categories ▲ Expanded our trademarks to include 'PL' (培力)
2009	<ul style="list-style-type: none"> ▲ Commenced manufacture of wheel axles, extending product portfolio to five (5) categories
2011	<ul style="list-style-type: none"> ▲ Completed first phase of new production centre, with existing built-up area of approximately 18,690 sqm ▲ Granted five (5) patents for product-design innovations by the State Intellectual Property Office of the PRC (中国国家知识产权局) ▲ Accredited quality and management standard certifications:- <ul style="list-style-type: none"> ▪ ISO/TS 16949:2009 quality management system – for wheel-hub bolt, steel pin and u-bolt production by AQA International, LLC ▪ GB/T19001-2008/ISO9001:2008 quality management system – for wheel-hub bolt and steel pin production by Beijing World Standards For Certification Center Inc. ▪ GB/T28001-2001 occupational health and safety management system – for wheel-hub bolt and steel pin production by Beijing World Standards For Certification Center Inc. ▪ GB/T24001-2001/ISO14001:2004 environmental management system – for wheel-hub bolt and steel pin production by Beijing World Standards For Certification Center Inc. ▲ Obtained membership of China Association For Quality Inspection's Digital Security And Logistics Management Services System, which provides for the attachment of distinctive and numbered labels to authenticate the origin of individual product units. Such labels facilitate the verification of the source of individual product units and thus protects against counterfeiting of our own branded products

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4. INFORMATION ON OUR GROUP (Cont'd)

Year	Key Milestone
2012	<ul style="list-style-type: none"> ▲ Distribution network established across 17 provinces and municipalities in China (7 provinces since 2004; another 4 provinces since 2006; 1 additional province each in 2007, 2009 and 2010; and an additional 3 provinces and municipalities since 2011), as well as exports to Southeast Asia, the Middle East etc (since 2004) ▲ Workforce of more than 500 personnel, with labour productivity increases achieved over the years arising from increasing sophistication of production machinery combined with in-house re-engineering of manufacturing processes ▲ Accredited quality and management standard certifications:- <ul style="list-style-type: none"> ▪ GB/T19001-2008/ISO9001:2008 quality management system – for u-bolt and wheel-axle production by Beijing World Standards For Certification Center Inc. ▪ GB/T28001-2011 occupational health and safety management system – for u-bolt, wheel-axle, wheel-hub bolt and steel pin production by Beijing World Standards For Certification Center Inc. ▪ GB/T24001-2001/ISO14001:2004 environmental management system – for u-bolt and wheel-axle production by Beijing World Standards For Certification Center Inc. ▲ Granted two (2) patents for modifications on machine used in wheel-axle fabrication and clamping mechanism, by the State Intellectual Property Office of the PRC (中国国家知识产权局) ▲ Recognised as one of the 'Top 10 Brands With The Largest Potential' (十大潜力品牌) in the '2011 (7th Edition) China Automotive Parts Industry – Top 10 Enterprises Awards' (2011 年度(第七届)中国汽车配件行业 - 十大评选) organised by HC360.com (慧聪网), a business-to-business website operated by HC International, Inc., an e-commerce operator in China, which augmented our reputation within the automotive parts industry ▲ Awarded the 'Top 10 National Brands Of China Auto Parts Industry' (中国汽车配件行业十大民族品牌) in the 2012 edition of China Auto Parts Industry Awards (中国汽车配件用品行业总评榜), an annual event organised by a committee formed by the China Automotive Parts Supplies Industry Federation (中国汽车汽配用品行业联合会), National Center Of Supervision And Inspection On Auto Parts Products Quality (国家汽车零部件产品质量监督检验中心), China Automotive Parts Supplies Market Association (中国汽车配件用品市场协会), Automobile Parts Test Center (机械工业汽车零部件产品质量监督检测中心), China National Automotive Parts Sales Corporation (中国汽车工业配件销售公司) and China Auto Parts Industry Mainstream Media Association (中国汽配用品行业主流媒体协会)

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4. INFORMATION ON OUR GROUP (Cont'd)

4.1.3 Incorporation and Restructuring Exercise

CAP-Bermuda was incorporated in Bermuda under the Bermuda Companies Act on 4 April 2012 as an exempted company limited by shares. On 7 June 2012, we registered the Company with the CCM as a foreign company in Malaysia and the Company subsequently became the holding company of our Group.

FenSun was incorporated on 27 September 2004 as a WFOE under the PRC Law of Wholly Foreign-Owned Enterprise to undertake the manufacturing, marketing and trading of automobile chassis components.

As part of the restructuring process, the entire paid-up capital of FenSun was transferred to CAP-HK pursuant to an equity transfer agreement dated 31 March 2012 for a total disposal consideration of HKD31.0 million. The consideration was equivalent to the registered capital of FenSun. The acquisition by CAP-HK of the entire paid-up capital in FenSun was approved by the Local Branch of the Ministry of Commerce of the PRC, Jinjiang Foreign Trade and Economic Cooperation Bureau on 11 April 2012 and was registered with the Quanzhou branch of the SAIC on 12 April 2012.

Pursuant to the Implementation Rules of Income Tax Law of the PRC (中华人民共和国企业所得税法实施条例) and Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (内地和香港特别行政区关于对所得避免双重征税和防止偷漏税的安排), acquiring FenSun via CAP-HK will result in dividends paid by FenSun to CAP-HK being subject to a withholding tax rate of 5%, subject to the relevant tax authority's approval (as compared to the standard withholding tax rate of 10%).

Further to the above, on 12 April 2012, CAP-Bermuda acquired the entire issued and paid-up share capital of CAP-HK for US\$44,999,999, which was wholly satisfied by the issuance of 449,999,990 CAP-Bermuda Shares. The purchase consideration of US\$44,999,999 for the acquisition of CAP-HK was agreed on a willing-buyer willing-seller basis after taking into consideration:-

- (i) the consolidated historical financial performance of FenSun for FYEs 2009 to 2011; and
- (ii) the future earnings potential of our Group vis-à-vis our growth prospects taking into consideration our Group's competitive strengths and our business expansion plans.

The completion of the acquisition of CAP-HK resulted in the issued and paid-up share capital of CAP-Bermuda being increased from USD1 comprising 10 Shares to USD45,000,000 comprising 450,000,000 Shares. Following this, CAP-Bermuda became the holding company of our Group.

For the purposes of this Prospectus, Grandall, the Legal Adviser to our Company on the PRC law, has confirmed that all approvals under the PRC laws in connection with the reorganisation have been obtained and that the reorganisation does not violate any PRC law. In particular, they have confirmed that our Company has not infringed the Provisions on Acquisition of Domestic Enterprises by Foreign Investors (关于外国投资者并购境内企业的规定) (the "New M&A Regulations") as the New M&A Regulations do not apply to the reorganisation and the listing of our Shares on the Main Market of Bursa Securities. Hence, the reorganisation does not require any approval by or registration with any PRC authority under the New M&A Regulations.

4. INFORMATION ON OUR GROUP (Cont'd)

4.2 COMPETITIVE STRENGTHS

4.2.1 Focus on serving the aftermarket segment for replacement chassis components

Our product portfolio is targeted specifically at serving the aftermarket consumption of chassis components that endure regular wear and tear in goods-transporting vehicles, with an emphasis towards catering for the heavy-vehicle component market.

Chassis components such as those used in the load-bearing rear section of goods-transporting vehicles are likely to require replacement multiple times over the operating life span of each vehicle, especially in heavy automobiles. Consequently, aftermarket demand for such components is substantially larger than consumption by new-vehicle manufacturing, whereby only one (1) set of such components is required for installation in each new vehicle.

Furthermore, it is common for entire sets of chassis components (instead of a single unit) to be replaced during repair and maintenance, in order to reduce downtime and avoid unexpected breakdowns in transport operations. For example, torque-rod bushings (a single heavy vehicle may for instance be configured with 16 units) are replaced entirely for balancing purposes. Also, when a spring leaf breaks, the corresponding pair of leaf-spring suspension sets (on both sides of the axle) will be replaced, typically involving the replacement of all u-bolts and steel pins in both sets.

This is also the case for modifications of automobiles to carry heavier loads, whereby entire chassis-component sets are replaced with stronger models, such as u-bolts (a total of four (4) u-bolts are utilised in each pair of leaf-spring suspensions, and each vehicle may utilise multiple pairs of leaf-spring suspension sets, depending on its configuration), whilst parts that are not changeable to stronger models (such as wheel-hub bolts and wheel axles) will have shorter life spans, and thus will require replacement sooner.

Our focus is on entrenching our foothold in the market for quality replacement components, whereby we have been building proprietary brand equity with our 'LIDUN' and 'SUOLI' trademarks (since 2005) and 'PL' trademark (since 2006). Since incorporation, this business focus has allowed us to concentrate on building enterprise reputation and distribution network for aftermarket components.

In addition, aftermarket demand is sustained by a myriad of vehicle operators – which allows us to mitigate reliance on a single / a select few relationships with new-vehicle manufacturers, which in relative terms are significantly lesser in numbers than goods-transport vehicle operators. This has positioned us to serve as a proxy for the growth of the goods-transportation sector, instead of limited to being tied to the growth of a single or a select few new-vehicle marques.

Being a producer with experience in fabricating quality aftermarket components grants us the freedom to pursue OEM relationships with new-vehicle manufacturers at any point of time in the future, should we opt to expand our business in that direction. Conversely, if we were positioned as a dedicated OEM supplier for new-vehicle manufacturers, in the event of an abrupt loss of an OEM relationship, we will be unable to break into the aftermarket segment and develop immediate demand and distribution channels in a short period of time.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.2.2 Entrepreneurial drive for progression in creating precision and cost-efficient manufacturing of quality and reliable automotive components

Our persistence on delivering quality and reliable automotive chassis components begun with management leadership in ensuring precision via meticulous human supervision and cost-competitiveness via minimising defects and wastage, in tandem with low labour costs. Over the years, precision and cost-efficiency have been achieved by increasing automation and bolstered by productivity increases attained via in-house re-engineering of production processes.

Our knowledge base is grounded on a nucleus of personnel with many years of specialist experience in the automotive-parts industry, as detailed in Section 6 of this Prospectus. This foundation, together with the continuous accumulation of knowledge have enabled us to leverage on amassed expertise to extend our portfolio into new product categories that are more skill-intensive, such as u-bolts in 2006 and axles in 2009.

Our management has also endeavoured to underpin our business with a focus on incremental advancements in production capabilities, to achieve better product quality and to foster long-term customer relationships. To date, our manufacturing competencies have progressively evolved from manual fabrication, machining, semi-automation, to computer-aided machining.

The increasing use of automation, combined with internally-conceived innovations in machinery modifications to achieve process improvements have allowed us to mass-produce more efficiently, boost labour productivity and assure quality and precision, whilst simultaneously reducing the possibility of defects and raw-material wastage.

We have proactively made strides in innovations, as illustrated by the securing of five (5) patents in 2011 for product-design modifications and two (2) patents in 2012 for production machinery and mechanism modifications. In 2011, we were awarded the ISO/TS 16949:2009 certification, which is recognised as an international benchmark for automotive products, an assurance of the quality standards of our products.

4.2.3 Established market and industry reputation

We commenced operations in 2004 and over the years, have garnered a reputation as a reliable manufacturer of quality products. To date, none of our customers have ceased their relationship with us – an authentication of our business and product integrity.

As a result, we have achieved uninterrupted growth in customer base and geographical presence. Currently, we have 19 authorised distributors and eight (8) trading houses. Of these, 13 authorised distributors and six (6) trading houses have been in business with us for the past five (5) years.

We have been cultivating market awareness of our products since the infancy of our business by actively participating in domestic and international trade fairs. From 2008 to FPE 2012, we participated in 85 trade fairs across China and twelve (12) other countries, namely Indonesia, Malaysia, Singapore, Vietnam, the Philippines, United Arab Emirates, India, Korea, Taiwan, Russia, Brazil and Thailand.

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4. INFORMATION ON OUR GROUP (Cont'd)

We became a member of China Association For Quality Inspection's Digital Security And Logistics Management Services System in 2011, to protect against counterfeiting of our own branded products.

In 2012, we were recognised as one of the 'Top 10 Brands With The Largest Potential' (十大潜力品牌) in the '2011 (7th Edition) China Automotive Parts Industry – Top 10 Enterprises Awards' (2011 年度(第七届)中国汽车配件行业 - 十大评选), in addition to being awarded the 'Top 10 National Brands of China's Auto Parts Industry' in the 2012 edition of China Auto Parts Industry Awards (中国汽车配件用品行业总评榜) – acknowledgements of our enterprise and product reputation.

4.2.4 One-stop specialist in chassis components for goods-transporting vehicles

Our product range enables us to serve as a one-stop supply centre for five (5) main categories of automobile chassis parts used in goods-transporting vehicles.

We are able to fulfil a myriad of customer requirements with a range of approximately 280 distinct models of wheel-hub bolts; approximately 80 types of steel pins; approximately 600 u-bolt specifications; approximately 50 axle specifications; and approximately 60 specifications of torque-rod bushings. In addition, we also produce custom-made configurations for each product category.

In addition, our product portfolio provides aftermarket component distributors with the convenience of dealing with one reliable supplier for five (5) main categories of automobile chassis parts, instead of having to deal with five (5) separate suppliers for each product category. This provides considerable synergies for cross-selling of our products to end-users, reducing marketing and distribution costs, whilst providing growth opportunities for our business.

4.2.5 Wide customer base for business growth

Our extensive distribution network, which presently comprises 19 distributorships covering 17 provinces and municipalities in China, and eight (8) trading houses exporting to countries in Southeast Asia, the Middle East etc., enables us to tap into the growing goods-transportation sector across China, as well as each and every one of the aforesaid export destinations.

Serving the aftermarket demand for repair, maintenance and modification of goods-transporting vehicles in all of these countries provides us with a large and established customer base, which accords us the platform to sustain and grow our business.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.3 LISTING SCHEME

In conjunction with, and as an integral part of our Listing, we implemented the Listing Scheme, which involved the following:-

4.3.1 Pre-IPO Investment

Pursuant to the investment agreements signed between CAP-BVI, CAP-Bermuda and the Pre-IPO Investors, CAP-Bermuda issued a total of 60,000,000 new Shares to the Pre-IPO Investors for an aggregate cash consideration of RM20.0 million. The investment by the Pre-IPO Investors was earmarked for working capital purposes, including the purchase of raw material, defrayment of operational expenses, payment to creditors, payment of salaries and/or expansion of workforce. Please refer to Section 2.6 of this Prospectus for further information on the Pre-IPO Investors and the Pre-IPO Investment.

Following this, the issued and paid-up share capital of CAP-Bermuda was increased from US\$45,000,000 comprising 450,000,000 Shares to US\$51,000,000 comprising 510,000,000 Shares.

4.3.2 IPO

(i) Public Issue

We are undertaking the Public Issue, details of which are set out in Section 2.3(i) of this Prospectus.

(ii) Offer For Sale

Our Offeror is undertaking the Offer For Sale, details of which are set out in Section 2.3(ii) of this Prospectus.

4.3.3 Listing and quotation on the Main Market of Bursa Securities

Upon completion of the Public Issue and Offer For Sale, we will seek Admission and Listing.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.4 OUR GROUP

4.4.1 Group Structure

As at the date of this Prospectus, our Group structure is as follows:-



Our subsidiaries and their respective principal activities are as follows:-

Subsidiary	Date / place of incorporation	Issued and paid-up share capital	Effective equity interest %	Year commenced operations	Principal activities
<u>Direct</u> CAP-HK	18 November 2011 / Hong Kong	HK\$31,010,000	100.0	N/A ⁽¹⁾	Investment holding
<u>Indirect</u> FenSun	27 September 2004 / PRC	HK\$31,000,000	100.0	2004	Manufacturing, marketing and trading of automobile chassis components

Note:-

(1) Not applicable for investment holding company which does not undertake own operations

4.4.2 Our share capital and changes in share capital

As at the date of this Prospectus, our authorised share capital is US\$100.0 million comprising 1,000,000,000 Shares, and our issued and fully paid-up share capital is US\$51.0 million comprising 510,000,000 Shares.

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4. INFORMATION ON OUR GROUP (Cont'd)

The changes in our issued and paid-up share capital for the last three (3) years are as follows:-

Date of allotment / issuance	No. of Shares allotted / issued	Par value (US\$)	Consideration	Cumulative issued and paid-up share capital (US\$)
9 April 2012	10	0.10	Cash ⁽¹⁾	1
12 April 2012	449,999,990	0.10	Acquisition of CAP-HK	45,000,000
7 June 2012	60,000,000	0.10	Cash	51,000,000

Note:-

(1) The 10 Shares were issued as nil paid shares and were subsequently fully paid up upon a 100% call made on 10 April 2012

Our issued share capital will be increased to US\$60,000,000 comprising 600,000,000 Shares subsequent to the Public Issue of 90,000,000 Shares at the IPO Price.

As at the date of this Prospectus, our Company does not have any outstanding warrants, options, convertible securities or uncalled capital.

4.4.3 CAP-HK

(i) History and business

CAP-HK (Hong Kong Company No. 1682163) was incorporated in Hong Kong under the Hong Kong Companies Ordinance (Cap. 32) on 18 November 2011 as a private company with limited liability under the name of China Automobile Parts (Hong Kong) Holding Limited (中国汽车零部件(香港)控股有限公司). CAP-HK is principally an investment holding company. There have been no material changes in the manner in which CAP-HK conducts its business or activities since its date of incorporation.

(ii) Substantial Shareholders

CAP-HK is a wholly-owned subsidiary of our Company.

(iii) Share capital

As at the date of this Prospectus, the authorised share capital of CAP-HK is HK\$35,000,000 divided into 35,000,000 ordinary shares with a par value of HK\$1 each, and the issued and fully paid-up share capital of CAP-HK is HK\$31,010,000 divided into 31,010,000 shares with a par value of HK\$1 each.

The changes in the issued and paid-up share capital of CAP-HK for the last three (3) years are as follows:-

Date of allotment / issuance	No. of shares issued / allotted	Par value (HK\$)	Consideration	Cumulative issued and paid-up share capital (HK\$)
18 November 2011	10,000	1	Cash	10,000
15 May 2012	31,000,000	1	Conversion of debt to equity	31,010,000

4. INFORMATION ON OUR GROUP (Cont'd)

As at the date of this Prospectus, CAP-HK does not have any outstanding warrants, options, convertible securities or uncalled capital.

(iv) Subsidiary / associated company

As at the date of this Prospectus, CAP-HK has one (1) direct subsidiary, namely FenSun and does not have any associated company.

(v) Acquisitions or disposals of material assets

Other than the acquisition of FenSun at a purchase consideration of HK\$31,000,000 on 31 March 2012, CAP-HK has not acquired or disposed of any material assets other than in the ordinary course of business.

4.4.4 FenSun

(i) History and business

FenSun (PRC Registration No. 350500400050241) was established in Jinjiang City, Fujian Province, the PRC on 27 September 2004 as a WFOE under the PRC Law of Wholly Foreign-Owned Enterprise, under the name of QuanZhou FenSun Automobile Parts Co., Ltd.

FenSun's principal activity is the manufacturing, marketing and trading of automobile chassis components.

(ii) Substantial equity holders

FenSun is a wholly-owned subsidiary of CAP-HK, which in turn is wholly-owned by our Company.

(iii) Capital⁽¹⁾

As at the date of this Prospectus, the registered and fully paid-up capital of FenSun is HK\$31.0 million.

Note:-

(1) The Company was incorporated in the PRC as a limited liability company and does not have any share capital (issuance of shares is not applicable to companies in the PRC).

Based on the capital verification reports prepared by registered accountants in the PRC, the changes in the paid-up capital of FenSun for the last three (3) years are as follows:-

Date	Value (HK\$)	Consideration	Cumulative paid-capital (HK\$)
21 March 2011	3,500,000	Cash	5,000,000
8 November 2011	26,000,000	Cash	31,000,000

As at the date of this Prospectus, FenSun does not have any outstanding warrants, options, convertible securities or uncalled capital.

(iv) Subsidiary / associated company

As at the date of this Prospectus, FenSun does not have any subsidiary or associated company.

4. INFORMATION ON OUR GROUP (Cont'd)

(v) Acquisitions or disposals of material assets

As at the date of this Prospectus, FenSun has not acquired or disposed of any material assets other than in the ordinary course of business.

4.4.5 Location of principal place of business

We currently operate from the following principal place of business:-

Company	Location	Main functions
FenSun	Neikeng Industrial Area Shangfang Village, Neikeng Town Jinjiang City, Fujian Province PRC (中国福建省晋江市内坑镇上方村内坑工业区)	Head office; principal place of business, production, administration, selling and distribution; employees' hostel facilities

The details of the abovementioned premises and our land and buildings are set out in Section 9.1 of this Prospectus.

For information purposes, our production facilities in Neikeng Industrial Area is located within three (3) kilometres from the site of the new Jinjiang Neikeng Inland Port (晋江陆地港), which is planned to serve as a major railway hub to facilitate the transportation of goods. Jinjiang Neikeng Inland Port is the first inland port to commence official operations in Fujian province (the entire Fujian province presently has plans for only four (4) inland ports).



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4. INFORMATION ON OUR GROUP (Cont'd)

4.5 BUSINESS ACTIVITIES

Our business focus is on the provision of chassis components:-

- (i) that are essential parts utilised in the spectrum of commercial automobiles for transportation of goods and cargo, with an emphasis towards serving product segments catering for heavy vehicles; and
- (ii) that endure significant wear and tear in commercial vehicle operations – and thus are expected to require replacement:-
 - (a) over the life span of a single commercial vehicle (as long as the vehicle remains in operation); and
 - (b) at least multiple times / periodically / frequently, depending on the severity of vehicle usage conditions (such as daily use / poor road conditions / usage in mountainous, unpaved or off-road areas / transportation of heavy loads / modification to carry heavier loads).

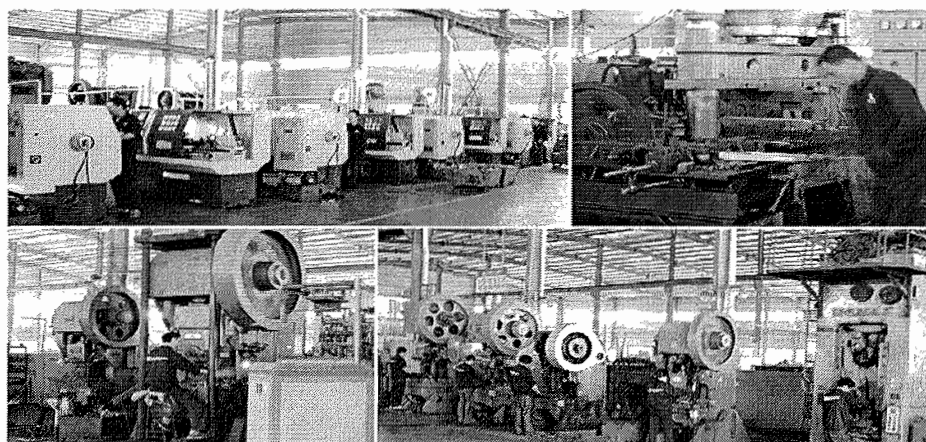
Our product portfolio presently consists of five (5) main categories, namely wheel-hub bolts, wheel axles, steel pins, u-bolts, and torque-rod bushings. Each of our products is fabricated according to precise specifications for fitting in various automobile chassis assembly configurations.

Although there are assorted types of commercial automobiles that come in many forms / shapes / sizes / weight classes (e.g. container trailers, cement mixers, cargo trucks etc.), components used in chassis assemblies typically consist of conventional component categories. Wheel-hub bolts and wheel axles are universal, whereas steel pins, u-bolts, and torque-rod bushings are integral components of leaf-spring suspension systems, which are commonly used in commercial vehicles (particularly in the load-bearing rear section).

Our product categories are necessity items, and not optional consumables – when replacement is due / duly required in automobiles that utilise such components, the procurement of such components will be indispensable in order to enable automobile operations to continue reliably / to resume. The timely replacement of chassis components is integral to the safety, dependability and efficiency of automobile operations.

Based on our experience, after the launch of a new heavy commercial automobile model that sells well in China, we commonly receive larger orders for chassis components used specifically in the new vehicle model from around the second year after launch, with smaller-scale order volumes beginning to trickle in within one (1) year after the launch of the new vehicle.

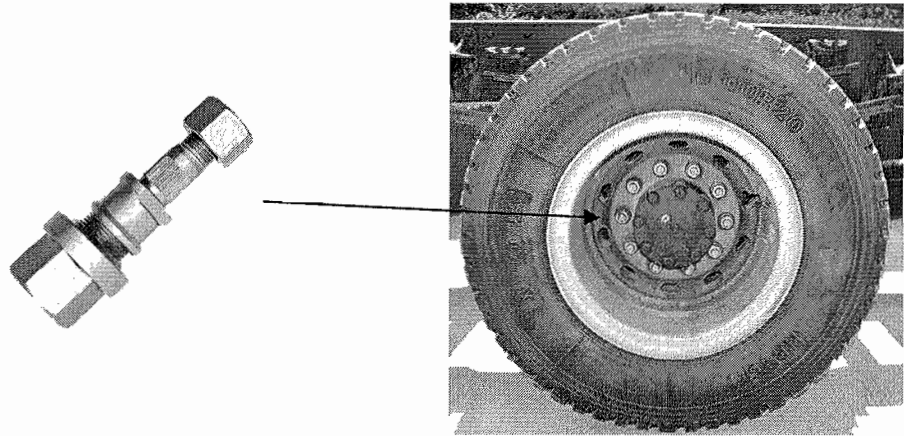
Please refer to Sections 4.9 and 10.3.1 of this Prospectus for further details of our own-brand as well as OEM-specification sales.



4. INFORMATION ON OUR GROUP (Cont'd)

4.5.1 Types of products

(i) Wheel-hub bolts



Wheel-hub bolts are high-strength bolts or studs used together with matching nuts to attach and securely fasten single or dual wheels onto wheel hubs, which in turn are attached to vehicle axles. Dual (double) wheel assemblies are used in automobiles transporting heavy loads.

Wheel-hub bolts are inserted through holes that are located in a circular setting on the wheel hub, as well as corresponding holes on the wheel, with nuts tightened over the wheel to hold the wheel in position. Wheel-hub bolts may be designed with threads for screwing into threaded holes in the wheel hub, or splined with ridges that results in a section with a slightly larger circumference for force fitting into the wheel hub, to induce a stronger fit (to secure its position / prevent rotation).

Wheel-hub bolts may undergo optional surface treatment for increased surface protection (against humid / cold and wet environmental conditions, exposure to salt (sea) spray etc.), or for cosmetic (appearance) purposes.

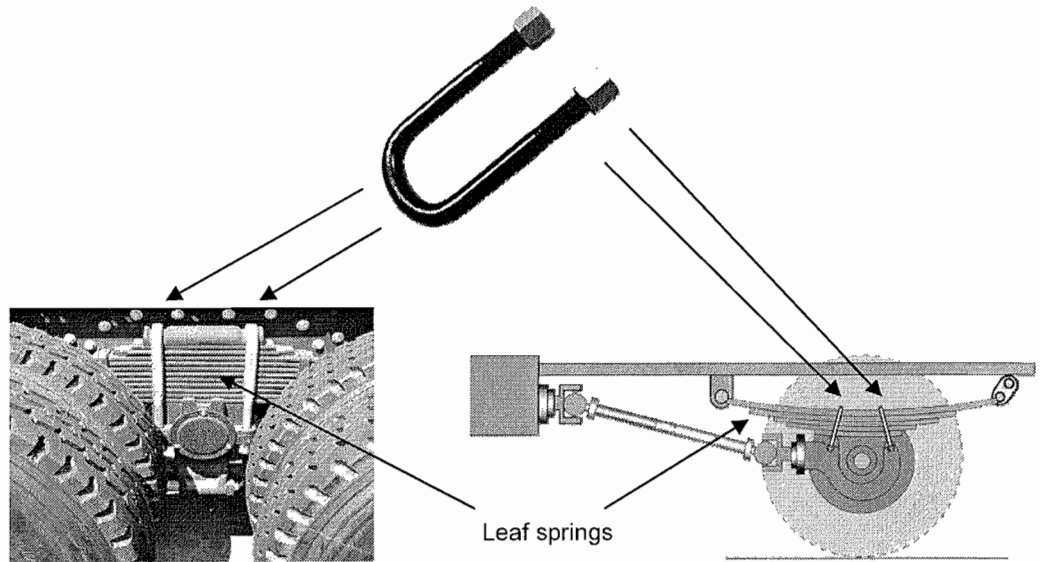
Depending on order specifications stipulated by customers, batches may be electroplated, phosphate coated, or blued (black oxide coated). These processes are outsourced. Electroplating provides a bright finish, whilst phosphate coating / bluing provides a grey / almost black finish that must be sealed with an oil coating to be effective against corrosion.

We also manufacture matching nuts for our wheel-hub bolts, but only for designs that are not common / readily available, if required for attachment to specific wheel-hub bolt models manufactured by us. We purchase common standardised matching nuts for attachment to our wheel-hub bolt models that require only simple and standard nut models which are readily available at competitive prices, as we are of the opinion that diverting our manufacturing resources to focus on higher value-added products such as bolts and non-standard nuts accords us higher margins.

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4. INFORMATION ON OUR GROUP (Cont'd)

(ii) U-bolts



U-bolts are used to clamp leaf springs solidly into place, onto the axle housing / chassis, as the leaf spring acts as a linkage for holding the axle in position. U-bolts are also used as part of the assembly of particular wheel hubs onto axles or to securely clamp container boxes or other forms of cargo containers onto chassis frames.

Leaf spring suspension systems, which uses multiple stacked leaves (multi-leaf springs) are widely used in goods-transporting vehicles (especially for heavy-automobile suspensions). Each multi-leaf spring suspension on one side of a vehicle axle is typically clamped together by two (2) u-bolts.

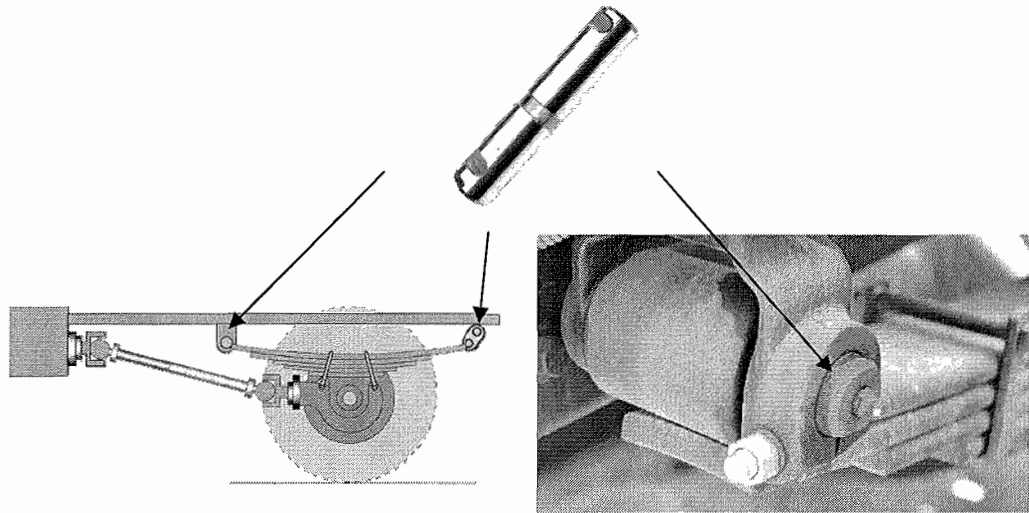
U-bolts manufactured by us mostly undergo a rubber-based surface coating, which is economical yet effectively provides long-lasting surface protection. Coatings may be in various colours in accordance to customer preferences. Alternatively, u-bolts may undergo electroplating, if preferred by the customer. Electroplating is an outsourced process and provides a bright finish and surface protection.

Nuts are purchased for attachment to various u-bolt models manufactured by us, as u-bolts generally utilise common / readily available standard-sized nut models.

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4. INFORMATION ON OUR GROUP (Cont'd)

(iii) Steel Pins



Steel pins are leaf-spring pins or king pins, and are cylindrically-shaped. Certain models of leaf-spring pins incorporate a nut at one end. Most of the steel pins manufactured by us are leaf-spring pins.

Leaf-spring pins are inserted into the eyes at both ends of a leaf-spring suspension system, to connect and support the mounting of the leaf spring onto the automobile. Leaf spring suspensions have the advantage of spreading the load more widely over the vehicle's chassis, whereas coil springs transfer it to a single point.

A typical example of a leaf spring set-up involves the leaf spring being hinged at each end by steel pins – the front end of the leaf spring would be hinged (via one (1) steel pin) directly to the chassis frame, while the back end of the leaf spring would be hinged to the chassis frame via a shackle (a short swinging arm that utilises two (2) steel pins – at the end of the leaf spring attached to the shackle, and at the other end of the shackle attached to the chassis).

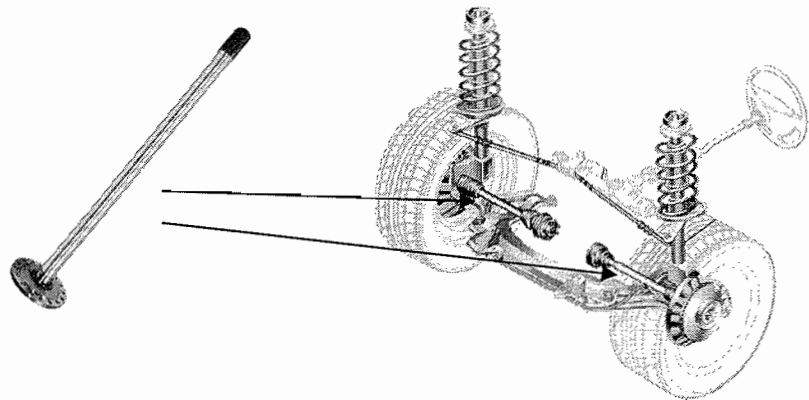
King pins are the main pivots in automobile steering systems – the mechanism that enables the control of the direction of a set of front wheels swivels on a pair of king pins, each located at one side at the front-wheel section of the vehicle (behind each front wheel). Steering systems with king pins are commonly used in medium-to-heavy commercial automobiles. Worn or bent king pins can cause loose connection points, resulting in unwanted movements of front wheels and diminished steering control.

Our steel pins have various groove and hole designs that permit lubrication via the passage of grease between the pin and the bush, to minimise friction and facilitate the smooth and efficient operation of leaf springs and steering systems. Nonetheless, wear and tear is inevitable – particularly in suspension settings, as leaf springs are continuously in motion as a vehicle moves.

Certain leaf-spring pin models (those with nuts) may be electroplated, which is an optional process that will effect a bright finish. Electroplating is an outsourced process.

4. INFORMATION ON OUR GROUP *(Cont'd)*

(iv) Wheel axles



Wheel axles are rigid shafts that connect wheels to vehicles, maintaining the positional axis of the wheels relative to each other and to the vehicle body. An axle that is driven by the engine is called a drive axle, which transfers the power of the engine into a force that rotates the axle, thus transmitting driving torque to the wheel.

We manufacture split axles, whereby the wheel on each side is mounted onto a separate axle shaft, and both the axles are attached in between by a differential. The differential allows the left and right wheels to be driven at different speeds as the automobile travels at an angle (turns to negotiate corners or curved roads).

Wheel axle models may be with or without plates of varying sizes and thickness at one end – plates are formed with various hole configurations and patterns for attachment to a variety of wheel hubs. All our axles are each formed entirely from a single steel rod (including plate sections), which eliminates any possibility of weaknesses arising from welded joints.

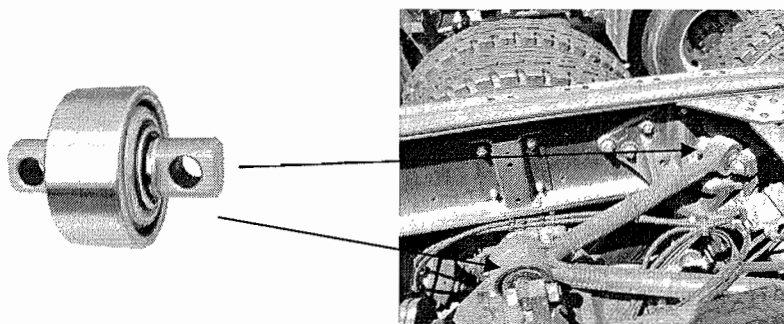
Wheel axle structures contain splines of various shape and form dimensions, to fit precisely and seamlessly with connecting parts. Splines are the uniformly spaced ridges / projections that fit into matching grooves on a hub. Splines maintain the corresponding angle between the axle and hub, and also serve as the connection point that transmits torque to the wheel (the driving force that causes the axle / wheel to rotate).

Wheel axles may undergo optional polishing to create a burnished surface finish (for cosmetic purposes). Axles may be formed in a range of diameters and dimensions in accordance to load requirements, to fit into a diverse range of automobiles.

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4. INFORMATION ON OUR GROUP (Cont'd)

(v) Torque-rod bushings



Our torque-rod bushings are various replacement bushings for insertion into the eyes at both ends of torque rods. Our torque-rod bushings are formed by thermoplastic polyurethane / polyurethane / natural rubber cylindrical sections, which encase steel cores that protrude from both ends of the cylindrical centre. The metal protrusions contain sockets (holes).

Torque-rod bushings serve as the connection joints of torque rods – torque rods are affixed via torque-rod bushings at both ends of the torque rod (one end attached to the wheel-axle housing, and the other end attached to the chassis frame).

The torque rod performs integral and multi-functional roles in automobile suspensions – it provides support against extreme shocks to the leaf-spring suspension by limiting its movement range, whilst restraining axle motions caused by vehicle movement forces. Torque rods absorb leaning / cornering / accelerating / braking forces to maintain axle alignment and control driveline angles of the vehicle.

The torque rod, which is a metal shaft, essentially relies on its bushings (specifically the thermoplastic polyurethane / polyurethane / natural rubber section of torque-rod bushings) to provide cushioning effects. Hence, the gradual wear of torque-rod bushings will compromise the functional purposes of torque rods, and affect the optimal effectiveness of leaf-spring operations (which hastens the wear of other leaf-spring components).

Worn or damaged torque-rod bushings can cause unbalanced suspension and wheel loads, delayed brake application times or inferior braking power, tilted axles (accelerating tire wear and u-bolt failures), leaf spring failures, or increased vibrations.

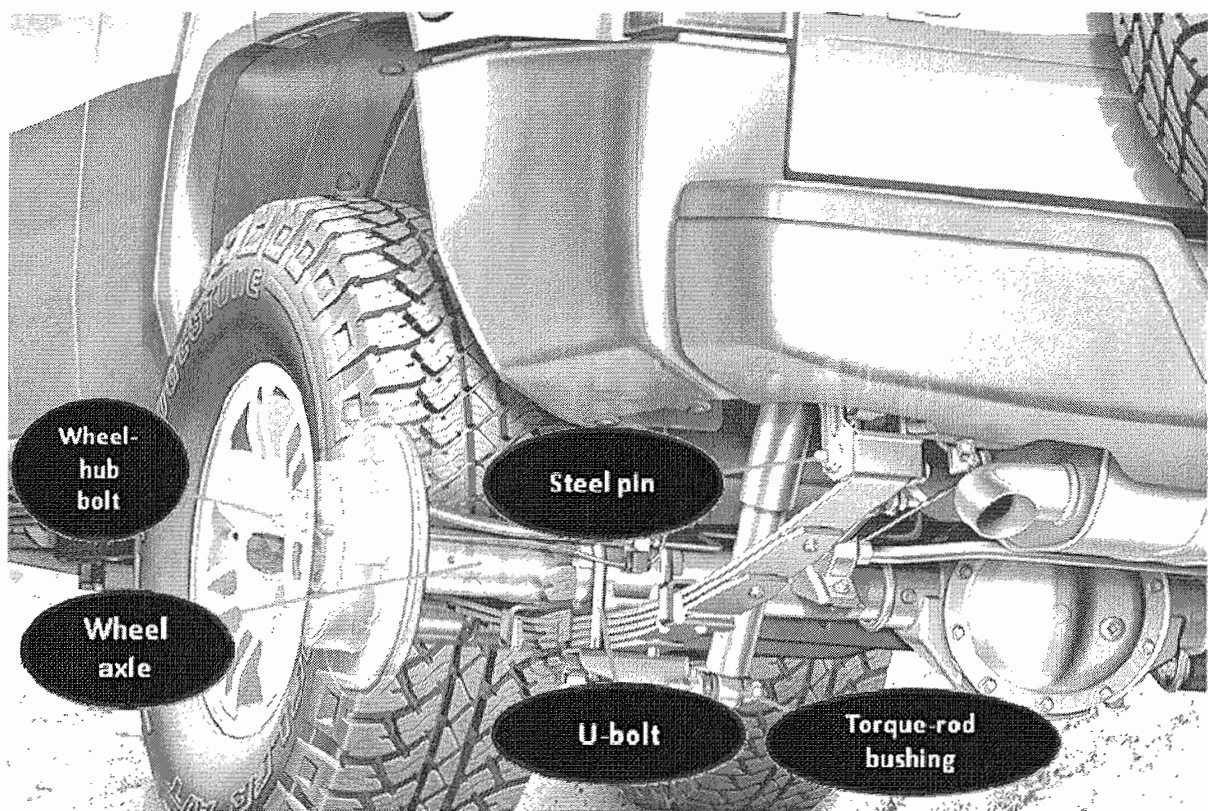
Our torque-rod bushings are manufactured via contract production by a contract manufacturer specialising in producing torque-rod bushings. Our strategic decision to establish a contract manufacturing relationship to add torque-rod bushings into our product portfolio was made in consideration of the following:-

- (a) Torque-rod bushings are components that are an appropriate fit with our business focus.
- (b) We ascertained that we were able to engage an experienced manufacturer specialising in torque-rod bushings, who comprehensively agreed to our quality control supervision, which includes regular and random (unannounced) quality-control inspection visits by members of our production team and technicians.

4. INFORMATION ON OUR GROUP (Cont'd)

- (c) Contract manufacturing allows us to instantaneously leverage on the contract manufacturer's specialist experience and skill set (torque-rod bushing production includes the fabrication of the thermoplastic polyurethane / polyurethane / natural rubber cylindrical section).
- (d) Contract manufacturing enables us to immediately increase the scale of our business by adding an entire product category into our product portfolio to capitalise on our established sales and distribution channels, without incurring any investment capital in fixed production machinery and equipment (which is likely to be a considerable sum for an entirely new product line).
- (e) We were able to identify a suitable partner with a shared view of building sustainable demand by creating quality and cost-competitive products for the automotive market.
- (f) Our aligned focus is cemented by mutually beneficial synergies – our contract manufacturer is able to capitalise on our marketing and distribution prowess and established customer relationships for a stable pipeline of orders. On the other hand, we are able to leverage on our contract manufacturer's specialist experience and production capacity, whilst empowered to exercise quality control assurance to ensure product quality is in line with our enterprise and brand standards.

Illustrative example of our product categories fitted onto an automobile chassis

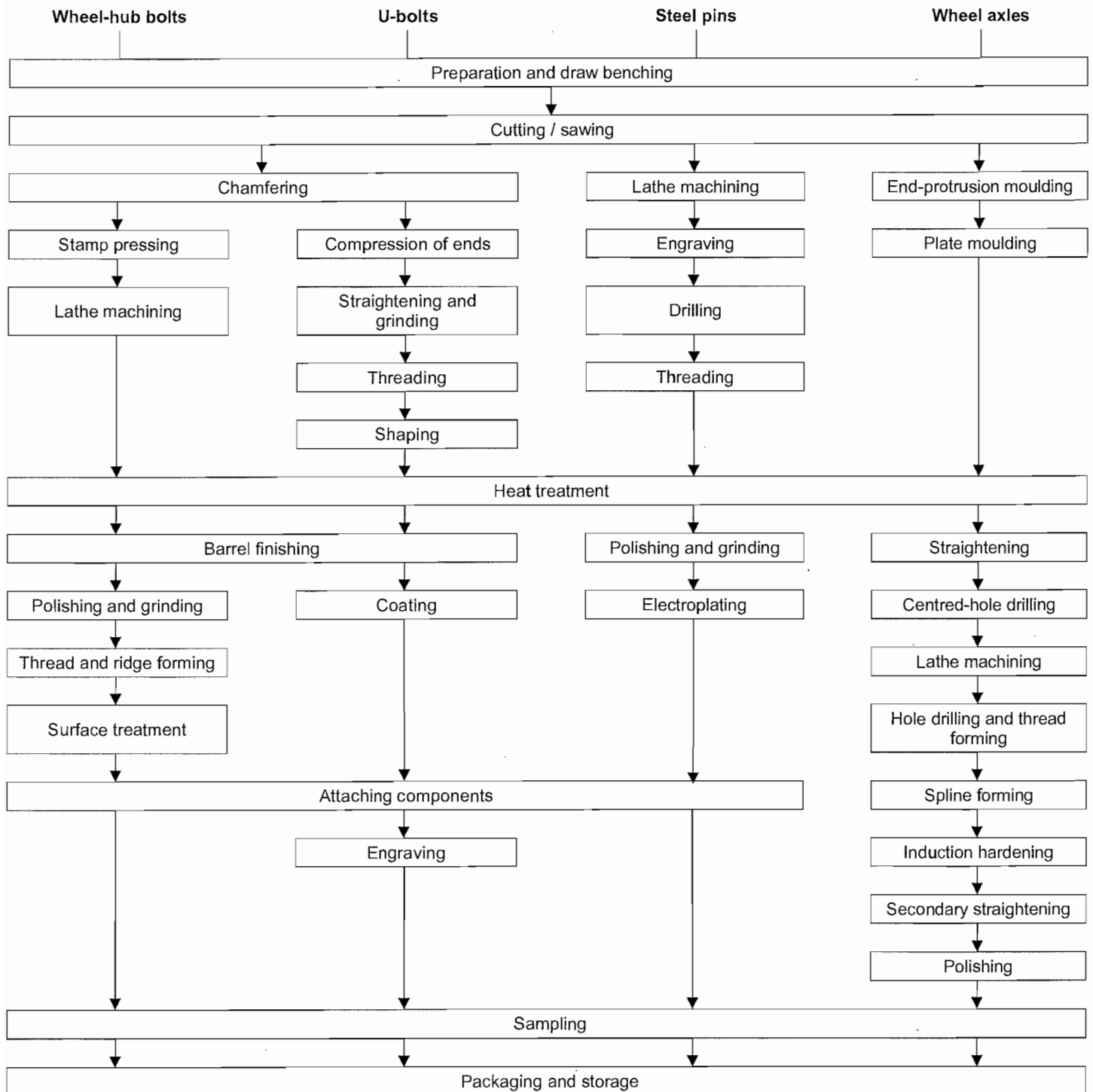


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4. INFORMATION ON OUR GROUP (Cont'd)

4.5.2 Production process

Our production processes are as follows:-



4. INFORMATION ON OUR GROUP (Cont'd)

Shared processes

Early-stage processes:-

- **Preparation and draw benching**

Long steel rods are coated with lime powder, and subsequently inserted through a cold draw bench. The draw bench pulls the entire rod to simultaneously scrape away the oxidation crust on its surface, and decrease the rod's diameter to form the intended circumference.

Draw benching assists to ensure cylindrical symmetry, whilst also smoothening the rods. The lime coating serves as lubrication in the drawing process.

- **Cutting / sawing**

Steel rods are cut into specific lengths, according to measurements of the wheel-hub bolt / u-bolt / steel pin / wheel axle.

For wheel-axle ends that are not required to be moulded / shaped, sawing is utilised to ensure that the flatness of the sawn surface area is acutely precise and finely finished.

Intermediate process:-

- **Heat treatment**

Heat treatment is a process that hardens and improves the strength of steel.

For wheel-hub bolts / u-bolts, it is an optional step depending on model specification requirements. Heat treating wheel-hub bolts / u-bolts is intended to achieve overall strength requirements of the entire bolt. Almost all our wheel-hub bolts are heat treated, whilst most of our u-bolts undergo heat treatment.

Steel pins / wheel axles undergo compulsory heat treatment – for steel pins it is to achieve surface hardness requirements, whilst for wheel axles it is required to achieve overall strength requirements of the entire shaft.

End-stage processes:-

- **Attaching components**

Matching nuts are fitted onto the ends of wheel-hub bolts / u-bolts / steel pins (applicable to steel pin models with nuts). Wheel-hub bolts that are formed by multiple components are combined to form complete individual sets.

- **Sampling**

Random samples of each product batch are selected for inspection and testing of physical properties, to ensure finished products are defect-free, and specifications are conclusively met.

4. INFORMATION ON OUR GROUP (Cont'd)

- **Packaging and storage**

Each product is coated evenly with grease for protection against corrosion (except for electroplated items, as it is unnecessary), and subsequently individually wrapped and boxed for protection against abrasion / collision / impact damages, before awaiting delivery.

Wheel-hub bolts

- **Chamfering**

Cut bar ends undergo chamfering, whereby the corners are cut at an angle to form a bevelled edge. Chamfering done at the ends where threads are to be formed facilitates the fitting of nuts (to centre the nut accurately and quickly during assembly) onto bolt threads.

- **Stamp pressing**

Hot and/or cold stamp pressing methods, either individually or combined, are used to mould the basic shape of various wheel-hub bolt designs. Unwanted edges are sheared away by blanking the workpiece using a punch and die. Brand names, model and/or grade class specifications are stamped onto wheel-hub bolts, if required.

- **Lathe machining**

Workpieces are machined to further form (if required) the intended shape dimensions, using automated and flexible CNC lathes.

A lathe is a machine which rotates the workpiece on its central axis, whilst applying various cutting and grinding tools onto the workpiece to create the desired shape and form.

- **Heat treatment**

Kindly refer to above.

- **Barrel finishing**

Workpieces are placed into a barrel, which rotates to tumble the parts against steel grit. This process efficiently cleans, smoothens, and removes oxidation and burrs (unwanted remainder edges / minor protrusions) on the workpiece, to produce a burnished exterior consistency.

- **Polishing and grinding**

Next, rounded sections on wheel-hub bolt workpieces undergo grinding to achieve a precise fit, smooth appearance and defect-free surface.

- **Thread and ridge forming**

At the end sections of wheel-hub bolts, external threads are rolled, and internal threads (where applicable) are milled (cut) using semi-automated machines.

If required, parallel vertical lines are rolled along a section of the wheel-hub bolts' body, to create ridges at the section where the bolt fits into a hole.

4. INFORMATION ON OUR GROUP (Cont'd)

- **Surface treatment**

Surface treatment is optional, whereby wheel-hub bolts undergo electroplating, phosphate coating, or bluing (black oxide coating), depending on order specifications. These processes are outsourced.

U-bolts

- **Chamfering**

Both ends of the cut bars undergo chamfering, whereby the corners are cut at an angle to form a bevelled edge, to facilitate the formation of threads at both ends of u-bolts and the fitting of nuts (to centre the nut accurately and quickly during assembly) onto bolt threads.

- **Compression of ends**

Steel bars are compressed at both ends, in order to reduce the circumference of both ends of the bar (where threads are to be rolled onto).

The reduction of the circumference of threaded areas serves to facilitate the rolling of threads – otherwise the circumference of threaded areas will be larger than the rest of the u-bolt, as rolling threads will create raised ridges.

- **Straightening and grinding**

Straightening and grinding are optional processes, which depend on dimensional and cost specifications. Straightening is apt for longer u-bolt designs, whilst grinding will produce a smoothly polished surface with a fine and precise finish.

- **Threading**

Threads are rolled onto both ends of steel bars that are to be made into u-bolts.

- **Shaping**

Steel bars are heated at the centre to increase its malleability, and then bent to form a u-shape. Certain model designs will require stamping to form a flatter / rectangular-profiled mid-section on the steel bar, before it is bent in the middle to form the u-bolt.

- **Heat treatment**

Kindly refer to above.

- **Barrel finishing**

U-bolts are placed into a barrel, which rotates to tumble u-bolts against steel grit to clean, smoothen, as well as remove oxidation and burrs (small, raised protrusions / unwanted remainder edges) on u-bolts.

This step prepares the u-bolt for effective surface coating.

4. INFORMATION ON OUR GROUP (Cont'd)

- **Coating**

Next, rubber-based powder coatings are sprayed onto u-bolts, and baked to create solid coated surfaces. U-bolts can be coated in various colours, depending on the colour of the powder coating used.

Alternatively, u-bolts may undergo electroplating, if preferred by the customer. This process is outsourced.

- **Attaching components**

Kindly refer to above.

- **Engraving**

Brand names, model and/or grade class specifications are laser engraved or stamped onto u-bolts.

Steel pins

- **Lathe machining**

Cut bars undergo machining using CNC lathes, to cut various groove and indentation configurations as it is shaped into steel pins, as well as to chamfer the steel pin ends (to eliminate perpendicular edges).

- **Engraving**

Brand names and/or model specifications are stamped at the side of steel pins, if requested by customers.

- **Drilling**

Next, hole configurations are drilled into steel pins, using either CNC or semi-automated drill press machines.

Holes in steel pins serve to facilitate lubrication, in order to reduce friction and enhance the steel pins' life span.

- **Threading**

Threads are then rolled onto one end of certain steel pin models, if applicable.

- **Heat treatment**

Kindly refer to above.

- **Polishing and grinding**

Steel pins undergo grinding to ensure a precise fit, and to polish its surface to ensure it is burnished and defect-free. A smooth surface area is essential as steel pins are required to provide the least possible friction.

- **Electroplating**

Electroplating is an optional process for steel pins, depending on customer preferences. This process is outsourced.

4. INFORMATION ON OUR GROUP (Cont'd)

Wheel-axes

- **End-protrusion moulding**

Shaft ends are heated and compression moulded to force the formation of a bulged shape, using a PLC moulding machine to achieve the intended basic shape.

- **Plate moulding**

Next, axles with plate designs at the wheel-hub end will undergo plate moulding. The bulge-shaped shaft-end section undergoes compression moulding, using a separate PLC orbital forging machine to form the precise shape of a round plate.

- **Heat treatment**

Kindly refer to above.

- **Straightening**

Semi-formed axles that are not entirely linear will next undergo a straightening process to ensure the integrity of its shape.

- **Centred-hole drilling**

Small holes are drilled in the centre at both ends of semi-formed axles, using a dedicated CNC machine. The centred holes serve to position the axles accurately in subsequent stages of precision work, as it is crucial in ensuring that the axle shaft is rotated precisely on its central axis.

- **Lathe machining**

The axles next undergo CNC lathe machining, to cut various groove and indentation configurations, to sculpt raised sections into protrusions with the desired shapes and dimensions, to refine the plate and shaft connection area, as well as to cut exterior threads on the shaft (if required, depending on model specifications).

- **Hole drilling and thread forming**

Subsequently, hole configurations on the plate are drilled, and interior threads are cut in certain holes (if required in certain holes, depending on model specifications), using either a specialised CNC machine or an automated machine.

- **Spline forming**

Next, splines are formed on axle ends, either by way of cold compression shaping or semi-automated hobbing (cutting).

- **Induction hardening**

High-frequency electric currents are used in the CNC electromagnetic induction heating of joint sections (spline and thread structures), followed by quenching (rapid cooling) with water to cause localised surface area hardening.

4. INFORMATION ON OUR GROUP (Cont'd)

Induction hardening increases the wear resistance of selected sections of the axles, namely spline and thread structures. The hardness as well as the depth of the hardening can be varied according to requirements.

- **Secondary straightening**

Axles that are not absolutely linear after the above processes will undergo a secondary straightening process to ensure the entire integrity of its shape.

- **Polishing**

Polishing of axle shafts and splines are optional, depending on customer preferences, and will result in a burnished surface finish.

If spline sections are to undergo polishing, spline ridges will have been formed slightly higher to take into account the abrasive reduction caused by polishing. Threaded sections will not be polished as it will alter thread measurements and thus affect its integrity and precision.

Torque-rod bushing

Torque-rod bushings are produced by our contract manufacturer, who fabricates torque-rod bushings in accordance to orders received by us. Finished goods are delivered to our warehouse for consolidation with our other products, prior to delivery to customers (a single customer order may comprise multiple product lines and models).

4.5.3 Types, sources and availability of raw materials

The primary raw material used in our manufacturing is steel. Specifically, we utilise the 40Cr and 45# categories of steel, which are both common types of raw steel material in China. Generally, we utilise 40Cr steel for products that are sold domestically, while products that are export-designated are either made with 40Cr or 45# steel, depending on the requirements specified by trading houses (who act as intermediaries for export-designated customers). All our steel suppliers are located within Fujian Province and are within a one-hour or two-hour delivery radius from our production centre.

Before commencing a relationship with a steel supplier, we undertake preliminary checks to ensure that our suppliers obtain their steel from major steel production companies, such as state-owned producers, who are able to reliably certify the specifications of the types of steel we purchase. Our suppliers usually obtain their respective steel supplies from a few steel production companies, and our suppliers usually maintain an inventory of steel. Although there may be some overlap of source producers between our suppliers, our preliminary checks also serve to ascertain that a new supplier is not sourcing from exactly the same producers as our existing suppliers.

Even though we are able to source our entire consumption demand for steel from a single major steel production company, we choose to spread our orders across several suppliers to securely obtain a continuous supply of steel and to pre-empt the occurrence of supply shortages from one or even a few steel production companies.

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4. INFORMATION ON OUR GROUP (Cont'd)

Steel is a major commodity, while China is the leading steel-producing nation in the world (in terms of quantity produced). In April 2011, the China Iron & Steel Association reported excess output, a situation that they attribute to the rising output of small-medium regional enterprises (*Source: Independent Market Research Report*). Based on the above, we believe that in the event we encounter any supply restrictions in our steel raw materials, it would likely be experienced industry-wide / China-wide, or even across the world. As at LPD, we have not encountered any steel supply shortages that has affected our production.

As steel is a world-wide commodity, it is subjected to fluctuations in world prices. Nevertheless, we have not encountered any disruptions to our production due to fluctuations in our raw steel material prices, as at LPD. The fluctuation of the average purchase price for our steel raw materials was less than 17.0% for FYE 2010, FYE 2011 and FPE 2012 as compared to that of FYE 2009.

Our steel purchases are confirmed in accordance to specific usage quantities of each product batch upon finalisation of confirmed product orders, thus the respective order prices for our steel raw materials are correspondingly factored into agreed purchase prices for each product batch. We do not pre-purchase steel raw materials to speculate on price fluctuations.

In tandem with product orders received, we place our orders for steel raw materials more than one (1) or two (2) months in advance. Steel supplies are continually delivered to our production centre in accordance to our planned production schedule, and we typically maintain at least ten (10) days of steel inventories. We monitor the consumption of our raw materials as well as our remaining in-house stock prior to commencement, during and after completion of each product batch.

Component purchases

Our purchases of finished parts include torque-rod bushings as well as common nut models.

We have a long-term supply contract with our torque-rod bushing supplier, which will expire in 2014. Torque-rod bushings are made to order by our contract manufacturer, with orders placed and confirmed more than one (1) month in advance. We check the status of production batches periodically to ensure that delivery schedules are on track, and as at LPD we have not encountered any breakdowns in our contract manufacturing arrangement for torque-rod bushings. Raw materials used in the manufacture of torque-rod bushings (thermoplastic polyurethane / polyurethane / natural rubber and steel) are sourced separately by our contract manufacturer.

As standard nut sizes and shapes are available for purchase at competitive prices, we do not have formal long-term contracts with our nut supplier. Orders for nuts are placed and confirmed more than one (1) month in advance. As at LPD, we have not encountered any supply shortages of nuts, nor have we received defective component batches from our nut supplier.

Please refer to Section 4.11 of this Prospectus for further details on our torque-rod bushing and nut suppliers.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.5.4 Production capacity and output

The utilisation rates of our production machineries and equipment for FYE 2009 to FPE 2012 are as follows:-

	FYE 2009	FYE 2010	FYE 2011	FPE 2012
Production capacity ⁽¹⁾ (tonnes of steel)	46,000	46,000	48,000	⁽³⁾ 43,500
Production ⁽²⁾ (tonnes of steel)	33,063	39,088	43,047	40,397
Utilisation rate	71.88%	84.97%	89.68%	92.87%

Notes:-

- (1) Production capacity has been derived based on estimated tonnage of raw material that may be converted into finished products during the particular financial year, taking into consideration, amongst others, the machines available, historical product mix, historical orders of various products with different level of complexity and sizes.
- (2) Production is calculated based on the finished goods produced per annum and after deducting estimated volume (in tonnes of steel) outsourced.
- (3) Production capacity for FPE 2012 is calculated based on an annual production capacity of 58,000 tonnes of steel.

The amount of time taken to produce each end-product varies depending on the size and specification of each product model as well as the complexity of each product design. While the general shape of each of our product lines is similar, different product models and designs require a combination of different methods to achieve diverse specifications and dimensions. On top of the above, a portion of our machineries and equipment can be used interchangeably for different product lines.

For instance, the most basic wheel-hub bolt will require significantly lesser steps / processes and substantially less time to complete as compared to complex (or multi-component) wheel-hub bolt designs. A simple steel pin may merely be tubular, but a complex steel pin will require significantly more time and resources to ensure that the multi-angled grooves and holes are machined without fault. A rectangular-profiled u-bolt will require additional shaping, which will take up a significantly more time for an entire product batch.

The time and raw material taken to produce a large wheel axle differs substantially from that of a small axle or a medium-sized axle – even an identical design on a proportionately larger axle (as compared to a smaller axle) will require more machining time. Furthermore, the transportation of larger workpieces from one machine to another are more time-consuming, as it will require more trips and be more cumbersome, and each workpiece will require more time to carry, position into machines, and remove. Apart from the above, machines such as lathes can be used to process wheel-hub bolts, steel pins as well as wheel axles.

Due to the above, and after having considered our operational circumstances, we estimate our production capacity and measure our output based on the amount of steel converted into end product. The manner of computing our production capacity and output above is not referenced to any other automobile chassis part manufacturer.

We operate three (3) work shifts a day, with each shift having eight (8) hours. On average, we operate approximately 340 days a year.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.6 QUALITY MANAGEMENT

Our quality control is premised on assuring the stability of our product quality. In order to serve the automotive chassis component market well, we seek to ensure that there is no material deviations in the actual specifications of our final products against customer order specifications. At the same time, quality control serves to ensure the cost-efficiency of our production.

Effective quality control thus enables us to provide cost-competitive and quality products, to strive towards end-user satisfaction, and thus continued demand for our products.

Quality control is a fundamental element of our product fabrication. As such, our quality assurance is carried out by our entire production team, under the leadership of our Production Manager, Li ShiXian, two (2) senior production management personnel and ten (10) supervisors, with the assistance of five (5) testing equipment technicians.

To ensure consistency and reliability in product quality, our meticulous quality control measures encompass pre-manufacturing tests, in-process checks and end-product tests.

4.6.1 Raw material tests

Although our raw materials come with specification certifications that certify their physical properties, we undertake in-house checking to ensure the integrity of our raw materials as well as to avert wastage of material, labour and energy arising from the scrapping of product batches due to raw material defects.

We evaluate raw material suppliers before commencing procurement relationships, to ensure our suppliers are reputable and obtain steel supplies from major steel producers that are capable of assuring the quality of their materials.

Compression testing are undertaken on short cross-sections cut from steel rod batches to check for cracks while longer cross-sections cut from steel rod batches are analysed for defects (hairline fissures and miniscule faults).

Microscopic and metallographic analysis are also undertaken to examine the innate microstructure and chemical composition of raw steel materials to ascertain that the steel we use are according to specifications.

4.6.2 Dimensional precision

The dimensional precision of our products are assured by methodical scrutiny throughout fabrication processes.

At processes whereby workpieces are cut and shaped, production employees measure shape dimensions of workpieces before commencing processing work to ensure that preceding work done on workpieces are dimensionally accurate.

After the first workpiece of a product batch is processed, measurements and workmanship are again examined to ensure that the intended dimensions and effects have been achieved. Workpieces from each batch-in-progress are also examined repeatedly by production employees themselves during processing.

Supervisors independently appraise workpiece measurements and workmanship at the start of each batch process, and continue to recurrently inspect samples throughout the processing of each batch-in-progress, whilst simultaneously monitoring the work in progress.

4. INFORMATION ON OUR GROUP (Cont'd)

We also ensure that moulding equipment and shaping tools are replaced in a timely manner. Whilst moulds and tools have expected life spans, our continual examination of work-in-progress products also allows us to continually ensure moulds are in good condition.

The dimensional measurements of torque-rod bushings are also randomly undertaken by us to ascertain compliance during visits to our contract manufacturer's production centre.

4.6.3 Coatings

Surface coatings are examined to ensure that the intended quality and evenness of finish have been achieved. Collision impact and abrasion testing are also performed on u-bolts coated in-house to test the effectiveness of the adhesion of surface coatings.

Salt spray testing is also performed on product specimens to determine the corrosion endurance limits of our product coatings. Salt spray testing is undertaken mostly for products batches that are intended for export, to ensure that our products possess adequate corrosion-resistance qualities, such that it will remain unaffected in subsequent storage or usage after being shipped over sea.

4.6.4 End-product conformance tests

In order to ensure the reliability of our finished products, we endeavour to ascertain that each batch of our products have consistently and conclusively conformed with the stipulated specifications, such that products will achieve the requisite performance and durability under proper service and functional conditions throughout their operational life-span.

Specimens of finished products are randomly sampled from each batch of our products for comprehensive inspection and internal testing to verify that no aberrations have inadvertently occurred in the execution of our fabrication processes.

Finished prototype specimens are also periodically selected to be sent for independent testing by governmental quality supervision organisations. Tests conducted by the Quanzhou Inspection Institute Of Product (泉州市产品质量检验所) or the Fujian Provincial Central Inspection Institute (福建省中心检验所) serve to independently validate that our in-house tests assessments are accurate, and to verify that our fabrication processes have achieved the requisite criteria.

Torque-rod bushing specimens are appraised dimensionally, visually, as well as for adhesion between metal and thermoplastic polyurethane / polyurethane / natural rubber sections. Durability testing conducted by our contract manufacturer on product specimens are undertaken via stressing the metal protrusions through repeated mechanical motions whilst bushings are held static.

As at LPD, we have not encountered any rejection or sporadic returns of products batches, a testament to the success of our meticulous quality assurance procedures.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.6.5 Quality standards

As further assurance of our product quality-control system's reliability, as well as the holistic management and control of our manufacturing process chain, we applied for and successfully obtained several quality and management standard certifications in 2011 and 2012.

We were accredited the internationally-recognised ISO/TS 16949:2009 quality management system, conventionally acknowledged as the leading benchmark for automotive products, for our wheel-hub bolt, u-bolt and steel pin production.

In addition, we were accredited the GB/T19001-2008/ISO9001:2008 quality management system, GB/T28001-2011 occupational health and safety management system, and GB/T24001-2001/ISO14001:2004 environmental management system, for our wheel-hub bolt, steel pin, u-bolt and wheel axle production.

4.7 TECHNOLOGY USED

Apart from automated mechanical processes, a portion of our production machinery utilises CNC and PLC technologies, which allows the computerised programming of machinery settings for varying product models.

CNC machines have an in-built computer, whereas PLC machines have detached programming devices that are attached only when machinery settings require changing. CNC and PLC technologies facilitate enhanced accuracy and precision in workpiece machining (therefore minimising the possibility of errors and defects) and consistency in mass production whilst decreasing manual input, in addition to reducing the time required for altering machine settings to produce different component designs.

CNC and PLC technologies are widely used in many industries today, especially in factory assembly lines.

4.8 RESEARCH AND DEVELOPMENT

Our R&D endeavours to achieve advancements in our manufacturing competencies. To this end, we seek to explore and identify prospective innovations and expedient adaptations to refine our fabrication processes, via the transformation of multiple physical stages into consolidated processes, or conversion of manual and physical motions into automated sequences.

This enables us to eliminate factors (human or otherwise) that may cause quality variation possibilities. Furthermore, the assimilation of speed increases without quality concessions contributes to the building up of significant cost and time efficiencies.

Apart from the above, R&D on prototype creation and test run simulations are essential to our reliable fabrication of new product models.

Notwithstanding that our products are replacement chassis components, the accumulation of product knowledge over the years has enabled us to leverage on our understanding of product usage circumstances, to expand the scope of our R&D into modifications to enhance the design of components that will fit into existing automobile models.

R&D is undertaken by senior production personnel under the leadership of our Managing Director and our Production Manager, Li ShiXian. R&D expenses have historically not been isolated from our other expenses, as we have always viewed it as a core element of our business.

4. INFORMATION ON OUR GROUP (Cont'd)

4.8.1 Production competency advancements

Over the years, we have constantly incorporated increasingly advanced machinery, as well as machinery modification innovations, to incrementally enhance our fabrication processes. In addition, we have also embarked on product portfolio expansion projects, which culminated in the successful addition of new product categories that are more skill intensive, with the commencement of the production of u-bolts in 2006 and wheel axles in 2009.

We conceptualise advancement possibilities by leveraging on our accumulated experience and expertise, keeping abreast of metalworking equipment advances by attending machinery trade fairs and visiting machinery manufacturers' production centres, and upgrading our knowledge base by researching and studying pertinent technical information and publications.

The combination of these endeavours enables us to make informed decisions of specific machinery acquisitions, based on target product market segment considerations. In addition, we strive to attain an intimate and in-depth understanding of machinery mechanisms in order to maximise its practical usage, and to enable the development of value-adding modifications to augment its functional utility. To-date, we have conceptualised custom-made machineries that were successfully fabricated by machine manufacturers and incorporated into our production assembly to accomplish specific processes with increased efficiency.

We are currently focused on identifying ways to further optimise our manufacturing competencies for existing product categories. Nevertheless, based on our past experiences, we are positive of our abilities to expand into new chassis component categories or new target market segments, should our management wish to pursue that strategic direction.

Process improvement highlights

Highlights of selected process re-engineering improvements we have implemented to-date are as follows:-

- Lathe machines (for steel pins / wheel-hub bolts) were previously equipped with manual-operated chucks (clamps that securely hold and rotate workpieces during lathe machining). We modified our CNC lathe machines to incorporate auto-clamping chucks, thus enabling the quicker sequential processing of workpiece batches, by eliminating time wastage arising from the manual clamping and unclamping of every single workpiece, before and after lathe machining.
- Auto-feeding mechanisms were equipped onto bevelling machines, as well as polishing and grinding machines, to enable speedier and continual mass bevelling of wheel-hub bolts / mass polishing of steel pins, which simultaneously provides more time for dimensional measuring by employees for quality assurance, while providing sounder safety assurance for our employees, as compared to the manual insertion of workpieces one at a time.
- The compression of u-bolt workpiece thread ends was initially accomplished with a manual cutting process. We subsequently adopted specialised semi-automated compression machines, which eliminated the wastage of raw materials arising from the cutting process, whilst improving accuracy and precision.

4. INFORMATION ON OUR GROUP (Cont'd)

- Coating of u-bolts was previously performed manually, which required five (5) to six (6) employees physically dipping u-bolts into liquid paint solutions and subsequently hanging them to air dry. This was superseded by our incorporation of a custom-modified automated conveyer machine (which we conceived) that seamlessly sprayed and baked powder coatings on u-bolts, to rapidly solidify the coatings.

The transformation of this process enables merely two (2) workers to operate the entire machine, while coating more than three (3) times the amount of u-bolts that could be simultaneously accomplished in the same amount of time. Additionally, in contrast to air drying that required at least two (2) to three (3) hours to be fully completed, u-bolt coatings are instantaneously dried and immediately ready for the subsequent attachment of nuts and packaging.

This new method of coating improves the consistency, quality and durability of u-bolt coatings, without incurring cost increases in coating material usage. Furthermore, the unpleasant smell of wet paint solutions has been extirpated, thus allowing us to provide a better work environment in our production centre for employees.

- Drilling of steel pins was previously performed manually. We subsequently adopted semi-automated and CNC drill presses, to enable more steel pins to be drilled in the same amount of time, with assured accuracy and precision. In addition, semi-automation and CNC allowed for the quicker completion of changes to drill press machinery settings, to facilitate the drilling of different steel pin models.
- End-protrusion moulding on axle shafts previously required up to two (2) manually-operated machines, which were subsequently superseded by a specialised PLC machine that completed the moulding process quicker and more precisely, whilst facilitating faster changes in machinery settings for different specifications.
- Plates on axle shaft ends were previously moulded by way of hydraulic pressing, which hammered the plates into shape using one-dimensional pressure (top to bottom movement). We replaced this method with orbital forging, which forms stronger internal grain structures that are more uniform and refined, as the plates are formed by homogeneous and incremental pressure combined with rotational motions.

In addition, other than improved speed and dimensional precision, as well as facilitating quicker machinery setting changes, utilising the PLC orbital forging machine simultaneously reduced consumption of energy, lowered the possibilities of defects, as well as eradicated the significant noise pollution that arose from the hydraulic pressing method.

- The incorporation of dedicated CNC machines respectively for the centred-hole drilling (which was custom-made in accordance to our internally-conceived specifications), lathe machining and induction hardening of wheel axles reduced physical labour usage requirements and the possibilities of defects, hastened the adjustments of assorted settings required for various axle model sizes / designs / specifications, whilst assuring precision and accuracy.

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4. INFORMATION ON OUR GROUP (Cont'd)

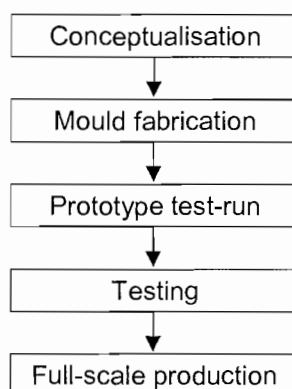
- The process of hole drilling and thread forming on axle plates was previously performed by multiple machines, which required more than 20 employees in total to fully operate. We revamped the entire process by incorporating an automated machine, and subsequently a CNC machine that were both conceptualised and custom-made in accordance to our functional requirements.

The evolvement of this entire stage into a one-step composite process enables merely two (2) workers to independently accomplish the entire process on each machine, with assured accuracy and precision.

Furthermore, hole drilling and thread forming on each axle plate is completed faster as compared to previously, as time and energy are no longer expended in the cumbersome physical movement of the axle between machines, the changing of specialised tools on machines, as well as the repositioning of axles for the drilling of multiple holes.

- The addition of a specialised compression shaping machine for axle splines (which was conceptualised by us and custom-made) enabled the more refined formation of splines, which are more durable and stronger than splines that are hobbled (cut). Compression shaping enables axle spline formations to be completed quicker in comparison to hobbing. Furthermore, compression shaping avoids the wastage of materials arising from spline hobbing.

4.8.2 Prototype development



Our business focuses on serving the chassis component aftermarket for commercial automobiles. Thus, product specifications are provided to us based on market needs, or derived from sample specimens via measuring and testing as well as microstructural and metallographic analysis, upon which we rely on our R&D capabilities to develop prototypes, prior to commencement of full-scale production of new component models.

Prototypes of new product models are created using product specimens or blueprints as a basis. Specimen samples or blueprints may be provided to us by customers. Alternatively, we may commence the creation of prototypes of components used in new heavy commercial automobile models in China, based on market research conducted by our sales and marketing department on popular commercial automobile models launched in recent times.

4. INFORMATION ON OUR GROUP (Cont'd)

Based on the combination of technical specifications (component dimensions and shapes, strength and hardness qualities, surface properties), we conceptualise the fabrication process to determine the optimum method of manufacturing a component. We design and create the required moulds (where applicable) using in-house machining, and/or external CNC electrical discharge machining / wire sawing facilities to cut more complex mould shapes.

Test production simulations are carried out sequentially through each step of the process flow, whereby prototype workpieces are subject to observation for uniformity of precision and dependability of achieving consistent qualities, before moving onto the next step. Prototype workpieces undergo comprehensive assessments, tests and/or metallographic analysis to examine the effects of specific processes or to reveal compositional issues.

Sawn cross-sections of prototypes are evaluated via microscope, whereby the heat treatment effects on prototype microstructures (including case hardness and surface depth for steel pins / induction hardening on axle joint areas) are appraised.

After identification of requisite adjustments in particular areas, and the fine-tuning of processes to reliably achieve the mandatory criteria, independent external tests are carried out on final prototypes that vary substantially from our previous production models. Full-scale production of a specific product model commences only after receipt of customer confirmation on the finished prototype, subsequent to completion of the entire aforementioned processes.

4.8.3 Patents

Our in-house research into product model improvements has yielded independently-developed innovations that provide value-added functional design and/or structural durability enhancements. Salient highlights of our five (5) patents secured in 2011 and one (1) patent secured in 2012 are as follows:-

- A steel pin model with a T-shaped hole design was modified to a single diagonal-hole design. The slanted hole allows grease to be more effectively pumped into the central-groove section of the steel pin, reduces hole-passage blockage complications, shortens the distance of the hole passage between the steel-pin end and its grooved centre, whilst abridging the two-step hole-drilling process into a one-step process.
- The structure and dimension of our u-bolt model, which includes opposing threads at both its ends (clockwise at one end and counter-clockwise at the other end), is designed to provide a better fitting as well as an improved internal structure, to enhance durability.
- The incorporation of an intermediate alignment piece between the nut and wheel-hub bolt allows the fastening position of the nut to be centred more accurately, as the intermediate piece is designed to enable the fastening pressure to balance the nut into the central-axis position. As each wheel has multiple wheel-hub bolts that are routinely fastened quickly without much attention to detail, this intermediate alignment piece assists to avoid the possibility of minor slants in the mounting of wheel-hub bolts that will compromise its life span.
- The incorporation of an intermediate component that extends from the nut to enclose the mid-section of the wheel-hub bolt is designed to provide enhanced protection against shear stress and bending forces on the wheel-hub bolt, in order to enhance toughness and durability, in addition to reducing the possibility of nut loosening.

4. INFORMATION ON OUR GROUP (Cont'd)

We subsequently leveraged on our patenting experience to apply for two (2) patents for our wheel-axle shaft compression technique. We successfully obtained approval for registration of one (1) patent for machine used in wheel-axle fabrication in 2012 and one (1) patent for machinery used in wheel-axle fabrication is pending for registration.

4.9 PRINCIPAL MARKET

Although all our products are sold to customers within China, our customers can be divided into two (2) categories. Automotive component distributors distribute our own-brand products for sale within their respective provinces within China, whilst trading houses (import-export agents) act as intermediaries for export-designated OEM-specification customers.

Based on the above, our ultimate principal markets may be categorised into the domestic market in China, as well as overseas markets. Our revenue from FYE 2009 to FPE 2012 segmented according to domestic and overseas designations are as follows:-

	FYE 2009		FYE 2010		FYE 2011		FPE 2011		FPE 2012	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
China (Own brands) Overseas (OEM-specification)	185,700	49.8	248,410	54.9	380,866	62.9	246,982	59.3	316,893	64.0
	187,438	50.2	203,684	45.1	224,461	37.1	169,557	40.7	178,571	36.0
	373,138	100.0	452,094	100.0	605,327	100.0	416,539	100.0	495,464	100.0

As can be seen from the table above, the proportion of our total production output has been increasingly weighted towards serving the domestic market in China, as our revenue contributed by domestic distributors rose to 64.0% in FPE 2012 from 49.8% in FYE 2009. Our proprietary-branded products ('PL', 'LIDUN', and 'SUOLI') are sold in the domestic market, whereas export-designated sales are for aftermarket OEM-specification products.

Our strategic focus on catering more towards the automotive aftermarket in China is based on our opinion that the domestic market for replacement components has been growing due to continued annual increases in commercial automobile unit sales in China for the past several years. We endeavour to seize this opportune moment to build and expand our market share and proprietary brand presence for our product categories in China.

Other than rising market demand, our revenue growth from FYE 2009 to 2011 as well as our financial performance for FPE 2012 have been a result of increasing recognition of our proprietary brands and expansion of our distribution network.

4. INFORMATION ON OUR GROUP (Cont'd)

Our domestic distribution network encompasses 17 provinces and municipalities in China, as at LPD. Our revenue for FYE 2011 and FPE 2012 segmented according to our regional categorisations are as follows:-

Domestic sales segmented by region (provinces / municipalities)	FYE 2011		FPE 2012	
	RMB'000	RM'000	RMB'000	%
Northern region (Heilongjiang, Jilin, Liaoning, Hebei, Henan, Shandong, Shanxi)	172,991	82,050	141,587	44.7
Western region (Shaanxi, Chongqing, Sichuan, Guizhou, Yunnan, Guangxi)	111,628	52,946	92,928	29.3
Southern region (Hubei, Hunan)	60,625	28,754	53,499	16.9
Eastern region (Jiangsu, Anhui)	35,622	16,895	28,879	9.1
	380,866	180,645	316,893	100.0
			154,675	100.0

For overseas sales, we are unable to determine the quantum (volume or revenue) ultimately exported to each overseas country, as we are not privy to information in relation to the respective end-customers for all product orders received from trading houses.

We assume that all our sales to trading houses are overseas sales, because we have an understanding with our trading house customers that they shall only serve export-designated customers, and that sales within China shall be exclusively conducted via our domestic distribution channels. In addition, whilst domestic sales may be in continuous and small batches and for specific product lines, sales to trading houses are commonly large orders with multiple product lines for bulk delivery at a time to fully utilise the space within cargo shipping containers that trading houses send to our warehouse for goods collection. Thus far, our sales and marketing personnel have not encountered any OEM-specification products manufactured by us that are in circulation in the domestic market.

Based on the direct contact we have had with certain end-customers (as trading houses may refer end-customers to us for technical discussions on product specifications / visits to our production centre and product showroom), end-customers that we are aware of from Southeast Asia (Malaysia, Indonesia and the Philippines), the Middle East (Dubai and Saudi Arabia) and South Africa have placed orders with us (via our trading house customers) in 2011 and 2012.

4.9.1 Sales, marketing and distribution

Our sales and marketing is premised on building a sustainable distribution network, via the careful selection of distribution partners for establishing mutual growth. As at LPD, we have 19 distributorships covering 17 provinces and municipalities in China, and eight (8) trading houses exporting our products.

4. INFORMATION ON OUR GROUP (Cont'd)

We endeavour to identify reliable and competent domestic distributors and trading houses – by performing background investigations via enquiries made through our network of associates to evaluate their distribution and financial capabilities, the ethical and professional conduct of their business, and the personal integrity of the proprietor(s) (or key personnel).

Our preparatory work before commencing customer relationships has allowed us to maintain customer relationships. Most of our customers have relationships with us spanning five (5) years or more (13 distributorships across twelve (12) provinces in China, and six (6) trading houses).

We assist our customers to develop their distribution base for our products. We also strive to collate an in-depth and up-to-date proprietary knowledge base to facilitate our efforts in serving the aftermarket for our product categories.

In China, our sales and marketing personnel promotes our brands and products to sub-distributors, workshops and end-users at our distributors' coverage areas (on top of our distributors' own sales and marketing efforts to grow their distribution network). Our sales and marketing team also obtains information on market requirements / opinions on our product categories (competitors' products etc.) / feedback on our products and distributors / new commercial automobile models.

Since 2005 and 2006, we have been cultivating the recognition of our proprietary brands in the automotive component aftermarket segment in China, with our 'PL', 'LIDUN' and 'SUOLI' trademarks. To protect our brand equity, we joined the China Association For Quality Inspection's Digital Security And Logistics Management Services System, which allows us to attach authenticable labels on our own branded products for protection against counterfeiting.

We participate in domestic and overseas industry trade fairs, setting up exhibition booths and advertisements to foster awareness of our products, convey our production capabilities and competencies, develop new business opportunities and maintain relationships with local / regional / visiting customers. During trade fairs, we also take the opportunity to keep abreast of industry developments and gather market knowledge. We also advertise in industry-specific magazines and trade publications.

From 2008 to FPE 2012, we participated in 85 trade fairs across China (in Shanghai, Jinan, Beijing, Wuhan, Shenyang, Xiamen, Guangzhou, Suzhou, Tianjin, Kunming, Qingdao, Hefei, Zhengzhou, Changsha, Ningbo, Nanjing, Xi'an, Nanchang, Harbin), and twelve (12) other countries (namely Indonesia, Malaysia, Singapore, Vietnam, the Philippines, United Arab Emirates, India, Korea, Taiwan, Russia, Brazil and Thailand).

When potential customers (sub-distributors / retailers etc.) from our existing coverage areas wish to place orders for our products during trade fairs (or via directly contacting us), we refer them to our relevant authorised distributors (domestic distributors in China / trading houses for overseas orders). This is in deference to the respective distribution rights that we have granted our existing distributors / trading houses, as we seek to avoid competing or undermining their distribution of our products and to enable them to manage and serve their respective coverage areas effectively.

All our domestic distributor / trading house customers collect finished products directly from within our premises. Our distribution setup accords us the convenience of pre-arranged transportation by our customers, while allowing us to avoid delivery and exchange-rate fluctuation risks (all trading house orders are denominated in RMB).

4. INFORMATION ON OUR GROUP (Cont'd)

Our sales and marketing efforts provide us the initial opportunity to communicate our value proposition, but ultimately we rely on our production competencies to deliver quality and cost-competitive products on time, in order to secure long-term customer relationships and build sustainable end-user demand.

4.9.2 Seasonality

Although we are aware of certain seasonal factors that partly affect the demand for our product categories within China, the geographical breadth of our distribution network enables us to prevent cyclicity in our production.

For the northern provinces of China (within our distribution coverage) that endure harsh winter conditions (particularly Heilongjiang, Jilin and Liaoning provinces), commercial automobiles activities generally slow down during winter, especially those involved in mining and construction industries. Nevertheless, before the end of winter, orders from these regions will increase for our product categories, as commercial automobiles begin to undergo repair and maintenance in preparation for re-commencement of operations.

On the other hand, during summer in China, commercial automobiles involved in agriculture are in full operation. Hence, repair and maintenance work for such vehicles are typically avoided by vehicle operators during this period, and as such demand for our product categories from this segment will decrease momentarily.

During such periods, our production will be weighted proportionately towards catering for the southern regions of China (during winter) and export-designated orders (during winter and summer) – hence, our total production volumes do not fluctuate seasonally.

Throughout the year, we continually receive orders, which are confirmed more than one (1) or two (2) months in advance. We operate on weekends (production employees work on shifts) and only cease operations on designated public holidays or festivities.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.10 MAJOR CUSTOMERS

The following table sets out information on our customers who accounted for 5% or more of our total revenue for FYE 2009, FYE 2010, FYE 2011, FYE 2012 and FPE 2012:-

Customer	Type	Length of relationship (years)	Revenue							
			FYE 2009		FYE 2010		FYE 2011		FYE 2012	
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Xiamen Rongfuda Trade Co., Ltd. 厦门市荣富达贸易有限公司	Trading house	8	36,741	9.8	33,204	15,765	45,148	21,414	23,519	11,480
Li TianYun 李天运	Authorised distributor	8	18,609	5.0	22,709	10,782	31,261	14,827	23,589	11,514
Belit (Xiamen) Import And Export Co., Ltd 厦门市贝莱特进出口有限公司	Trading house	4	22,548	6.0	26,453	12,560	30,858	14,636	28,469	13,896
Fujian Hua Min Imp. & Exp. Co., Ltd 福建华闽进出口有限公司	Trading house	8	16,832	4.5	25,870	12,283	29,305	13,899	19,538	9,536
Zhejiang Tianbo Imp. & Exp. Co., Ltd. 浙江天博进出口有限公司	Trading house	6	27,613	14.7	25,684	12,195	26,272	12,461	20,970	10,235
Xiamen Weihongxing Business Trade Co., Ltd 厦门炜宏兴商贸有限公司	Trading house	5	26,792	13,816	33,223	15,774	25,433	12,063	28,921	14,116
Xiamen Fortway Company Ltd. 厦门卓德伟进出口有限公司	Trading house	7	18,525	9,553	22,796	10,824	24,216	11,485	14,097	6,881
Ejintex (Xiamen) International Ltd. 厦门伊锦泰进出口有限公司	Trading house	3	22,630	11,670	18,458	8,763	22,405	10,626	20,078	9,800

4. INFORMATION ON OUR GROUP (Cont'd)

Note:-

(1) The exchange rates used in the translation of the above financial information are summarised below:-

Average rate	FYE 2009 RMB1 : RM0.5157	FYE 2010 RMB1 : RM0.4748	FYE 2011 RMB1 : RM0.4743	FPE 2012 RMB1 : RM0.4881
--------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------

Save for Zhejiang Tianbo Imp. & Exp. Co., Ltd. ("Zhejiang Tianbo"), which accounted for 14.7% and 12.6% of our revenue for FYEs 2009 and 2010 respectively, none of the above customers accounted for more than 10% or more of our total revenue for those financial years.

The contribution to our revenue from Zhejiang Tianbo was subsequently reduced to only 4.3% in FYE 2011 and 4.2% in FPE 2012, due in part to the appointment of another three (3) authorised distributors in FYE 2011 as well as an increase in sales to other authorised distributors. As such, our Group is not overly reliant on any single customer.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.11 MAJOR SUPPLIERS

Most of our suppliers operate within Fujian Province. The following table sets out information on our suppliers who accounted for 5% or more of our total purchases for FYE 2009, FYE 2010, FYE 2011 and FPE 2012:-

Supplier ⁽¹⁾	Type of purchases	Length of relationship (years)	% of total purchases											
			FYE 2009		FYE 2010		FYE 2011		FYE 2012					
			RMB'000	RM'000 ⁽¹⁾	%	RMB'000	RM'000 ⁽¹⁾	%	RMB'000	RM'000 ⁽¹⁾	%			
Jinjiang WanHong Automobile Parts Co., Ltd 晋江市万宏汽车零部件有限公司	Torque-rod bushings	6	53,471	27,575	22.2	66,820	31,726	23.1	77,823	36,911	20.8	61,688	30,110	20.2
Quanzhou YongLian Steel Co., Ltd 泉州永联钢铁有限公司	Steel materials	2	-	-	-	30,133	14,307	10.4	73,251	34,743	19.6	42,525	20,756	13.9
Jinjiang YuFu Group Co., Ltd 晋江裕福集团有限公司	Steel materials	8	83,153	42,882	34.6	70,471	33,460	24.3	69,314	32,876	18.5	50,426	24,613	16.5
Xiamen MinXingDa Trading Development Co., Ltd 厦门明鑫达贸易发展有限公司	Steel materials	8	22,161	11,428	9.2	24,212	11,496	8.4	37,938	17,994	10.1	34,205	16,695	11.2
Fujian Jinjiang JiaLian Constructions Trading Co., Ltd 福建省晋江市嘉联建材贸易有限公司	Steel materials	8	17,924	9,243	7.4	24,711	11,733	8.5	35,944	17,048	9.6	41,105	20,063	13.4
Fujian JianXin Steel Co., Ltd 福建省建兴钢铁有限公司	Steel materials	8	19,176	9,889	8.0	26,240	12,459	9.1	34,611	16,416	9.2	34,667	16,921	11.3
Quanzhou FengZe ChangRong Hardware Co., Ltd 泉州市丰泽昌荣五金机械配件有限公司	Nuts	8	35,345	18,227	14.7	36,199	17,187	12.5	33,289	15,789	8.9	30,380	14,828	9.9

4. INFORMATION ON OUR GROUP (Cont'd)

Note:-

(1) The exchange rates used in the translation of the above financial information are summarised below:-

Average rate	FYE 2009 RMB1 : RM0.5157	FYE 2010 RMB1 : RM0.4748	FYE 2011 RMB1 : RM0.4743	FPE 2012 RMB1 : RM0.4881
--------------	-----------------------------	-----------------------------	-----------------------------	-----------------------------

Currently, Jinjiang WanHong Automobile Parts Co., Ltd ("Jinjiang WanHong") is our sole supplier of torque-rod bushings. As such, we are dependent on Jinjiang WanHong to a certain extent. Notwithstanding this, we are confident that we will be able to mitigate our reliance on Jinjiang WanHong as we are able to source quality torque-rod bushings at reasonable prices, should the need arises. There are many torque-rod bushing manufacturers in China, including four (4) in Quanzhou and Jinjiang City alone, which we are able to source from.

Our other major suppliers are for steel materials, who collectively accounted for 59.2%, 60.7%, 67.0% and 66.3% of our total purchases for FYE 2009, 2010, 2011 and FPE 2012 respectively. Hence, we are fairly dependent on this group of suppliers, as a whole. Nevertheless, as stated in Section 4.5.3 of this Prospectus, steel is a major commodity and China is the leading steel-producing nation in the world. In the event we are not able to obtain supply of steel from any one of the steel suppliers above, we are confident that we will be able to make up for the shortfall by ordering from other steel suppliers in the market.









As a result of our Group's philosophy of cultivating long-term relationships, the majority of our suppliers have been trading with us since the commencement of our operations.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.12 INTELLECTUAL PROPERTY

As at LPD, our Group does not have any brand name, patent, trademark, technical assistance agreement, franchise or any other intellectual property right, other than those disclosed below.

Trademark	Owner	Class	Registration / application number	Place of application / registration	Effective period
	FenSun	12	3964240	PRC	From 21 April 2006 to 20 April 2016
	FenSun	12	3718155	PRC	From 7 July 2005 to 6 July 2015
	FenSun	12	3718144	PRC	From 7 July 2005 to 6 July 2015
	FenSun	12	9214969	PRC	From 21 March 2012 to 20 March 2022
	FenSun	12	9214983	PRC	From 21 March 2012 to 20 March 2022
	FenSun	6	9214991	PRC	From 21 March 2012 to 20 March 2022
	FenSun	6	9214998	PRC	From 14 April 2012 to 13 April 2022
	FenSun	6	9215003	PRC	From 14 April 2012 to 13 April 2022

Notes:-

Class

6

Products

Metal rod, pins for wheels, etc , turntable, metal sleeve, screws of metal, bolts of metal, nut, vehicle fixing screw , steel bloom and steel plate

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Automobile, automobile chassis, wheels of automobiles, hub, wheels, axles for vehicles, gearing for land vehicles repair outfits for inner tubes, couplings for land vehicles and springs for vehicles

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4. INFORMATION ON OUR GROUP (Cont'd)

As at LPD, we own the following patents registered in China:-

Description	Type	Patent Number	Application Date	Duration / Expiry Date
A type of new leaf-spring pin for automobile usage (一种汽车用新型钢板销)	Utility Model	ZL201120126007.X	26 April 2011	10 years / From 26 April 2011 to 25 April 2021
Load balanced type of wheel-hub bolt components (载荷平衡式轮胎螺栓组件)	Utility Model	ZL201120126009.9	26 April 2011	10 years / From 26 April 2011 to 25 April 2021
New type of combination nut for wheel-hub bolts (新型组合式轮胎螺母)	Utility Model	ZL201120126012.0	26 April 2011	10 years / From 26 April 2011 to 25 April 2021
New type of wheel-hub bolt combination for automobiles (新型汽车轮胎螺栓总成)	Utility Model	ZL201120125973.X	26 April 2011	10 years / From 26 April 2011 to 25 April 2021
New type of u-bolt for automobile leaf-spring suspension (新型汽车钢板弹簧 U 型螺栓)	Utility Model	ZL201120125974.4	26 April 2011	10 years / From 26 April 2011 to 25 April 2021
A type of clamping mechanism (一种夹紧锁模机构)	Utility Model	ZL201120534227.6	19 December 2011	10 years / From 19 December 2011 to 18 December 2021
A type of wheel-axle shaft compression machine (一种半轴缩杆机)	Utility model	ZL201220006413.7	9 January 2012	10 years / From 9 January 2012 to 8 January 2022



As at LPD, we have applied for the following patent to be registered in China, which is still pending registration:-

Description	Type	Application Number	Status
A type of wheel-axle shaft compression technique and machinery (一种半轴缩杆工艺及其设备)	Invention	201210004435.4	Pending registration

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4. INFORMATION ON OUR GROUP (Cont'd)

We have also applied for registration of the following trademarks:-

Trademark	Owner	Class	Registration Country	Application Number	Application Date	Status
	FenSun	12	PRC	9214980	15/03/2011	Pending registration
	FenSun	12	PRC	10753612	11/04/2012	Pending registration
FENSUN	FenSun	12	PRC	10753721	11/04/2012	Pending registration

Notes:-

Class
12

Products

Automobile, automobile chassis, wheels of automobiles, hub, wheels, axles for vehicles, gearing for land vehicles repair outfits for inner tubes, couplings for land vehicles and springs for vehicles

As at LPD, there are no other patents or licenses, industrial, commercial or financial contracts (including informal arrangements or understandings) or new manufacturing processes, which have been entered into by us that we are highly dependent on or that are material to our business and/or profitability.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.13 APPROVALS / MAJOR LICENSES / PERMITS

Details of the approvals obtained by us for our Listing from the SC together with the conditions imposed by these authorities and the status of compliance are set out in Section 7 of this Prospectus. Other approvals, major licences and permits obtained by our Group for the operation of business are as follows:-

Company	Description of approval / licence / permit	Date of issuance or commencement / expiry	Authority	Major conditions imposed	Status of compliance of major conditions
CAP-HK	Business Registration Certificate Certificate No.59174315-000-11-12-3	18 November 2012 / 17 November 2013	Business Registration Office, Inland Revenue Department, Hong Kong	Nil	N/a
FenSun	Business License (企业法人营业执照) (License No. 350500400050241)	10 May 2012 / 26 September 2034	State Administration For Industry and Commerce of the PRC (Quanzhou) (泉州市工商行政管理局)	(1) Subject to annual review. (2) To apply for re-issuance of license in the event of variation of registered information.	Complied
	Foreign Investment Certificate (中华人民共和国外商投资企业批准证书) (Certificate No. (2004)0512)	9 May 2012 / 26 September 2034	People's Government of Fujian Province (福建省人民政府)	(1) Subject to annual review. (2) To apply for re-issuance of license in the event of variation of registered information.	Complied
	Enterprise Technical Code Certificate (中华人民共和国组织机构代码证) (Certificate No.350500-101374)	10 May 2012 / 10 May 2016	Quanzhou Quality and Technical Supervision Bureau (泉州市质量技术监督局)	(1) Subject to annual review. (2) To apply for re-issuance of license in the event of variation of registered information.	Complied
	Tax Registration Certificate (税务登记证) (Certificate No. 350582764083926)	18 May 2012 / N/a	Fujian Jinjiang National Tax Bureau (福建省晋江市国家税务局); and	(1) Subject to annual review. (2) To apply for re-issuance of permit in the event of variation of registered information.	Complied

4. INFORMATION ON OUR GROUP (Cont'd)

Company	Description of approval / licence / permit	Date of issuance or commencement / expiry	Authority	Major conditions imposed	Status of compliance of major conditions
FenSun	Foreign Exchange Registration Certificate (外汇登记证) (Certificate No. 00226357)	N/a ⁽¹⁾	SAFE, Jinjiang Branch (国家外汇管理局晋江市支局)	(1) Subject to annual review. (2) To apply for re-issuance of license in the event of variation of registered information.	Complied
	Approval of Bank Account Opening (开户许可证) (Certificate No. 3910-00350321)	23 July 2008 / N/a	People's Bank of China, Jinjiang Branch (中国人民银行晋江市支行)	N/a	N/a
	Loan Certificate (贷款卡) (Certificate No. 350520000072647501)	N/a ⁽¹⁾	People's Bank of China, Jinjiang Branch (中国人民银行晋江市支行)	(1) Subject to annual review. (2) To apply for re-issuance of license in the event of variation of registered information.	Complied
	Pollutant Discharge Permit (排污许可证) (Certificate No. (2012)202)	18 May 2012 / 17 May 2015	Jinjiang Environment Protection Bureau (晋江市环境保护局)	(1) Subject to annual review and continued compliance with pollutant discharge standards; (2) To apply for re-issuance of permit in the event of variation in registered information.	Complied

Note:-

(1) These documents do not stipulate the date of issuance or expiry

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4. INFORMATION ON OUR GROUP (Cont'd)

4.14 INTERRUPTIONS IN BUSINESS

There has not been any interruption in the form of trade disputes or major operational breakdown occurring within and outside our Group that significantly impaired our business performance during the past twelve (12) months prior to LPD.

4.15 FUTURE PLANS AND STRATEGIES

We are optimistic that domestic demand for our chassis components will be sustained by the increase in commercial automobiles in China.

Even without considering other factors that may support continuing growth in the transportation of goods and cargo by commercial automobiles in the foreseeable future, based alone on the existing number of commercial automobiles within China arising from the continuous growth of annual sales volumes of new commercial automobiles in recent years, we are of the opinion that demand for chassis components will be robust in China for the next few years, due to the need for parts replacement arising from wear and tear.

As such, our future plans and strategies are weighted towards increasing the sale of our components within China. Our plans and strategies to capitalise on the aforementioned circumstances to grow our business, in order to secure a strong long-term market position, are as follows:-

4.15.1 Expand production capabilities

We plan to expand the available on-site floor space at our present operating premises. We intend to commence the second phase of construction of our production centre, which is envisioned to provide approximately 14,054sqm of additional built-up area, of which:-

- (i) approximately 2,500sqm is intended for manufacturing activities (excluding approximately 750sqm existing warehouse / packaging area which will be converted into production space);
- (ii) approximately 833sqm is intended for testing, R&D, and quality control purposes;
- (iii) approximately 1,398sqm is intended for office use; and
- (iv) approximately 9,322sqm is intended for warehousing.

Depending on our sales performance, utilisation of our production capacity as well as storage needs, we may further expand our production floors and storage area on our existing premises. We will review this expansion plan at a later stage so as to employ our usable floor space in a way that is most expedient to our future circumstances.

The expansion of our production centre is to facilitate the accommodation of additional manufacturing machinery and equipment, which we intend to acquire to primarily increase our production of wheel axles, u-bolts and steel pins. In addition, additional warehouse space will enable us to derive the following benefits:-

- (i) finished goods may be stored in a better condition, in order to reduce the likelihood of scuffed and crumpled packaging and thus negate the time and cost wasted in repackaging;
- (ii) more efficient / expedient administration of items in storage, quicker movement of items and more convenient preparation and placement of items, in order to reduce lead time;

4. INFORMATION ON OUR GROUP (Cont'd)

- (iii) allow additional space for placement of staffs in the storage area to control and monitor stock movements, in order to enhance security and better administration of warehouse items.

Whilst we continue to endeavour in R&D to improve our production competencies and efficiencies, in order to enhance our ability to serve the automotive component aftermarket segment for our product categories better, we seek to build our market share for wheel axles, u-bolts and steel pins as these product categories have been providing us higher profit margins relative to wheel-hub bolts.

4.15.2 Widen and strengthen distribution and marketing outreach

We plan to expand our market presence – by strengthening and expanding our distribution network, and the market awareness of our proprietary brands in China.

To strengthen the market penetration of our existing distribution network, we will increase the support provided by our sales and marketing team to grow our customers' distribution base in their coverage areas.

To expand our geographical footprint, we will intensify our groundwork to identify suitable distribution partners in areas presently not within our coverage, such as in Inner Mongolia, Ningxia, Gansu and Xinjiang provinces. We expect to undertake preliminary studies to identify business opportunities in these provinces in first half of 2013 and begin to promote / distribute our products in second half of 2013.

We will also continue to build our proprietary brand recognition, via bolstering our advertising initiatives (via industry-specific print, internet and publicity media), as well as our presence in trade fairs.

Please refer to Section 2.7.3 of this Prospectus for further details.

4.16 PROSPECTS OF OUR GROUP

The prospects of our Group are favourable in light of the following factors:-

4.16.1 Good business performance

Our good business performance is supported by the following achievements:-

- (a) Revenue in FYE 2011 and FPE 2012 grew by 33.9% and 18.9% respectively over corresponding preceding periods. Between FYE 2009 and 2011, revenue grew by an average annual rate of 27.5%;
- (b) Gross profit margin for FYEs 2009, 2010, 2011 and FPE 2012 is 28.5%, 30.2%, 32.2% and 32.3% respectively, exhibiting an increasing trend; and
- (c) PAT in FYE 2011 grew by 39.3% over FYE 2010.

The continuing improvement in our financial performance over the last three (3) financial years and FPE 2012 is expected to provide us with the platform for continuing business success.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.16.2 Favourable industry outlook

The outlook of the automotive component manufacturing industry in China remains positive. Please refer to Section 5 of this Prospectus for further information on the industry outlook and prospects of this industry.

4.16.3 Competitive advantages and key strengths

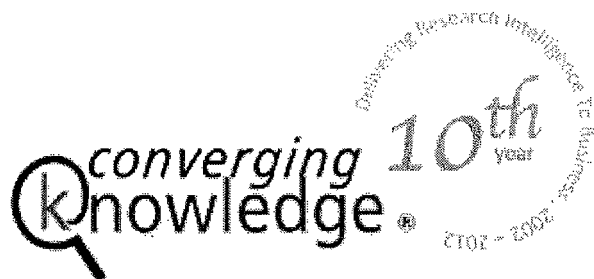
Our competitive advantages and key strengths will provide a platform for our continuing growth and success. Please refer to Section 4.2 of this Prospectus for further details of our competitive advantages and key strengths.

4.16.4 Future plans to provide sustainable growth

We have in place a sound business expansion plan to provide sustainable growth for our business, which includes product mix expansion, geographical diversification and enhance recurring income. Please refer to Section 4.15 of this Prospectus for further information on our future plans and strategies.

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5. INDUSTRY OVERVIEW



Converging Knowledge Sdn. Bhd. Phone + 603 2333 8950
E-8-6, Megan Avenue 1 Fax + 603 2333 8899
No. 189, Jln. Tun Razak
50400 Kuala Lumpur, Malaysia
(Co.Reg.No: 926858-U)

24 DEC 2012

The Board of Directors
China Automobile Parts Holdings Limited
Suite 13.03, 13th Floor, Menara Tan & Tan
207, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

Dear Sirs,

Executive Summary of the Automotive Parts Industry in the People's Republic of China, 2012

This Executive Summary of the Automotive Parts Industry in the People's Republic of China, 2012 is prepared by Converging Knowledge Sdn Bhd ("**Converging Knowledge**") for inclusion in the Prospectus of China Automobile Parts Holdings Limited ("**CAP-Bermuda**" or the "**Company**") in relation to the listing and quotation of the entire issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). The information in this Executive Summary was derived from our report "The Automotive Parts Industry in the People's Republic of China, 2012" ("**IMRR**").

1. OVERVIEW OF THE PRC ECONOMY, IN RELATION TO THE GLOBAL ECONOMY

The People's Republic of China ("**PRC**") is one of the fastest growing economies in the world, posting an increase of 9.2% in Gross Domestic Product ("**GDP**") in 2011. It has become the world's second largest economy, after the United States, and overtook Japan since 2010. The table below shows the PRC's GDP performance in the last three years.

Leading Economies in the World Based on GDP (Current) Performance

Country	2009 (USD bil)	Rank	2010 (USD bil)	Rank	2011 (USD bil)	Rank
United States	13,938.93	1	14,526.55	1	15,064.82	1
The PRC	4,990.53	3	5,878.26	2	6,988.47	2
Japan	5,032.98	2	5,458.80	3	5,855.38	3
Germany	3,307.20	4	3,286.45	4	3,628.62	4
France	2,631.85	5	2,562.74	5	2,808.27	5
Brazil	1,600.84	8	2,090.31	7	2,517.93	6
United Kingdom	2,182.43	6	2,250.21	6	2,480.98	7
Italy	2,116.64	7	2,055.11	8	2,245.71	8
Russia	1,221.99	12	1,479.83	11	1,884.90	9
India	1,264.86	11	1,631.97	9	1,843.38	10
Canada	1,337.58	10	1,577.04	10	1,758.68	11
Spain	1,467.89	9	1,409.95	12	1,536.48	12
Australia	988.581	13	1,237.36	13	1,507.40	13
Mexico	879.158	14	1,034.31	14	1,185.22	14
South Korea	834.06	15	1,014.48	15	1,163.85	15

(Source: IMRR)

Singapore

Malaysia

Hong Kong

5. INDUSTRY OVERVIEW (Cont'd)

Demographics

The large population base and rising income levels make the PRC domestic market attractive for investment. The country has a significant labour force, with 764.20 million employed, which is more than half of its 1.34 billion population by the end of 2011. Income levels have also been on the rise. In 2011, annual per capita disposable income of urban households stood at RMB21,810 (approximately RM10,867.92), an increase of 14.1% from the previous year. Meanwhile, per capita income of rural households registered an 11.4% increase, equivalent to RMB6,977 (approximately RM3,476.64).

Domestic Trade

Despite economic slowdown in other countries, the PRC's domestic trade has been on the rise. The total retail sales of consumer goods in the PRC increased 17.1% in 2011, with motor vehicle sales increasing by 14.6% year-on-year.

Over the years, the PRC's development and economic growth has placed the country on the global map. Highly developed markets such as the United States and Europe have been shifting their production facilities to the PRC, due to economies of scale. This has contributed strongly to the PRC's manufacturing sector, which accounts for 46.8% of the country's total GDP. The total value of foreign direct investment ("FDIs") in the manufacturing sector is also the largest, with USD52.1 billion worth of investments in 2011. However, FDIs on transport, storage, post and telecommunication services registered the highest growth for the period, with 42.2% increase year-on-year.

2. BRIEF OVERVIEW OF THE PRC IN THE GLOBAL AUTOMOTIVE MARKET

Automotive Market with Focus on the Goods (Cargo) Transport Vehicle Sub-sector

In recent years, there has been a growing trend of automotive players shifting their production facilities to the PRC, a country where domestic demand is high and production costs are low. By 2011, the PRC overtook the United States and Japan, becoming the leading automotive producer, with 23.0% global market share, as shown in the table below.

Leading Automotive Producers in the World, 2011

Rank	Country	Passenger Cars ¹	Commercial Vehicles ²	Total	Market Share (%)
1	PRC	14,485,326	3,933,550	18,418,876	23.00
2	United States	2,966,133	5,687,427	8,653,560	10.81
3	Japan	7,158,525	1,240,129	8,398,654	10.49
4	Germany	5,871,918	439,400	6,311,318	7.88
5	South Korea	4,221,617	435,477	4,657,094	5.82
6	India	3,053,871	882,577	3,936,448	4.91
7	Brazil	2,534,534	871,616	3,406,150	4.25
8	Mexico	1,657,080	1,022,957	2,680,037	3.35
9	Spain	1,819,453	534,229	2,353,682	2.94
10	France	1,931,030	363,859	2,294,889	2.87
	World	59,929,016	20,163,824	80,092,840	

Notes:

¹Passenger Cars - are motor vehicles with at least four wheels, used for the transport of passengers, and comprising no more than eight seats in addition to the driver's seat.

²Commercial vehicles - include light commercial vehicles, heavy trucks, coaches and buses.

(Source: IMRR)

5. INDUSTRY OVERVIEW (Cont'd)

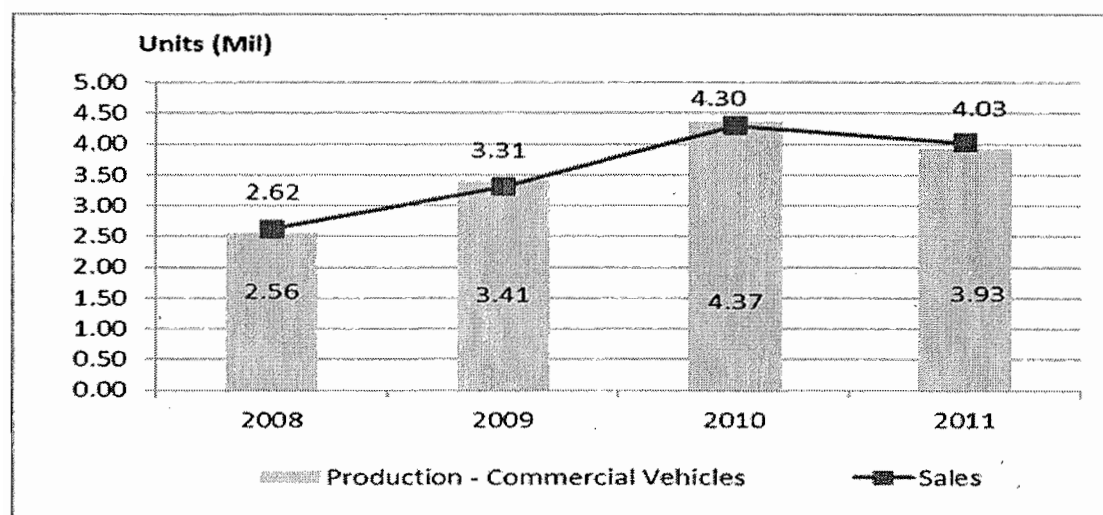
Commercial Vehicles

The PRC's automotive industry continues to be dominated by passenger cars, accounting for approximately 78.6% of the market share. Commercial vehicles, which include trucks and buses, comprise the remainder of the market.

Statistics show that from 2008 to 2011, the production of commercial vehicles has been almost parallel to the number of units sold.

The table below shows the annual performance of commercial vehicles in the PRC from 2008 to 2011.

Production and Sale of Commercial Vehicles in the PRC (2008 to 2011)



(Source: IMRR)

Sub-Segments of Commercial Vehicles

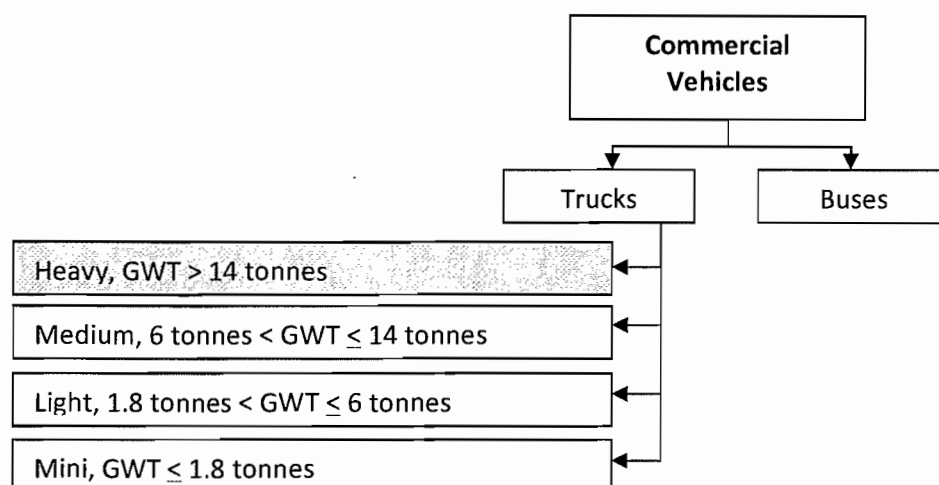
Commercial vehicles comprise either trucks or buses. Trucks are vehicles used to transport cargo, and they are further classified by gross weight tonnage ("GWT") – heavy, medium, light and mini. Buses, on the other hand, are classified based on the length of the vehicle.

The key focus of this research is on commercial vehicles, particularly on trucks. For easy reference, a diagram on the sub-segments of commercial trucks is shown in the figure below.

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5. INDUSTRY OVERVIEW (Cont'd)

Sub-Segments of Commercial Truck Vehicles in the PRC



(Source: IMRR)

Light trucks comprise more than half of the total commercial vehicle trucks in the PRC, with 57.1% market share in 2010. The number for heavy commercial trucks has increased significantly in the years 2009 and 2010, overtaking the demand for medium commercial trucks. By 2010, heavy commercial trucks accounted for 24.7% of the total commercial truck vehicles in the PRC. Mini trucks are the smallest constituent under trucks, accounting for 1.3% of the market. Statistics indicate that the demand for mini trucks declined from 2006 to 2010. Please refer to the table below.

Breakdown of Commercial Truck Vehicles in the PRC (2006 to 2010)

Year	TOTAL Commercial Trucks (Units: 10,000)	Segments (Market Share %)			
		Heavy	Medium	Light	Mini
2006	986.30	17.6	23.9	54.0	4.5
2007	1054.06	17.7	23.1	55.7	3.5
2008	1126.07	17.8	22.2	57.3	2.7
2009	1368.60	23.0	19.2	55.9	1.9
2010	1597.55	24.7	17.0	57.1	1.3

Notes:

* Latest publicly available data is 2010.

* The figures are based on the actual sales and possession (ownership) of vehicles in the domestic market.

* Market share may not be 100.0% due to rounding off.

(Source: IMRR)

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5. INDUSTRY OVERVIEW (Cont'd)

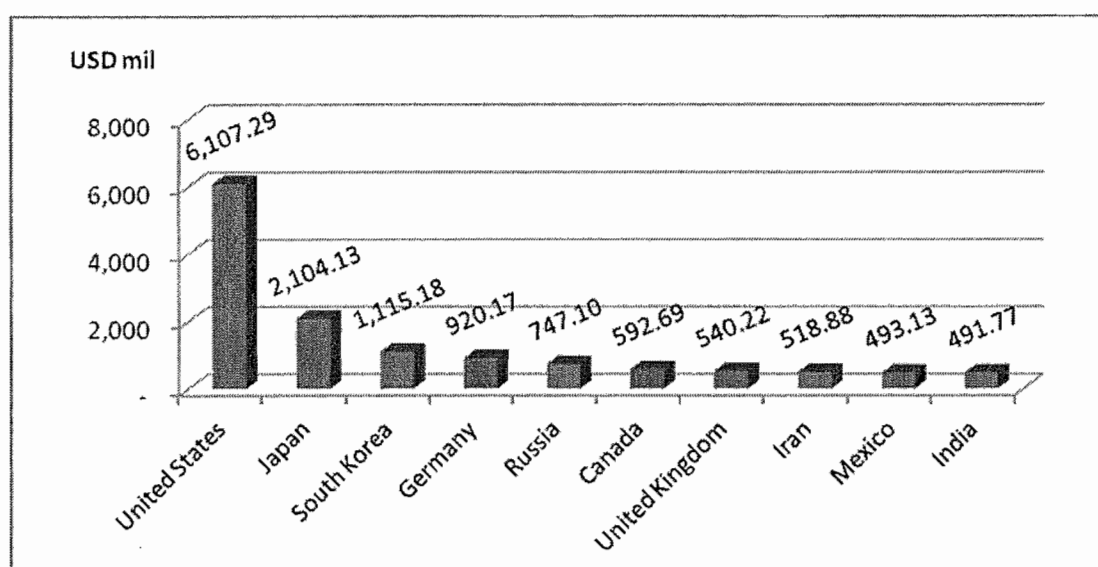
Automotive Component Market, with Focus on Chassis Parts for Goods (Cargo) Transport Sub-Sector

The automotive industry is an important contributor to the PRC's economy. In 2011, automotive exports have shown a significant increase in value, growing at 60.5% year-on-year. The United States and Japan are the two key trading partners for the PRC. We note that both countries also rank as the leading automotive producers in the world.

In 2011, the PRC exported a total of USD6.1 billion worth of automotive parts to the United States. Japan is the country's second largest market, with USD2.1 billion worth of automotive parts exported to this destination in the same period.

The figure below shows the PRC's key export markets for automotive parts.

The PRC's Key Export Markets for Automotive Parts, 2011



Note:

* Automotive components comprise several parts. The above export data only covers key component parts such as chassis fitted with engine for motor vehicles, bodies for motor vehicles and parts and accessories for motor vehicles.

(Source: IMRR)

Historical Developments of the Transport Infrastructure Development and Heavy Automotive Vehicle Demand, and the Automotive Component Aftermarket Segment in the PRC

This section covers the historical developments of the transport infrastructure development and heavy automotive vehicle demand in the PRC. It also covers the automotive component aftermarket segment in the PRC.

Transport Infrastructure Development

Infrastructure development in the PRC has been increasing. The Chinese government continues to invest heavily in this sector, as shown in the table below.

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5. INDUSTRY OVERVIEW (Cont'd)

Added Length of Transport Routes in the PRC

Unit: (10,000 km)	2006	2007	2008	2009	2010
Railways in Operation	7.71	7.80	7.97	8.55	9.12
Highways	345.70	358.37	373.02	386.08	400.82
Navigable Inland Waterways	12.34	12.35	12.28	12.37	12.42
Total Civil Aviation Routes	211.35	234.30	246.18	234.51	276.51
Petroleum and Gas Pipelines	4.81	5.45	5.83	6.91	7.85

Note:

* Latest publicly available data is 2010.

(Source: IMRR)

Based on the table above, the added length in highways in the PRC has reached over four million kilometres by the end of 2010. Highway infrastructure increased at a Compound Annual Growth Rate ("CAGR") of 3.8% from 2006 to 2010, while development on expressway infrastructure has also been on an upward trend, increasing at a CAGR of 13.1% in the same period. Improvements in the length of transport routes facilitate better logistics and freight traffic, thus, boosting the growth in the usage of commercial automobile transportation in the country.

In tandem with the increase in the length of transportation routes, freight traffic has increased at a CAGR of 12.8% from 2007 to 2011. In 2011, the total freight traffic in the country reached 36.9 billion tonnes, with highway freight traffic accounting for 76.3% of the total. This shows that land freight transport continues to be a preferred choice in the country.

Freight Traffic by Transportation Type

Unit: 10,000 tonnes	2007	2008	2009	2010	2011
Railways	314,237	330,354	333,348	364,271	393,412
Highways	1,639,432	1,916,759	2,127,834	2,448,052	2,812,811
Waterways	281,199	294,510	318,996	378,949	423,286
Civil Aviation	401.8	407.6	445.5	563.0	552.8
Petroleum and Gas Pipelines	40,552	43,906	44,598	49,972	54,469
Total Freight Traffic	2,275,822	2,585,937	2,825,222	3,241,807	3,685,934

(Source: IMRR)

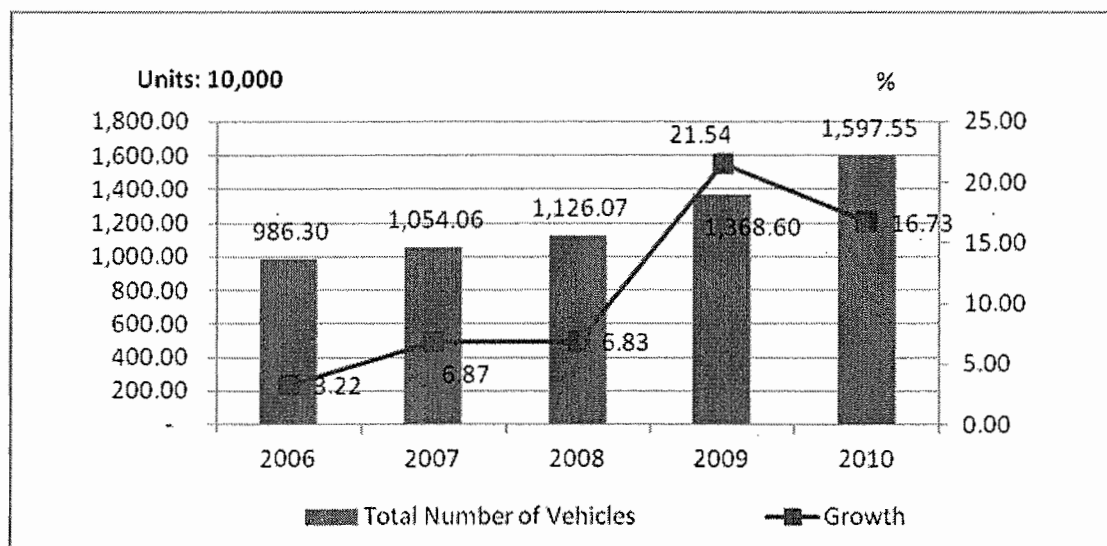
Heavy Automotive Vehicles Demand

The number of trucks in the PRC has been increasing in recent years, at a CAGR of 12.8% from 2006 to 2010. This reflects positively on the country's industrial sector, which uses heavy vehicles for goods transport.

The figure below shows the latest available statistics on the number of trucks in the country from 2006 to 2010.

5. INDUSTRY OVERVIEW (Cont'd)

Growth of Trucks Market in the PRC



Note:

* Latest publicly available statistics is 2010.

(Source: IMRR)

The table below shows the number of trucks in the PRC by region.

Number of Trucks by Region in the PRC, 2010

No.	Region	Number of Trucks (10,000 units)	No.	Region	Number of Trucks (10,000 units)
1	Guangdong	147.53	17	Jiangxi	40.17
2	Shandong	134.45	18	Xinjiang	36.96
3	Hebei	121.50	19	Guangxi	36.82
4	Henan	90.75	20	Shaanxi	36.32
5	Zhejiang	87.29	21	Chongqing	34.03
6	Jiangsu	72.50	22	Jilin	32.85
7	Sichuan	70.45	23	Guizhou	32.73
8	Liaoning	67.42	24	Gansu	26.37
9	Anhui	66.34	25	Shanghai	23.81
10	Yunnan	63.39	26	Beijing	19.39
11	Shanxi	55.82	27	Tianjin	19.15
12	Hubei	53.29	28	Ningxia	13.52
13	Heilongjiang	48.98	29	Qinghai	8.99
14	Inner Mongolia	48.51	30	Hainan	8.58

5. INDUSTRY OVERVIEW (Cont'd)

No.	Region	Number of Trucks (10,000 units)	No.	Region	Number of Trucks (10,000 units)
15	Hunan	48.22	31	Tibet	6.32
16	Fujian	45.11			

Note:

* Latest publicly available statistics is 2010.

(Source: IMRR)

The Guangdong and Shandong regions in the PRC have registered the most number of trucks by the end of 2010. Both Guangdong and Shandong are the two most populous provinces in the PRC, with 10.4 million and 9.6 million inhabitants respectively.

Guangdong is one of the leading industrial provinces in the PRC. The province is also known for its active automotive industry. Leading automotive manufacturers such as Honda, Isuzu, Nissan, and Toyota have built their production facilities in Guangdong.

Meanwhile, Shandong Province is rich in mineral resources and has a thriving mining industry. Its resources include gold, diamond, oil and petroleum. Extracted oil in the province accounts for one third of the PRC's oil production.

Fujian is rich in natural resources, has thriving electronic, petrochemical and machinery industries, and is geographically close to Taiwan. The development of key automotive assembled parts is an active industry in Fujian, and the north-west of Fujian is known to produce remodelled vehicles and dumpers.

Automotive Components Aftermarket

Automotive components are used either by automotive manufacturers or automotive workshops. Components that are used in the factory to manufacture vehicles are supplied by Original Equipment Manufacturers ("OEMs"), whereas parts that are supplied to automotive workshops and are used for vehicle maintenance are considered "aftermarket".

Currently, there are no official statistical data on the automotive components aftermarket segment in the PRC. As such, the historical statistical trend of the domestic automotive components aftermarket segment is not available.

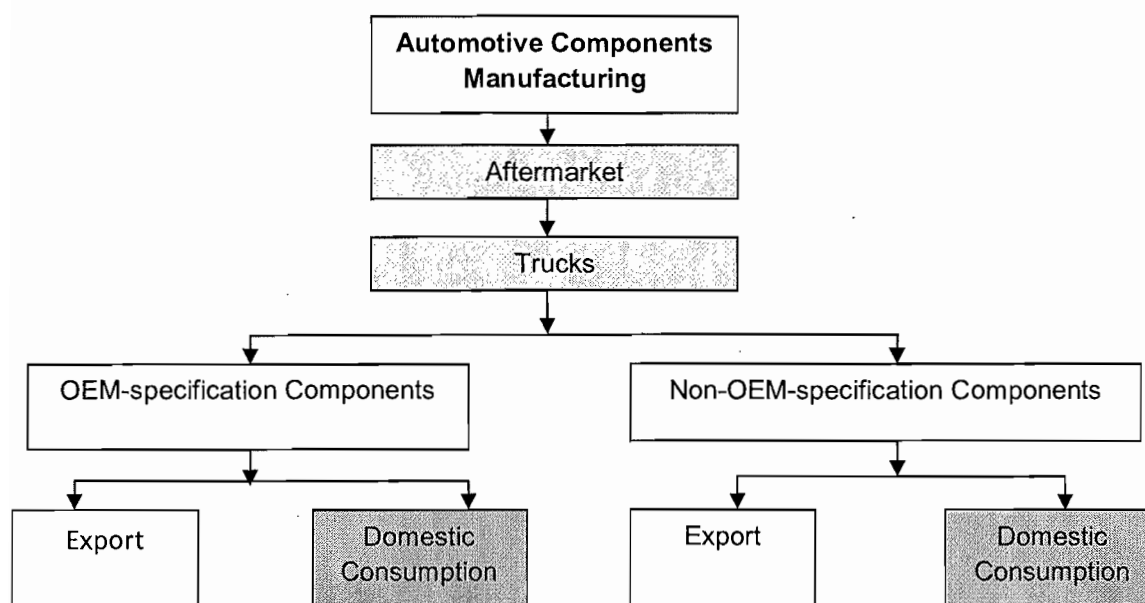
Market Size, Growth Forecast and Projected Market Size

Automotive components produced and used for the aftermarket may be exported or consumed domestically. This study is centered on the aftermarket segment for domestic consumption, specifically for trucks.

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5. INDUSTRY OVERVIEW (Cont'd)

Structure within the Automotive Components Aftermarket Segment for Trucks



(Source: Converging Knowledge)

Primary research indicates that **the domestic automotive components aftermarket for trucks is estimated to be worth between USD7.0 billion to USD10.0 billion for 2011.**

The automotive components aftermarket for trucks in the PRC has shown significant growth in the past decade, with growth rates of between CAGR 10.0% to 15.0% from 2009 to 2011. Demand for automotive components is expected to continue to be high, in view of the priority infrastructure projects the PRC government has identified under the 12th Five-Year Plan for National Economic and Social Development.

Based on a conservative estimate for CAGR of between 5.0% and 10.0% from 2012 to 2014 (under the scenario of a slowdown in the PRC's economy and uncertain market conditions brought about by issues in the Eurozone), the domestic automotive components aftermarket segment is expected to reach between USD8.1 billion to USD13.3 billion by 2014.

The market size of the aftermarket segment for truck chassis components is provided in section 4.3, "Market Share of the Company".

3. OVERVIEW OF THE AFTERMARKET AUTOMOTIVE COMPONENTS SECTOR IN THE PRC

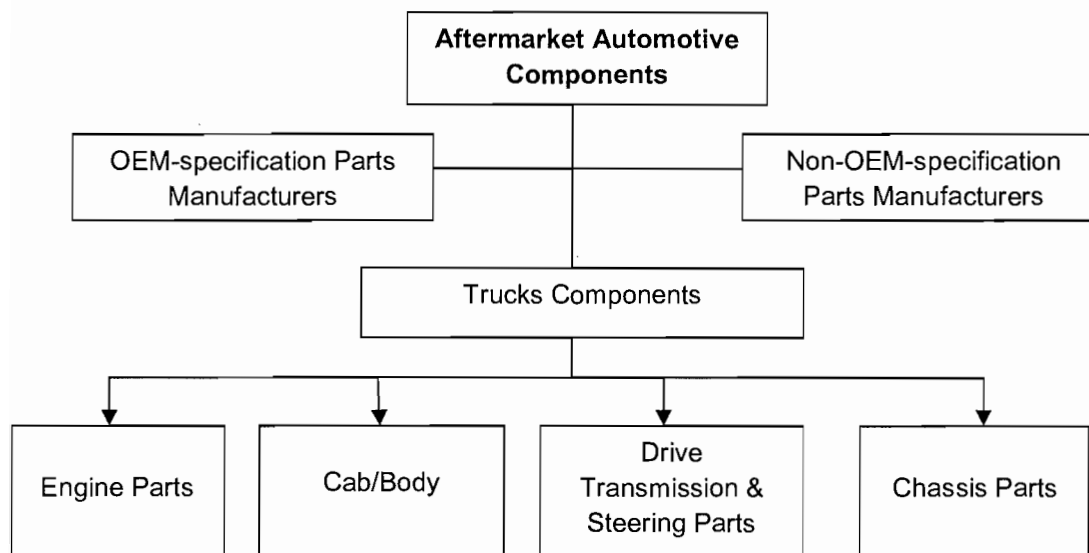
The key focus of this research is on the aftermarket automotive components for trucks in the PRC, with emphasis on the chassis parts sector. The following sections provide insights to the structure and dynamics of this industry segment.

Segmentation of the Industry

The aftermarket automotive components sector comprises OEM-specification and Non-OEM-specification part manufacturers. Compared to passenger cars, commercial automotive components used in heavy vehicle manufacturing are distinct, as they are made to carry heavier loads and with higher usage. The figure below shows a general overview of the aftermarket automotive components segment and the major components of trucks.

5. INDUSTRY OVERVIEW (Cont'd)

After-Market Truck Components Structure



(Source: Converging Knowledge)

Definition of Chassis Parts

The chassis refers to the part under the motor vehicle, consisting of the frame on which the wheels are mounted. The chassis also supports the body of the vehicle.

The chassis consists of several parts, some of which include axles, u-bolts, torque-rod bushings, wheel-hub bolts, cross members, steel pins, frame rails and several other components. These parts play an important role in holding the chassis in place so that the vehicle can move and operate smoothly. The parts also bear a relevance to safety, as the chassis is subjected to stresses that are highly dynamic and can occur abruptly. That is why the assemblies utilised must exhibit a high degree of fatigue strength against stress and breakage.

Position of QuanZhou FenSun Automobile Parts Co., Ltd within the Automotive Aftermarket Component Segment

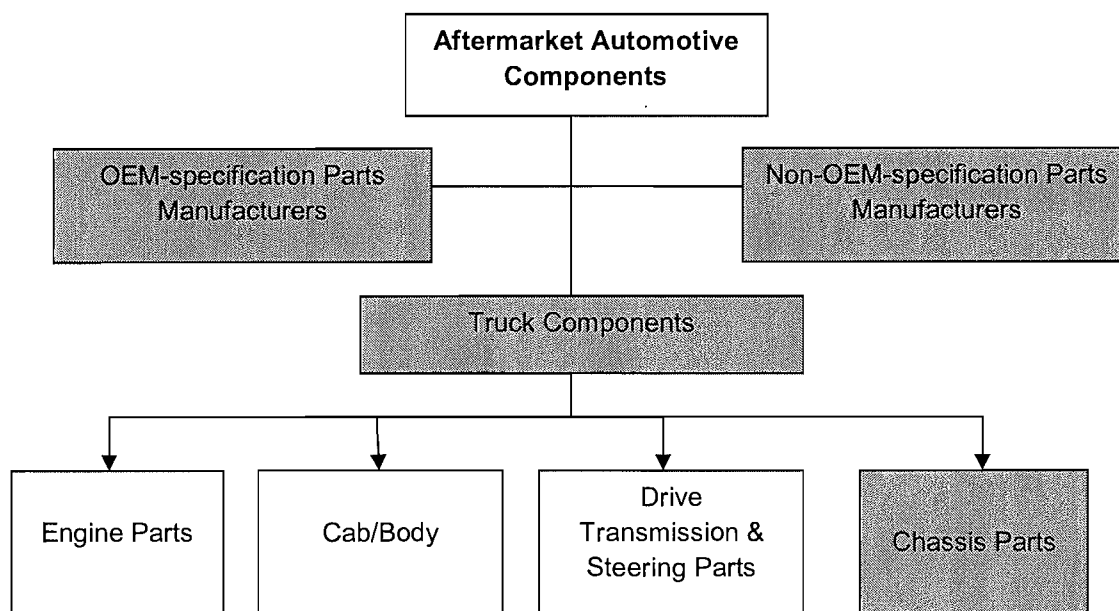
QuanZhou FenSun Automobile Parts Co., Ltd. ("FenSun") is a manufacturer of automobile chassis components used in commercial vehicles, specialising in aftermarket parts. The company operates in Jinjiang City, Fujian Province.

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5. INDUSTRY OVERVIEW (Cont'd)

Please see below for the company's position in the industry:

Position of Fensun



Note:

* FenSun's position in the industry is shaded

(Source: Converging Knowledge)

FenSun specialises in the manufacturing, marketing and trading of five categories of automobile chassis components, namely wheel axles, u-bolts, torque-rod bushings, wheel-hub bolts and steel pins.

Out of the five categories of components, only torque-rod bushings are subcontracted to an external manufacturing party. These torque-rod bushings are manufactured in accordance to the specifications and standards laid out by FenSun.

FenSun has registered trademarks under PL, LIDUN and SUOLI. The company has also been awarded the following quality management certifications:

Certifications Acquired by Fensun

Certification	Brief Explanation of Certification
ISO/TS 16949:2009	The ISO/TS 16949:2009 is the International Quality Management Standard specifically written for the Automotive Industry. This quality management system, which has rigorous requirements, is acknowledged as the premier accreditation for quality automotive products, thus becoming a laudable certification in the automotive industry.
ISO9001:2008 (GB/T19001-2008)	This accreditation for quality management system is achieved by companies that are able to demonstrate its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements. This certification applies to companies operating in all industries.

5. INDUSTRY OVERVIEW (Cont'd)

Certification	Brief Explanation of Certification
GB/T28001-2001	This is an accreditation for Occupational Health and Safety Management System.
ISO14001:2004 (GB/T24001-2001)	<p>This environmental management system accreditation can be obtained by companies that wish to establish, implement, maintain and improve an environmental management system, to assure itself of conformity with its stated environmental policy, and to demonstrate conformity to the accreditation by:</p> <ol style="list-style-type: none"> 1. making a self-determination and self-declaration, or; 2. seeking confirmation of its conformance by parties having an interest in the organisation, such as customers, or; 3. seeking confirmation of its self-declaration by a party external to the organisation, or seeking certification/registration of its environmental management system by an external organisation.

(Source: IMRR)

Product Segments Specific to Products Manufactured by FenSun

Functions of U-bolts, Steel Pins, Torque-Rod Bushings, Wheel Axles and Wheel-Hub Bolts and their Typical Lifespan

Product	Function	Typical Lifespan in the PRC*
U-bolts	<p>To secure leaf springs onto the chassis and are widely used in goods-transporting vehicles. Multi-leaf springs, are, in turn, utilised on heavy-automobile suspensions.</p> <p>U-bolts manufactured by FenSun are rolled threads, which provide a better clamping force as compared to cut threads.</p> <p>Replacements of u-bolts are usually caused by the gradual wear and/or improper fitting of torque-rod bushings, steel pins, and/or other suspension components that can affect the smooth operation on leaf spring suspension. U-bolts are also not recommended to be re-used, as the clamping pressure would be lesser than that of newly installed u-bolts.</p>	Six months to 1 year.
Steel Pins	<p>Steel pins may be leaf spring pins or king pins. The purpose of a leaf spring pin is to connect and support the mounting of the leaf spring onto the vehicle. This has the advantage of spreading the load evenly over the vehicle's chassis.</p> <p>King pins are installed within an automotive steering system, and the purpose of the mechanism is to enable the control of the direction of the set of front wheels. Steering systems with king pins are commonly used in medium-to-heavy commercial vehicles. Worn or bent king pins can result in unwanted front wheel movements and diminished steering control of the vehicle.</p>	Six months to 1 year.

5. INDUSTRY OVERVIEW (Cont'd)

Product	Function	Typical Lifespan in the PRC*
Axles	<p>Wheel axles are rigid shafts that connect wheels to vehicles, while maintaining the positional axis of the wheels to each other and the vehicle body.</p> <p>FenSun manufactures split axles, whereby the wheel on each side is mounted onto a separate axle shaft, and both the axles are attached in between by a differential. The differential improves traction and extends the life span of tyres, as it allows the left and right wheels to be driven at different speeds as the vehicle travels at an angle. Another advantage of the split axle is that it allows independent suspension of the left and right wheel, contributing to a smoother ride.</p> <p>Axles manufactured by FenSun are also formed from one steel bar, which is typically strong and widely used in goods-transporting vehicles as compared to those welded from a separate bar and plate.</p>	Two to three years, under normal driving conditions.
Torque-Rod Bushing	<p>Torque-rod provides support against extreme shocks to the leaf spring suspension by limiting its motions and restraining axle movements caused by vehicle movement forces. Torque-rods are, hence, dependent on its bushings to provide it with a cushioning effect. Regular checking on torque-rod bushings are necessary, as the gradual wear of the bushings will compromise the functional purposes of the torque-rods, causing unbalanced suspension and wheel loads, delayed brake application times, and leaf spring failures.</p>	<p>One to two years.</p> <p>Under normal usage, it is recommended to replace all the torque-rod bushings if one of them is spoilt, as it would suggest that the rest of the bushings have already worn out too. Changing the whole set of torque-rod bushings in a vehicle is also advisable, as replacing only one will reduce the lifespan of the new bushings as well as the remaining ones. In addition, it might also add pressure to other components of the vehicles.</p>
Wheel-Hub Bolts	<p>Wheel-hub bolts are high-strength bolts or studs used together with matching nuts to attach and securely fasten single or dual wheels to wheel hubs, which, in turn, are attached to vehicle axles. They are used to hold the wheel in position.</p> <p>FenSun also manufactures matching nuts for the wheel-hub bolts, including customised designs or modifications from standard designs.</p>	6 months to 1 year.

5. INDUSTRY OVERVIEW (Cont'd)

Note:

* The typical lifespan of the stated chassis parts in this table is based on the usage by the average truck operating on the roads in the PRC.

(Source: IMRR)

Government Legislation and Policies

The automotive industry is subject to legislation and policies enforced by the PRC government. Since 2004, the government has been promoting the domestic automotive industry, which, in turn, encouraged the growth for automotive components. The following section presents a brief overview of the PRC legislation system and the related government legislation and policies for the automotive components sector.

Automotive Industry Development Policy (2004)

In 2004, the PRC government implemented the Automotive Industry Development Policy, which contains provisions relating to the development of the PRC's automotive industry. The implementation of the Automotive Industry Development Policy was in view of the PRC's aim to constantly improve the development of the domestic automotive industry, and increase the PRC's competitiveness within the international automotive industry. Subsequent to the PRC's accession into the World Trade Organization, the policy was also aimed to reform the PRC's automotive regulations and guidelines to that of the World Trade Organization's rules.

The Automotive Industry Development Policy includes provisions pertaining to automotive components, such as:

- To establish a healthy domestic automotive industry and creating a fair and competitive market;
- Promotion and establishment of an independent automotive component industry;
- To encourage technological innovations as well as research and development, so as to actively develop intellectual property products and brands for automotive component products;
- Establishing comparative advantage component parts, so as to enter the global competitive market and be able to export to the international automotive component market; and
- To guide public funds into the production of automotive components and to achieve the specialisation, mass production and modularization supply of components.

In order to cater to the needs in adjusting and developing the automotive industry in the PRC and to comply with the PRC's commitments on tariff reduction for its entry into the World Trade Organization, the government has abolished the administrative measures implemented on the import of automotive components from 1st September 2009. Provisions relating to component imports, including articles 52, 53, 55, 56, 56, and 60, were removed from the Automotive Industry Development Policy. The abolishment of these relevant provisions helped to lower the tariff levy of automotive components from 25.0% to 10.0%.

The Automotive Industry Development Policy also requires foreign investors seeking to produce automobiles in the PRC to enter into joint venture agreements with domestic partners. The domestic partners should hold at least half of the agreement's equity.

Technical Policy for the Recovery of Automotive Products

The Technical Policy for the Recovery of Automotive Products was developed in 2006 by the National Development and Reform Commission, Ministry of Science and Technology, and the State Administration of Environment Protection. The aim of this policy is to promote the manufacturing of automotive component products and to develop the system for discarding and recovery of automotive products in the PRC. As part of the policy, the PRC will strive to obtain international standards in terms of production and sales of recycled automotive products.

5. INDUSTRY OVERVIEW (Cont'd)

Automotive Industry Restructuring and Revitalization Plan

The PRC government has issued the Automotive Industry Restructuring and Revitalization Plan in order to promote and sustain the PRC's automotive industry. The Plan was carried out from 2009 to 2011, and has included several policy measures, such as accelerating the construction of road transport system, improving restructuring policies of automotive companies, and to promote new energy vehicles.

Guidance of Industries for Foreign Investment in 2011

According to the updated Catalogue for the Guidance of Industries for Foreign Investment in 2011, the direction for foreign investments will be shifted from "full vehicle manufacturing", towards the manufacturing of key automotive parts and components. This also involves focusing on research and development of key technologies pertaining to automotive parts.

Regulations on the Administration of the Recall of Defective Automotive Products

Effective since 1 October 2004, the regulations on the Administration of the Recall of Defective Automotive Products are applicable to all operators engaged in the production of automotive products, import, sale, and repair activities. This set of regulations requires manufacturers (importers) of automotive products to recall defective products manufactured (imported) by them, and also to bear all costs for eliminating the defective products and transportation costs involved. Automotive product distributors and repair shops are required to provide assistance to manufacturers and to report possible defects to manufacturers as well as governing authorities. The government has the right to suspend or revoke the mandatory certificates for automotive products of operators who refuse to recall defective products.

12th Five-Year Plan for National Economic and Social Development (2011 - 2015)

The 12th Five-Year Plan for National Economic and Social Development (2011 - 2015) was implemented by the PRC government in 2011, with objectives such as promoting the PRC's economic growth and restructuring of industries. The Plan also states that the government will provide support on the production of automotive parts and components, to encourage mergers and acquisitions within the automotive industry, and to develop the use of green-energy vehicles. Under this Plan, the automotive industry will also be spurred to strengthen its research and development capabilities for manufacturing of entire vehicle units, and to achieve technical autonomy of key component parts.

4. COMPETITIVE ANALYSIS

Competitive Nature, Intensity and Differentiation Factors

Competitive Nature

Research shows that automotive component manufacturers in the PRC generally compete based on the following basis:

- Price
- Quality
- Distribution outreach
- Product segment and range

Competitive Intensity

The automotive component market in the PRC is highly fragmented, with tens of thousands of domestic component manufacturers. Interviews with industry experts revealed that there may be more than 60,000 automotive component manufacturers in the country.

5. INDUSTRY OVERVIEW (Cont'd)

Differentiation Factors

Research shows the following as some of the key differentiation factors:

Product Segment

Many aftermarket automotive component manufacturers tend to focus on producing components for specific parts of an automobile. By focusing on a specific product type, automotive component manufacturers can focus on capitalising on their expertise and build up an identity in their specialisation. For example, there are producers that are specialists in engines, whereas some are dedicated to manufacturing brakes. FenSun has established itself as a manufacturer of chassis components. There are, however, some aftermarket automotive component manufacturers that engage in producing product types that cut across other product segments.

Product Range

Aftermarket automotive component manufacturers also differentiate themselves based on the range of products they produce within their product segment. Many chassis component manufacturers tend to focus on producing one to two chassis parts. Some of them carry other chassis parts produced by external manufacturers in order to extend their product range. FenSun supplies five different chassis parts in total, four of which are produced in-house.

Pricing

Many aftermarket automotive component manufacturers position themselves as mass producers of automotive parts. The parts produced by them are based on standard or generic specifications that are not able to meet customised requirements. Producing these standard parts in large quantities means that these automotive component manufacturers are able to enjoy economies of scales and, thus, are able to price their finished products at more competitive rates.

Quality

There are aftermarket automotive component manufacturers that place more emphasis on the quality of their products, rather than price. These players compete based on the quality of their output, and are often able to meet customisation requirements when the need arises, and adopt product technology improvements in their internal operations. Their prices are higher than mass-producer counterparts (who mass-produce generic automotive parts perceived to be of inferior quality), but they cater mainly to users who seek quality products that meet safety standards and prolong product lifespan. FenSun positions itself as a producer of quality chassis component parts.

Branding

Effective branding is often closely associated with quality. As mentioned, FenSun's emphasis is on its product quality, and interviews with automotive industry participants in the PRC indicate that FenSun has a good reputation as a reliable manufacturer of quality chassis components throughout its years of operation.

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5. INDUSTRY OVERVIEW (Cont'd)

Peer Ranking and Comparison

Studies have shown that the automotive parts industry in the PRC is highly fragmented, with more than 60,000 manufacturers operating in various parts of the country. The industry is also viewed as a growth industry, with much potential for expansion, as increasing numbers of automotive manufacturers are transferring or centering their automotive or automotive part manufacturing in the country. While chassis components are important parts in automobiles, this segment is not well researched or documented as compared to other automotive parts such as engines, tires and brakes. Research shows that the industry players in the chassis component segment are operationally-gearred and are generally less informed of the market as well as the competitive landscape. Many are not aware of the key players or their closest competitors in the market. As a result, it is not possible to identify the top aftermarket chassis component manufacturers in the PRC.

In order to obtain more perspectives for comparative purposes, research is focused on the location of the production base of FenSun, which is in Fujian Province. The key findings are as follows:

Employee Size

Manufacturing of chassis parts in the PRC requires skilled labour. Chassis component manufacturers in Fujian Province have an average employee size of 100 to 200. FenSun has approximately 550 employees, which makes the company one of the larger aftermarket chassis component manufacturers in the province, in terms of employee size.

Product Range

Research also shows that many of the aftermarket chassis component manufacturers in Fujian Province concentrate on producing one to two chassis parts, usually bolts. Bolts are seen as less complex in terms of manufacturing process as compared to other chassis parts. Axles, for example, require the harnessing of more depth in knowledge and skills in the manufacturing process as well as materials used to ensure the quality, reliability and durability of the finished product.

FenSun has the capability to manufacture a broader range of products as compared to many other aftermarket chassis component manufacturers.

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5. INDUSTRY OVERVIEW (Cont'd)

Comparison of Aftermarket Chassis Component Manufacturers Based on Product Range

	U-bolts	Steel Pins	Product Range		
			Torque-Rod Bushing	Wheel-Hub Bolts	Wheel Axles
FenSun (泉州凤顺汽车零部件有限公司)	✓	✓	✓*	✓	✓
Fujian Quanzhou Chaoheng Automotive Parts Co. Ltd (福建省泉州市超亨汽车配件有限公司)	✓	✓	✓	✓	✓
Jinjiang Yizhiwang Automotive Parts Co. Ltd (晋江市一指王汽车配件有限公司)	✓	✓	✓	✓	
Quanzhou Qisheng Automotive Parts Co. Ltd (泉州市奇盛汽车配件有限公司)	✓	✓	✓	✓	
Quanzhou Xiandai Automotive Parts Co. Ltd (泉州市现代汽车配件有限公司)	✓	✓		✓	
Quanzhou Jiangnan Heavy Automotive Parts Co. Ltd (泉州市江南重型汽车配件有限公司)		✓			

5. INDUSTRY OVERVIEW (Cont'd)

	Product Range			
	U-bolts	Steel Pins	Torque-Rod Bushing	Wheel-Hub Bolts
Jinjiang Qingyang Mingyang Automotive Parts Manufacturing Co. Ltd (晋江市青阳明扬汽配制造有限公司)	✓			
Quanzhou Tianzhong Machinery Parts Co. Ltd (泉州市田中机械配件有限公司)			✓	
Quanzhou Litai Automotive Parts Manufacturing Co. Ltd (泉州力泰汽车配件制造有限公司)				✓
Fujian Jinjiang Quansheng Automotive Parts Co. Ltd (福建晋江市泉盛汽车零部件有限公司)				✓

Notes:

- * The list is not exhaustive and does not represent the scale of operations of the companies depicted herein;
- * The purpose of this table is to provide a general peer comparison among chassis component manufacturers in Fujian;
- * The information in the table above was obtained through interviews with industry players; the opinions expressed are opinions of human sources and the reader should note the subjective nature of such information;
- # FenSun outsources the manufacturing of its torque-rod bushings to an external manufacturing party. These torque-rod bushings are manufactured in accordance to the specifications and standards laid out by FenSun.

(Source: Converging Knowledge)

5. INDUSTRY OVERVIEW (Cont'd)

Certifications

Certifications awarded by accreditation bodies are often seen as a testament of quality standards achieved. Research shows that many chassis component manufacturers have obtained the ISO9001 certification, which is a standard quality management system certification that cuts across all industries. However, few have obtained the ISO/TS 16949:2009 certification, which is the ISO standard quality management system certification specifically for the automotive industry. Research shows that as at December 2010, only approximately 43,946 of the ISO/TS 16949:2009 certifications have been awarded to automotive-related companies throughout the world, suggesting that the number of successful applicants for this certification is presently not big.

As per the table below, FenSun has been awarded two quality standards certifications – ISO/TS 16949:2009 and ISO9001 – an accreditation for occupational health and safety management system (GB/T28001-2001) and an accreditation for environmental management system (ISO14001:2004). Out of a peer comparison of 10 chassis component manufacturers in Fujian, only 2 companies, one of which is FenSun, is found to have the ISO/TS 16949:2009 certification.

Comparison of Chassis Component Manufacturers Based on Certifications Acquired

	Certifications		
	ISO/TS 16949:2009	ISO9001	GB/T28001-2001 ISO14001:2004 (GB/T24001-2001)
FenSun (泉州凤顺汽车零部件有限公司)	✓	✓	✓
Quanzhou Tianzhong Machinery Parts Co. Ltd (泉州市田中机械配件有限公司)	✓	✓	✓

5. INDUSTRY OVERVIEW (Cont'd)

	Certifications		
	ISO/TS 16949:2009	ISO9001	GB/T28001-2001 ISO14001:2004 (GB/T24001-2001)
Fujian Quanzhou Chaoheng Automotive Parts Co. Ltd (福建省泉州市超亨汽车配件有限公司)		✓	
Jinjiang Yizhiwang Automotive Parts Co. Ltd (晋江市一指王汽车配件有限公司)		✓	
Quanzhou Qisheng Automotive Parts Co. Ltd (泉州市奇盛汽车配件有限公司)		✓	
Quanzhou Xiandai Automotive Parts Co. Ltd (泉州市现代汽车配件有限公司)		✓	✓
Quanzhou Jiangnan Heavy Automotive Parts Co. Ltd (泉州市江南重型汽车配件有限公司)		✓	

5. INDUSTRY OVERVIEW (Cont'd)

	Certifications		
	ISO/TS 16949:2009	ISO9001	GB/T28001-2001
			ISO14001:2004 (GB/T24001-2001)
Jinjiang Qingyang Mingyang Automotive Parts Manufacturing Co. Ltd (晋江市青阳明扬汽配制造有限公司)		✓	
Quanzhou Litai Automotive Parts Manufacturing Co. Ltd (泉州力泰汽车配件制造有限公司)		✓	
Fujian Jinjiang Quansheng Automotive Parts Co. Ltd (福建晋江市泉盛汽车零部件有限公司)		✓	

Notes:

- * The list is not exhaustive and does not represent the scale of operations of the companies depicted herein.
- * The purpose of this table is to provide a general peer comparison among chassis component manufacturers in Fujian.

(Source: Converging Knowledge)

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5. INDUSTRY OVERVIEW (Cont'd)

Market Share of the Company

Research shows that the domestic aftermarket segment for trucks' chassis parts was worth between USD5.6 billion to USD8.0 billion for 2011. FenSun reported total revenue worth RMB605.3 million (RM301.6 million) for the financial year ended 2011, of which 62.9% was accounted by domestic sales of RMB380.9 million (189.8 million).

Based on the data, FenSun's market share in the PRC aftermarket segment for trucks' chassis parts is estimated to be 0.8% to 1.1% for 2011.

5. DEMAND CONDITIONS

The following section discusses on the various demand conditions for automotive components in the PRC.

Price

The importance of price and affordability is a key component in the PRC market. OEM-specification parts are known to be more expensive compared to Non-OEM-specification components because of branding. Hence, consumers in the country are more likely to opt for Non-OEM-specification part replacements. However, brand recognition is said to be critical for gaining market position in the PRC.

Government Support

Government support in spurring the industry, such as reducing the number of automotive imports and encouraging local production of automotive components will further develop the growth and demand of the PRC's automotive component industry.

The government also provides support to the industry by organising annual events such as the China International Auto Parts Expo, which serves as a platform for domestic and international industry players to gain insights towards the latest technologies and state-of-the-art products within the global automotive component sector. It also promotes the export of the PRC's automotive components, and assists in matching services for global industry buyers and domestic sellers.

Consumers' Purchasing Power

In line with robust economic growth, PRC consumers have also enjoyed a rise in purchasing power. Higher consumer purchasing power also serves as an impetus to demand conditions and drives the growth of economic activities and factory production. More trucks and heavy vehicles are required to support the logistical needs of this rise in business activities. This will continue to directly drive the need for automotive components within the country.

Replacement of Automotive Components

Trucks and heavy vehicles in the PRC are prone to frequent replacement of automotive components. This is caused by the overloading of vehicles when used for goods transportation; and overloading is not strictly enforced by the relevant authorities in the country. Adverse road conditions in areas such as Shanxi, as well as drivers' skills in maneuvering the vehicle, also play a part in the wear and tear of automotive components. The need for maintenance of the vehicle further drives the demand for replacements.

Demand for Non-OEM-specification Components

Replacement of automotive components is driven by the need for vehicle maintenance and repair services. Consumers usually seek Non-OEM-specification components, as they are of lower costs, some of which may have quality similar to that of OEM-specification components. Aftermarket specialists are able to customise their components according to customers' requirements, and modify the components' specifications to meet the transportation needs of a vehicle.

5. INDUSTRY OVERVIEW (Cont'd)

6. SUPPLY CONDITIONS

Skilled Labour

Automotive component manufacturers are highly dependent on the availability of skilled labour to sustain its continued operations. As such, skilled workforce issues, such as their availability and costs of employment, are important concerns to the smooth operations of a company.

Raw Materials

Manufacturers of automotive components are also highly dependent on steel as the main raw material. The availability of steel will also have an impact on automotive component manufacturers' capabilities to produce basic components as well as components of specific properties such as level of malleability, hardness and durability. Currently, there is no shortage of steel supply in the market. In April 2011, excess output of steel was reported, a situation attributed to the rising output of small-medium regional enterprises. The PRC aims to eliminate hundreds of smaller mills in the next five years by raising environmental and technical standards and by encouraging mergers and acquisitions. It plans to bring 60.0% of the country's total steel capacity under the control of its top 10 producers by the end of 2015.

Energy Supply

Energy supply is important in high-energy consuming industries, such as the automotive component sector. The PRC's production and consumption of energy has been increasing over the years and has surpassed production.

Fujian Province in the PRC is abundant in power supply. The province reportedly supplies electricity to other provinces in the country.

Know-How

Know-how on the manufacturing of automotive parts is essential to enter this business. The type and extensiveness of the know-how will also determine the type and range of automotive parts that the company produces.

Research indicates that most of the chassis parts manufacturers in the PRC engage in the production of only one to two chassis parts, of which bolts is often one of the parts produced. Bolts are often perceived to be "more basic" as compared to other parts such as wheel axle. Production of axles requires a good knowledge on the methodology and materials used to increase the durability of the finished product. Without depth in know-how, it would not be possible for companies to extend the range of products that they manufacture.

7. SUBSTITUTE PRODUCTS

The automotive component aftermarket segment in the PRC faces competition from substitute products such as the following:

Counterfeit Products

A growing concern in the PRC is the lack of effective protection on intellectual property rights. Companies manufacturing automotive components may find some of their product designs illegally reproduced and sold less than the market price.

5. INDUSTRY OVERVIEW (Cont'd)

Imported Automotive Components

Although the PRC is a leading exporting country of automotive components, government trade data shows that in 2011, its automotive part imports have exceeded exports by USD647.2 million. There is an influx of automotive component imports from overseas, in particular, Germany and Japan. We note that these two countries have highly developed automotive industries and are able to manufacture higher-end automotive component products.

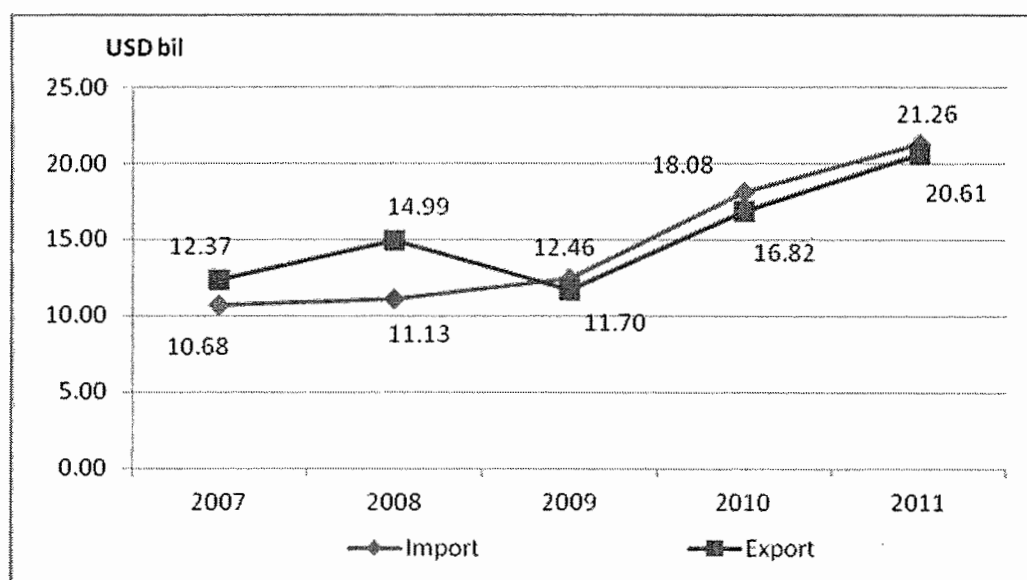
8. INDUSTRY RELIANCE AND VULNERABILITY TO IMPORTS

Although the PRC is one of the major production bases of automotive components in the world, the country is still reliant on imports.

Net Importer of Automotive Components

The PRC has seen an upward trend in both its imports and exports of automotive components from 2007 to 2011, with the import-export gap showing signs of narrowing since 2009. In 2011, the PRC imported USD21.26 billion worth of automotive components, as opposed to exports of USD20.61 billion. Despite the narrowing differential, the country is still a net importer of automotive components.

Imports and Exports of Automotive Components



Note:

* Automotive components comprise several parts. The above export data only covers key component parts such as chassis fitted with engine for motor vehicles, bodies for motor vehicles and parts and accessories for motor vehicles.

(Source: IMRR)

Research shows that the PRC is still seen as a base for lower value-added automotive component manufacturing, although perceptions are gradually changing. Much of these automotive component imports are higher value-added parts. However, with the PRC government encouraging higher technological development in domestically-manufactured automotive parts and with an increasing number of global automotive players locating their production bases to the country, the gap between imports and exports will converge further.

5. INDUSTRY OVERVIEW (Cont'd)

Raw Material Imports

Steel, plastics, oil and petroleum are important components of the automotive manufacturing sector. A surge in demand from the PRC has led to higher dependence on imports. The table below shows increases on the volume of imports of these commodities from the PRC.

Main Import Commodities in Volume and Value (2011)

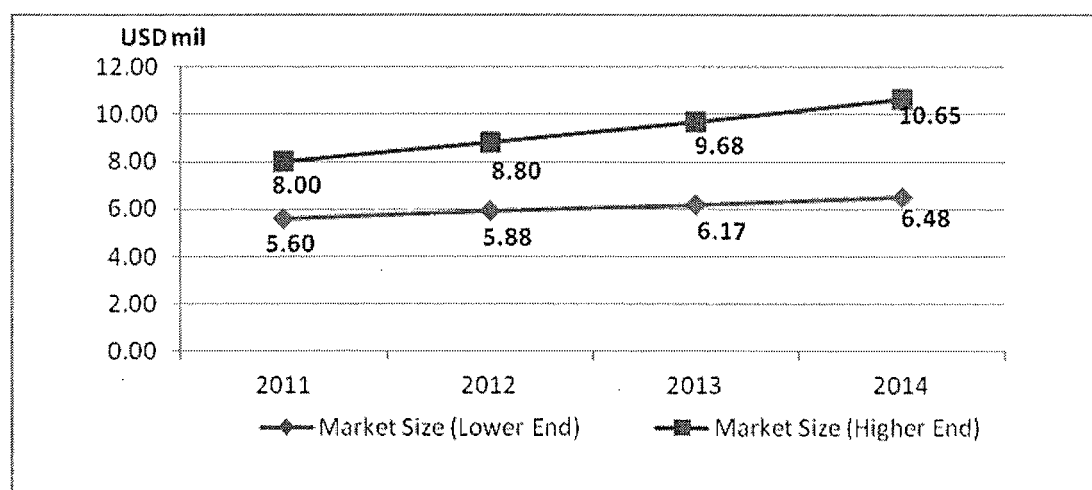
Item	Volume (10,000 tons)	Year-on-Year Change (%)	Value (100 million USD)	Year-on-Year Change (%)
Aluminum oxide	188	-56.4	8	-48.1
Coal	18,240	10.8	209	23.6
Copper and copper alloys	407	-5.1	368	12
Crude oil	25,378	6	1,967	45.3
Iron ore	68,608	10.9	1,124	40.9
Petroleum products refined	4,060	10.1	327	45.5
Plastics in primary forms	2,304	-3.7	472	8.3
Rolled steel	1,558	-5.2	216	7.3

(Source: IMRR)

9. PROSPECTS AND OUTLOOK OF THE INDUSTRY

The chassis part aftermarket for trucks is expected to continue to grow positively at a CAGR of 5.0% to 10.0% from 2011 to 2014. Based on these projected growth rates, the market size of this sector in the PRC is forecast to reach between USD6.5 billion to USD10.6 billion by 2014.

Projected Market Size of Chassis Parts Aftermarket for Trucks



(Source: Converging Knowledge)

Positive growth in the truck chassis part aftermarket industry for the PRC for the near future is expected to be driven by the following:

5. INDUSTRY OVERVIEW (Cont'd)

Continued Growth in the PRC's Economy

Despite signs of a slowdown, the PRC's economy is expected to see continued growth in an unpredictable global market. According to the International Monetary Fund, domestic demand of the PRC economy is expected to be resilient, with a projected real GDP growth of 8.2% and 8.8% in 2012 and 2013 respectively. A positive economic growth brings forth positive sentiments and drive up consumption and willingness to spend and invest. Businesses benefit from this by increasing production to cope with additional demand. More trucks are required to support the increase in business activities. This, in turn, raises the demand for automotive parts.

Government's Role in Driving Infrastructure Development

The PRC government will continue to play a central role in the growth of the country's automotive industry. In the 12th Five-Year Plan for National Economic and Social Development (2011 – 2015), the PRC government has identified areas of priority for development that will spur infrastructure development in the country and promote construction activities. This will, in turn, lead to an increase in demand for trucks as well as their usage, thereby, raising the rate of replacement for automotive parts.

Some of these priority areas are identified as follows:

Projects of Priority under the 12th Five-Year Plan for National Economic and Social Development (2011 – 2015)

Energy Construction	Transport Infrastructure Construction
<p>Development and Transformation of Coal</p> <ul style="list-style-type: none"> Accelerate the construction of coal bases in Northern Shaanxi, Huanglong, Shendong, Eastern Inner Mongolia and Eastern Ningxia; Steadily drive the construction of coal bases in northern, eastern and central Shanxi, Yunnan and Guizhou; Construction of the Xinjiang coal base; and Construction of large coal-fired power bases for the above-mentioned coal bases. 	<p>Highways</p> <ul style="list-style-type: none"> Completion of a national expressway network with a length of 83,000 km and covering cities with a population of over 200,000; Improvement of the national and provincial truck highways; Increase the proportion of Class II^A or above national highways to in excess of 70.0%; and Connection of almost all county towns with the construction of highways of Class II or above.
<p>Sources of Renewable Energy</p> <ul style="list-style-type: none"> Construction of large hydropower stations in key watersheds like Jinsha, Yalong and Dadu Rivers; Construction of hydropower projects with a total installed capacity of 120 million kW; Construction of six onshore and two coastal and offshore large wind power bases, with an additional installed capacity of over 70 million kW; and Construction of solar energy power stations with a total installed capacity of over five million kW, focusing on Tibet, Inner Mongolia, Gansu, Ningxia, Qinghai, Xinjiang and Yunnan. 	<p>Civil Aviation</p> <ul style="list-style-type: none"> Construction of a new airport in Beijing; Expansion of airports in Guangzhou, Nanjing, Changsha, Haikou, Harbin, Nanning, Lanzhou and Yinchuan; Construction of new branch line and airports for general purpose; and Conduct a feasibility study on the construction of new airports in Chengdu, Qingdao and Xiamen. <p>Coastal Ports</p> <ul style="list-style-type: none"> Construction of coal-loading ports in Northern China; Construction of coal transit and storage bases in Eastern and Southern China; Construction of large crude oil-handling terminals in Dalian and other ports;

5. INDUSTRY OVERVIEW (Cont'd)

Energy Construction	Transport Infrastructure Construction
	<ul style="list-style-type: none"> • Construction of large iron ore handling terminals in Ningbo, Zhoushan and other ports; • Construction of container terminals in Shanghai, Tianjin and other ports; and • Construction of about 440 10,000-ton and above deep berths.

Notes:

* The list contains excerpts extracted from the 12th Five-Year Plan for National Economic and Social Development (2011 – 2015) and is thus, not exhaustive.

^ Roads in the PRC are classified under Expressways, Class I, Class II, Class III and Class IV. Class II roads are designated for vehicles travelling between 40 km/h to 80 km/h and are made up of two traffic lanes. The width of the carriage way is 7.0 metres to 9.0 metres.

(Source: IMRR)

Large and Growing Truck Population

From 2006 to 2010, the truck population in the PRC has grown by 62.0% (CAGR of 12.8%), reaching approximately 16.0 million units by 2010. The truck population in the country is, therefore, considerable and thus, provides a ready demand for aftermarket automotive components. With more infrastructure developments expected on-stream, in view of the 12th Five-Year Plan for National Economic and Social Development, the number of the domestic trucks is expected to see further growth, which will create additional demand for aftermarket automotive components.

Enforcement of Regulations on Overloading

Interviews with industry players indicate that enforcement of the specific maximum carrying capacity of vehicles is not strictly imposed, thus, leading to overloading being rampant in the PRC. As a result, the lifespan of automotive components are affected, thus, driving the need for more frequent replacements. Interviews with industry players indicate that the key reason for this weak enforcement is due to the size of the country as well as the large vehicle population. Industry players are of the opinion that it is unlikely that this issue will be eradicated in the foreseeable future. Therefore, the overloading situation in the PRC will continue to drive demand for more frequent replacements of automotive parts.

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5. INDUSTRY OVERVIEW (Cont'd)

Converging Knowledge Sdn Bhd has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of this report. We believe that this report represents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,



EDDY TAN KONG YIAM
Director
Converging Knowledge Sdn Bhd

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT

6.1 PROMOTERS

6.1.1 Particulars and shareholdings

The details of our Promoters and their shareholdings in our Company before and after the IPO are as follows:-

Name	No. of Shares held before the IPO ⁽¹⁾		No. of Shares held after the IPO ⁽²⁾	
	Direct	%	Direct	%
CAP-BVI	386,250,000	75.7	⁽³⁾ 326,250,000	54.4
GuoTai	63,750,000	12.5	63,750,000	10.6
Ong Juan Tee	-	-	-	-
Terry Li	-	-	-	-
			⁽³⁾⁽⁴⁾ 326,250,000	54.4
			⁽⁵⁾ 63,750,000	10.6

Notes:-

- (1) Based on the issued and paid-up share capital of 510,000,000 Shares before the IPO
- (2) Based on the enlarged issued and paid-up share capital of 600,000,000 Shares after the IPO
- (3) Assuming that up to 60,000,000 Shares under the Offer For Sale are fully placed out
- (4) Deemed interested by virtue of his interest in CAP-BVI pursuant to Section 6A of the Malaysian Companies Act
- (5) Deemed interested by virtue of his interest in GuoTai pursuant to Section 6A of the Malaysian Companies Act

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

6.1.2 Profiles of Promoters

(i) CAP-BVI

(a) Background information

CAP-BVI was incorporated in BVI under the BVI Business Companies Act, 2004 on 20 October 2011 as a business company under its present name, China Automobile Parts (BVI) Co., Ltd. (中国汽车零件 (BVI) 有限公司). CAP-BVI is principally an investment holding company.

As at LPD, the authorised share capital of CAP-BVI is US\$50,000 comprising 50,000 shares of US\$1.00 each. The issued and paid-up share capital of CAP-BVI is US\$1,000 comprising 1,000 shares of US\$1.00 each.

(b) Directors

The sole director of CAP-BVI is Terry Li.

(c) Substantial shareholders

The substantial shareholder of CAP-BVI as at LPD is as follows:-

Name	No. of shares held	Percentage of share capital of CAP-BVI
Ong Juan Tee	1,000	100%

(ii) GuoTai

(a) Background information

GuoTai was incorporated in BVI under the BVI Business Companies Act, 2004 on 22 March 2012 as a business company under its present name, GuoTai International Holding Limited (国泰国际控股有限公司). GuoTai is principally an investment holding company.

As at LPD, the authorised share capital of GuoTai is US\$50,000 comprising 50,000 shares of US\$1.00 each. The issued and paid-up share capital of GuoTai is US\$1,000 comprising 1,000 shares of US\$1.00 each.

(b) Directors

The sole director of GuoTai is Terry Li.

(c) Substantial shareholders

The substantial shareholder of GuoTai as at LPD is as follows:-

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Name	No. of shares held	Percentage of share capital of GuoTai
Terry Li	1,000	100%

(iii) Ong Juan Tee (王煥池)

Ong Juan Tee, a Hong Kong resident aged 62, is the founder and Non-Independent Non-Executive Vice Chairman of our Group.

Mr. Ong has over 38 years of business experience in both Hong Kong and China, 13 years of which are in the automotive parts industry. As the founder of our Group, he has been instrumental to our development and growth. Mr. Ong was primarily responsible for the formulation of the overall business strategies and policies of the company.

Mr. Ong's involvement in business dates back to 1974 when he immigrated to Hong Kong from Fujian, China. From 1974 to 1998, he was involved in the trading of convenience goods in Hong Kong and manufacturing of garments in China. In 1999, Mr. Ong ventured into the trading of hardware including bolts and nuts used in automotive parts when he established a hardware accessory business in Hong Kong after he ceased his garment manufacturing business in 1998. Realising the potential in manufacturing and sales of automotive parts, Mr. Ong ceased his hardware trading business in Hong Kong in 2003 to focus on FenSun when it was established in 2004.

(iv) Terry Li (李國清)

Terry Li, a Filipino aged 33, is the Managing Director of our Group. He graduated from Liming Vocational University, Fujian with a major in corporate accounting in July 2002.

Upon graduation, Mr. Li started his career in Fujian Jinjiang Haoda Building Materials Co., Ltd. as a marketing personnel until he joined FenSun in September 2004 upon its incorporation as General Manager. While serving as the General Manager in FenSun, he was primarily responsible for overseeing the production, sales and marketing, and general corporate affairs and management of the company. His strong business acumen, proactive management and established business network, have contributed significantly to the growth of our Group over the years. Mr. Li was promoted to FenSun's Managing Director in 2007. As the Managing Director of FenSun, he is involved in major decision making of our Group, mainly responsible for the implementation of our management policies as well as formulation and execution of the strategic development of our Group. His expertise and experience, coupled with his interest and passion in the automotive parts industry, have equipped him for a pivotal role in steering the growth and success of our Group.

Mr. Li is the Executive Director of World Jinjiang Youth Association, a specially-invited member of the 12th Jinjiang Committee of the Chinese People's Political Consultative Conference, the Deputy Chairman of Jinjiang Chamber of Commerce, Meiling District, the Executive Director of Jinjiang Youth Chamber of Commerce, the Executive Director of Association of Foreign-investment Enterprise of Jinjiang City of Fujian Province as well as a standing committee member of Jinjiang Federation of Industry and Commerce.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

6.1.3 Significant changes in Promoters' shareholdings in our Company for the past three (3) years

Save as disclosed below, there are no other significant changes in our Promoters' shareholdings in our Company for the past three (3) years preceding the LPD:-

Name	Before the restructuring and Pre-IPO Investment				After the restructuring and Pre-IPO Investment			
	Direct	%	Indirect	%	Direct	%	Indirect	%
CAP-BVI	-	-	-	-	386,250,000	75.7	-	-
GuoTai	-	-	-	-	63,750,000	12.5	-	-
Ong Juan Tee	-	-	-	-	-	-	⁽¹⁾ 386,250,000	75.7
Terry Li	-	-	-	-	-	-	⁽²⁾ 63,750,000	12.5

Notes:-

- (1) Deemed interested by virtue of his interest in CAP-BVI pursuant to Section 6A of the Malaysian Companies Act
- (2) Deemed interested by virtue of his interest in GuoTai pursuant to Section 6A of the Malaysian Companies Act

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

6.2 SUBSTANTIAL SHAREHOLDERS

6.2.1 Particulars and shareholdings

The details of our substantial Shareholders and their shareholdings in our Company before and after the IPO are as follows:-

Name	No. of Shares held before the IPO ⁽¹⁾		No. of Shares held after the IPO ⁽²⁾	
	Direct	%	Direct	%
CAP-BVI	386,250,000	75.7	⁽³⁾ 326,250,000	54.4
GuoTai	63,750,000	12.5	63,750,000	10.6
Ong Juan Tee	-	-	-	-
Terry Li	-	-	-	-
			⁽³⁾⁽⁴⁾ 326,250,000	54.4
			⁽⁵⁾ 63,750,000	10.6

Notes:-

- (1) Based on the issued and paid-up share capital of 510,000,000 Shares before the IPO
- (2) Based on the enlarged issued and paid-up share capital of 600,000,000 Shares after the IPO
- (3) Assuming that up to 60,000,000 Shares under the Offer For Sale are fully placed out
- (4) Deemed interested by virtue of his interest in CAP-BVI pursuant to Section 6A of the Malaysian Companies Act
- (5) Deemed interested by virtue of his interest in GuoTai pursuant to Section 6A of the Malaysian Companies Act

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

6.2.2 Profiles of substantial Shareholders

The profiles of CAP-BVI, GuoTai, Ong Juan Tee and Terry Li are set out in Section 6.1.2 of this Prospectus.

6.2.3 Significant changes in substantial Shareholders' shareholdings in our Company for the past three (3) years

Save as disclosed in Section 6.1.3 of this Prospectus, there have been no significant changes in our substantial Shareholders' shareholdings in our Company for the past three (3) years preceding the LPD.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

6.3 DIRECTORS AND CHIEF EXECUTIVE

6.3.1 Particulars and shareholdings

The details of our Directors and chief executive and their shareholdings in our Company before and after the IPO are as follows:-

Name	Designation	Date of appointment	No. of Shares held before the IPO ⁽¹⁾		No. of Shares held after the IPO ⁽²⁾	
			Direct	%	Direct	%
Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim	Independent Non-Executive Chairman	1 June 2012	-	-	-	-
Ong Juan Tee	Non-Independent Non-Executive Vice Chairman	1 June 2012	-	(3) 386,250,000 75.7	(3)(4) 326,250,000	54.4
Terry Li	Managing Director	9 April 2012	-	(5) 63,750,000 12.5	(5) 63,750,000	10.6
Wang YuYun	Executive Director	9 April 2012	-	-	-	-
Lim Kock Hooi	Independent Non-Executive Director	1 June 2012	-	-	-	-
Chung Wai Choong	Independent Non-Executive Director	1 June 2012	-	-	-	-
Dr. Chen Boon Heow	Independent Non-Executive Director	27 November 2012	-	-	-	-

Notes:-

- (1) Based on the issued and paid-up share capital of 510,000,000 Shares before the IPO
- (2) Based on the enlarged issued and paid-up share capital of 600,000,000 Shares after the IPO
- (3) Deemed interested by virtue of his interest in CAP-BVI pursuant to Section 6A of the Malaysian Companies Act
- (4) Assuming that up to 60,000,000 Shares under the Offer For Sale are fully placed out
- (5) Deemed interested by virtue of his interest in GuoTai pursuant to Section 6A of the Malaysian Companies Act

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (*Cont'd*)

6.3.2 Profiles of Directors and chief executive

The profiles of Terry Li and Ong Juan Tee are set out in Section 6.1.2 of this Prospectus. The profiles of our other Directors are as follows:-

(i) Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim

Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim, a Malaysian, aged 72, is the Independent Non-Executive Chairman of our Group.

Dato' Seri Datuk Jalaluddin is currently the Independent Non-Executive Deputy Chairman of Lingui Developments Berhad ("**Lingui**"), a company listed on the Main Market of Bursa Securities, the Deputy Chairman of Sepangar Chemical Industry Sdn Bhd, an associated company of Lingui, and the Chairman of Pacific & Orient Insurance Co. Berhad.

Dato' Seri Datuk Jalaluddin joined the Malay Administrative Service (now part of the Malaysian Public Service ("**MPS**")) upon completion of his secondary education in 1958. He has held various senior positions in the MPS until his resignation in 1973 to join the private sector.

Dato' Seri Datuk Jalaluddin holds a Diploma in Public Administration from the London School of Economics and Political Science, United Kingdom and a Master of Business Administration from Warnborough College Oxford, United Kingdom. In 2002, he was conferred with an Honorary Doctorate in Philosophy by Warnborough University, Ireland for his service and commitment to international education. He is also an Honorary Fellow of the British Graduates Association, Malaysia.

For his services and contributions to the country, Dato' Seri Datuk Jalaluddin has been conferred a number of awards at State as well as Federal levels. He was elected for a second term as a Member of the Dewan Negara Perak (Royal Council of Perak) by D.Y.M.M. Paduka Seri Sultan Perak on 16 March 2010.

(ii) Lim Kock Hooi

Lim Kock Hooi, a Malaysian aged 55, is an Independent Non-Executive Director of our Group. He graduated with a Bachelor of Science degree with Honours, majoring in Applied Geology from University of Malaya in 1981. Upon graduation, he started his career in Petroliaam Nasional Berhad ("**PETRONAS**") as a petroleum geologist and was mainly involved in the evaluation of hydrocarbon acreage in Malaysia and South East Asia for eight (8) years.

Mr. Lim furthered his studies during his tenure in PETRONAS and in 1988, he graduated with a Bachelor of Laws degree with Honours from University of London, United Kingdom and completed his Certificate in Legal Practice the following year. Following that, he switched from being a petroleum geologist to a senior legal counsel during his employment in PETRONAS until 1996. During his tenure in PETRONAS, he acted as legal adviser on upstream oil and gas contracts and petroleum-related joint ventures within Malaysia and the South East Asian region.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Mr. Lim then chambered at Messrs. Azman, Davidson & Co. and in 1997, he was called to the Malaysian Bar as an Advocate and Solicitor. In 1997, he was made a partner in Messrs. Azman, Davidson & Co. and was subsequently promoted to Managing Partner of the firm in 2009. His main responsibility being the Managing Partner was to manage the firm with a personal focus on the oil and gas industry, where he gained vast experience in legal advisory for project work in energy, construction as well as engineering, construction and insurance claims, in addition to oversight for initial public offering due diligence. Further, he has also been a member of the Chartered Institute of Arbitrators ("**CIArb**"), United Kingdom since 1999 and is currently a Fellow of CIArb.

After 15 years in Messrs. Azman, Davidson & Co., Mr. Lim left and joined Caelus Energy Asia GP Ltd. in 2012 as Senior Vice President, Legal and Malaysia Country Manager, a role he has held to date. His main responsibility is to manage the company's regional office based in Kuala Lumpur as well as to monitor the company's legal portfolio in the Asia Pacific region.

With his vast and diverse experience in legal matters in the commercial environment, Mr. Lim is able to contribute positively to our Group.

(iii) Chung Wai Choong

Chung Wai Choong, a Malaysian aged 52, is an Independent Non-Executive Director of our Group. He is currently an Independent Non-Executive Director of Sentoria Group Berhad, a company listed on the Main Market of Bursa Securities, a Director of Green OSF Technology Sdn Bhd and a consultant on corporate matters to Hexagon Holdings Berhad ("**Hexagon**"), a company also listed on the Main Market of Bursa Securities.

Mr. Chung is a member of the Malaysian Institute of Certified Public Accountants ("**MICPA**") since 1986 and a member of the Malaysian Institute of Accountants since 1987.

Mr. Chung articulated with Hanafiah Raslan & Mohamad (then also practising as Touche Ross & Co.) in 1980 and then joined Coopers & Lybrand, Singapore in 1987. In 1988, he returned to Malaysia to join Mustapha Law / Touche Ross & Co. Upon the merger of Mustapha Law / Touche Ross & Co. and Kassim Chan & Co. / Deloitte Haskins & Sells in 1992, he was transferred to the merged firm's management consultancy arm as a senior manager. He commenced public practice in 1993 when he joined Sekhar & Tan as a principal. He retired from public practice in 2003 as a partner and in January 2004, he joined Leweko Resources Berhad ("**Leweko**"), now listed on the Main Market of Bursa Securities, as its General Manager (Corporate Finance) in January 2004 and was subsequently made its Executive Director (Corporate Affairs) in February 2004. He was also a member of the Board of Directors of Leweko from 9 February 2004 to 30 October 2010. In November 2010, he joined Hexagon as its Group Head of Corporate Affairs and he resigned from that position on 31 May 2012.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Mr. Chung has extensive experience in auditing and has also worked on special assignments involving corporate finance, corporate recovery, project management, systems review, corporate restructuring, mergers and acquisitions, and feasibility studies for multinational and large national enterprises. In addition, he was the joint company secretary of Lingui Developments Berhad, Glenealy Plantations (Malaya) Berhad, Teck Guan Perdana Berhad (all of which are listed on the Main Market of Bursa Securities) at various times from 1996 to early 2003 and Leweko during his tenure there. He has also previously served as a member of the MICPA's Auditing and Accounting Standards Committee.

With his vast and diverse experience in accounting and corporate exercises in the commercial environment, Mr. Chung is able to contribute positively to our Group.

(iv) Dr. Chen Boon Heow

Dr. Chen Boon Heow, a Malaysian aged 53, is the Independent Non-Executive Director of our Group. He graduated with a Bachelor in Accounting degree with Honours from University of Malaya in 1984. Dr. Chen furthered his studies and was conferred a Doctorate in Business Administration by University of South Australia in 2005. He is a member of the Malaysian Institute of Accountants (MIA) since 1987, a member of the Malaysian Institute of Certified Public Accountants (MICPA) since 1987, a Fellow of Chartered Tax Institute of Malaysia (CTIM) since 1995 and a Fellow of CPA Australia since 2008.

Dr. Chen started his career as an audit assistant with Hanafiah Raslan & Mohamad upon his graduation in 1984. In 1989, he founded the public accounting practice of Chen & Co. Chartered Accountants, with offices in Penang and Taiping to offer audit and assurance, accounting, corporate planning and business advisory services to a diverse range of local and foreign-owned clients involved in various industries including manufacturing, property development, trading, investment holding, transportation and agro-based. Dr. Chen is also involved in the provision of various tax compliance and tax advisory services through PAC Tax Services Sdn Bhd, a company he co-founded in 2001. In his business advisory services, Dr. Chen also has experience in business performance, governance, risk and compliance matters as well as advising matters on internal control procedures. He also advised clients in the areas of cost and cash flow control and management and reporting system improvement.

With over 28 years of experience covering the areas of audit and assurance, accounting, tax and corporate and business advisory services, Dr. Chen is able to contribute positively to our Group.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

(v) Wang YuYun (王玉云)

Wang YuYun, a PRC national aged 33, is the Executive Director of our Group. She graduated from Fujian Supply and Marketing School (later renamed as Fujian Economic School) with a major in financial accounting in February 1998.

Ms. Wang started her career at the Footwear Quality Supervision & Testing Center, Ministry of Agriculture of China in 1998 as a product quality inspector, which is responsible for the monitoring of compliance with the product quality standards as set out by the Ministry of Agriculture. Thereafter, she joined FenSun as Finance Manager in September 2004 when it was incorporated, overseeing the company's accounting and financial matters as well as general corporate affairs and management. Ms. Wang was promoted to the position of General Manager in 2007. She is currently responsible for accounting and financial matters, procurement and management of our Group. In addition, she also participates in developing business policies and marketing strategies of our Group as well as building rapport with suppliers, customers and the relevant authorities. Ms. Wang's knowledge and experience in the automotive parts industry as well as her handling of the Group's accounting and financial matters as well as building rapport with our suppliers and customers have contributed to our growth over the years.

6.3.3 Principal business activities performed outside the Group for the past five (5) years

Save as disclosed below, none of the Directors nor the chief executive of our Group have / had performed any principal business activities outside the Group for the past five (5) years up to LPD:-

Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim

Principal directorship	Involvement in principal business activities other than a director as at the LPD
<u>Present:</u> <ul style="list-style-type: none"> Pacific & Orient Insurance Co. Berhad Lingui and its subsidiaries⁽¹⁾ Sepangar Chemical Industry Sdn Bhd FBK Systems Sdn Bhd <u>Past:</u> Nil.	<u>Substantial shareholder:</u> Nil.

Note:

- (1) Samling Plywood (Baramas) Sdn Bhd, Samling Plywood (Lawas) Sdn Bhd, Treeone Logistic Services Sdn Bhd, Lingui Corporation Sdn Bhd, Mini Parts Trading Sdn Bhd, Hock Lee Plantations Sdn Bhd, Hock Lee Enterprises (M) Sdn Bhd, Hock Lee Rubber Products Sdn Bhd

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Ong Juan Tee

Principal directorship	Involvement in principal business activities other than a director as at the LPD
<u>Present:</u> Nil. <u>Past:</u> Nil.	<u>Substantial shareholder:</u> <ul style="list-style-type: none"> CAP-BVI

Terry Li

Principal directorship	Involvement in principal business activities other than a director as at the LPD
<u>Present:</u> <ul style="list-style-type: none"> CAP-BVI GuoTai <u>Past:</u> Nil.	<u>Substantial shareholder:</u> <ul style="list-style-type: none"> GuoTai

Terry Li's involvement in the above businesses does not require a significant amount of his time as GuoTai and CAP-BVI are merely investment holding companies. For information purposes, Terry Li is a director in Xiamen Tongwang Information Technique Co., Ltd. (厦门市通网信息科技有限公司), which has been dormant since end 2008 and is currently in the midst of being deregistered. Hence, his involvement in other business activities and corporations neither materially or adversely affects his contribution to our Group nor his ability to act as our Managing Director and this position is not expected to change going forward.

Wang YuYun

Principal directorship	Involvement in principal business activities other than a director as at the LPD
<u>Present:</u> <ul style="list-style-type: none"> Jinjiang Yanchao Invigorant Trading Co., Ltd. (晋江市燕巢滋补品商贸有限公司) ("Jinjiang YanChao") <u>Past:</u> Nil.	<u>Substantial shareholder:</u> <ul style="list-style-type: none"> Jinjiang YanChao

Wang YuYun's involvement in the above business does not require a significant amount of her time as she has employed a team of competent and experienced employees to attend to the operations of Jinjiang Yanchao. Her role as the business owner of Jinjiang Yanchao is merely to ensure that her employees are running the business in accordance to her overall strategic directions. Hence, her involvement in other business activities and corporations neither materially or adversely affects her contribution to our Group nor her ability to act as our Executive Director and this position is not expected to change going forward.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Lim Kock Hooi

Principal directorship	Involvement in principal business activities other than a director as at the LPD
<u>Present:</u> <ul style="list-style-type: none"> AD-Consult Sdn Bhd AD-Consult (Penang) Sdn Bhd <u>Past:</u> Nil.	<u>Substantial shareholder:</u> Nil.

Chung Wai Choong

Principal directorship	Involvement in principal business activities other than a director as at the LPD
<u>Present:</u> <ul style="list-style-type: none"> Sentoria Group Berhad Green OSF Technology Sdn Bhd ⁽¹⁾ <u>Past:</u> <ul style="list-style-type: none"> Leweko and its subsidiaries⁽²⁾ (resigned on 30 October 2010) 	<u>Substantial shareholder:</u> <ul style="list-style-type: none"> Green OSF Technology Sdn Bhd ⁽¹⁾

Notes:-

(1) Currently in the process of being struck off

(2) Leweko Capital Sdn Bhd and SCK Wooden Industries Sdn Bhd

Dr. Chen Boon Heow

Principal directorship	Involvement in principal business activities other than a director as at the LPD
<u>Present:</u> <ul style="list-style-type: none"> PAC Tax Services Sdn Bhd CE Technology Berhad <u>Past:</u> Nil.	<u>Sole Proprietor</u> <ul style="list-style-type: none"> Chen & Co. Chartered Accountants <u>Substantial shareholder:</u> <ul style="list-style-type: none"> PAC Tax Services Sdn Bhd CE Technology Berhad Puspajaya Development Sdn Bhd Ideal Residence Sdn Bhd Sparkling Future Sdn Bhd

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

6.3.4 Directors' and chief executive's remuneration and benefits

The aggregate remuneration and material benefits in-kind paid or payable to our Directors and chief executive on an individual basis for services rendered in all capacities to our Group for FYE 2011 and proposed for the current FYE 2012 are as follows:-

	Remuneration band			
	FYE 2011		Proposed for FYE 2012	
	RMB'000	RM'000 ⁽¹⁾	RMB'000	RM'000 ⁽¹⁾
Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim	-	-	up to 105	up to 50
Ong Juan Tee	-	-	up to 105	up to 50
Terry Li	2,532 – 2,635	1,201 – 1,250	26,249 – 26,355 ⁽²⁾	12,450 – 12,500 ⁽²⁾
Wang Yu Yun	1,056 – 1,160	501 – 550	1,583 – 1,687	751 – 800
Lim Kock Hooi	-	-	up to 105	up to 50
Chung Wai Choong	-	-	up to 105	up to 50
Dr. Chen Boon Heow	-	-	up to 105	up to 50

Notes:-

- (1) Based on the average exchange rate of RMB1: RM0.4743 for FYE 31 December 2011, as set out in Paragraph 1.1 of the proforma consolidated financial information in Section 10.7 of this Prospectus.
- (2) Includes a one-off expense of RMB22.8 million (equivalent to RM11.1 million) in relation to the 33,750,000 Shares received by GuoTai from Ong Juan Tee and dealt with as an equity-settled share-based payment in accordance with IFRS 2 Share-based Payment.

6.4 CORPORATE GOVERNANCE

6.4.1 Board practices

Our Bye-laws provide that our Board of Directors shall consist of not less than two (2) Directors. At our next annual general meeting, all our Directors shall retire from office and at each subsequent annual general meeting of our Company, one-third (1/3) of the Directors for the time being, or if their number is not three or a multiple of three (3), then the number nearest to but not less than one-third (1/3), shall retire from office and shall be eligible for re-election thereat. The Directors to retire in each year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot provided always that each Director shall retire at least once every three (3) years. Notwithstanding the foregoing, a Director who is over the age of 70 years shall retire from office in every year but may be re-elected by way of a special resolution in general meeting, and a Director appointed by the Board shall retire at the next annual general meeting of the Company following his appointment and shall be eligible for re-election at that meeting. For further details on our Memorandum and selected Bye-laws, kindly refer to Section 13.2 of this Prospectus.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

As at the date of this Prospectus, the current term of office for each of our Directors is as follows:-

Name of Director	Length of service in our Group	Length of service as Director of the Company as at date of Prospectus	Date of expiration of current term of office
Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim	Less than a year	7 months	Shall retire at our 2013 annual general meeting in accordance with Bye-laws 86(2) and 85(5)
Ong Juan Tee	8 years	7 months	Shall retire at our 2013 annual general meeting in accordance with Bye-law 85(5)
Terry Li	8 years	9 months	Shall retire at our 2013 annual general meeting in accordance with Bye-law 86
Wang YuYun	8 years	9 months	Shall retire at our 2013 annual general meeting in accordance with Bye-law 86
Lim Kock Hooi	Less than a year	7 months	Shall retire at our 2013 annual general meeting in accordance with Bye-law 85(5)
Chung Wai Choong	Less than a year	7 months	Shall retire at our 2013 annual general meeting in accordance with Bye-law 85(5)
Dr. Chen Boon Heow	Less than a year	2 months	Shall retire at our 2013 annual general meeting in accordance with Bye-law 85(5)

6.4.2 Audit committee

The main functions of the Audit Committee of our Company fall within the ambit of the Listing Requirements, which include the review of the audit plan with our external auditor; the review of the external auditor's audit report and evaluation of our system of internal controls with the external auditors; review of the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work; review of the assistance given by our employees to the external auditor; review of the internal audit programme, processes, results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function; review of financial statements; review of related-party transactions and conflict-of-interest situations; review of any resignation letter and reasons for non-suitability of re-appointment of our external auditors; and review and recommendation of the nomination of external auditors. The Audit Committee comprises the following individuals:-

Name	Designation	Directorship
Chung Wai Choong	Chairman	Independent Non-Executive Director
Dr. Chen Boon Heow	Member	Independent Non-Executive Director
Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim	Member	Independent Non-Executive Chairman
Lim Kock Hooi	Member	Independent Non-Executive Director

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

6.4.3 Remuneration committee

The Remuneration Committee of our Company is principally responsible for reviewing and recommending to our Board the remuneration package and the terms of employment of our Executive Directors. An Executive Director does not participate in any way in determining his individual remuneration.

The policy adopted by our Remuneration Committee is to provide the necessary package to attract, retain and motivate the Executive Directors of the quality required to manage our business and to align the interest of our Executive Directors with those of Shareholders. The Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Terry Li	Chairman	Managing Director
Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim	Member	Independent Non-Executive Chairman
Chung Wai Choong	Member	Independent Non-Executive Director

6.4.4 Nomination committee

The Nomination Committee of our Company is principally responsible for recommending to our Board, the appointment of new Directors and committee members, with regards to the Directors' contribution and performance as well as reviewing on an annual basis, the appropriate balance and size of non-executive participation.

This requires a review on the mix of skills and experience, including core competencies and qualities that Non-Executive Directors should bring to our Board in order for our Board to function effectively. Our Board as a whole makes all decisions on appointments after considering the recommendations of the Nomination Committee. The Nomination Committee comprises the following members:-

Name	Designation	Directorship
Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim	Chairman	Independent Non-Executive Chairman
Chung Wai Choong	Member	Independent Non-Executive Director
Lim Kock Hooi	Member	Independent Non-Executive Director

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (*Cont'd*)

6.5 SENIOR MANAGEMENT

6.5.1 Particulars and shareholdings

None of our senior management personnel has any equity interest in our Company as at the LPD or will have any equity interest in our Company before and as a result of the IPO.

6.5.2 Profiles of senior management personnel

(i) Chai Wai Teck

Chai Wai Teck, a Malaysian aged 54, is the Chief Financial Officer of our Group. He is responsible for overseeing our Group's accounting and financial reporting functions, compliance with the Listing Requirements of Bursa Securities and regulatory reporting in Malaysia as well as investor relations matters.

Mr. Chai is a Fellow of the Association of Chartered Certified Accountants, United Kingdom since 1995 and a member of the Malaysian Institute of Accountants since 1992.

Mr. Chai began his career in public accounting practice as an audit assistant in 1984 and later progressed to an audit senior before he left in 1989 to join the commercial sector. Mr. Chai joined the finance department of Minho (M) Berhad in 1990 and progressed to the position of Executive Director, Finance and Corporate Affairs, a position he last held prior to leaving the company in 2001. Thereafter, he left and joined Super Enterprise Holdings Berhad as the Executive Director and Group Controller. In 2004, he left to join WCT Engineering Berhad (*now known as WCT Berhad*) as General Manager – Corporate and Finance and CTC M&C Services Sdn Bhd in 2009 as General Manager. Mr. Chai is familiar with compliance with the Listing Requirements of Bursa Securities and regulatory reporting in Malaysia through his past involvement in various public companies listed on Bursa Securities.

Mr. Chai joined our Group in December 2012 in his current position and brought with him 28 years of experience and knowledge in accounting and financial reporting, corporate finance and corporate planning, credit controls, treasury management and enterprise risk management.

(ii) Li ShiXian (李世贤)

Li ShiXian, a PRC national aged 42, is the Production Manager of our Group and mainly responsible for overseeing our general production activities and quality assurance. Due to his knowledge in the technical aspects of automotive-parts manufacturing, he is also actively involved in R&D activities.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Mr. Li has over 16 years of experience in the automotive-parts industry. His career started in 1986 when he joined Jinjiang Daxiawu Machinery Factory in Jinjiang as a worker responsible for machine operation. In 1990, he joined Shenzhen Jinyuan Toy Factory as mould workshop supervisor to oversee the mould design process. In 1996, he returned to the automotive-parts industry by joining Jinjiang Goutou Automotive Parts Factory as production team leader and was subsequently promoted to various positions including workshop director and factory director. He brought with him approximately 11 years of hands-on experience and knowledge in the management of production operations when he joined our Group in November 2007 to assume his current position. In 2008, he was accredited as an assistant engineer specialising in mechanical design by Quanzhou Professional Title Reform Office.

(iii) Li JianDe (李建德)

Li JianDe, a PRC national aged 52, is the Sales and Marketing Manager of our Group. He heads the sales and marketing department of our Group and is mainly responsible for overseeing our sales and marketing activities.

Mr. Li has accumulated over 29 years of experience in the marketing of automotive parts. His career started in 1983 when he joined Zhushuxia Automotive Parts Factory in Jinjiang as a sales personnel for automotive parts until 1985. For seven (7) years thereafter until 1992, he had been concurrently involved in sales for various automotive part companies in several cities of China, including Nanjing and Nanchang. In 1993, he settled down in Nanjing and joined Nanjing Jingujian Dawang Factory, where he had also served as a sales personnel for automotive parts. He left Nanjing after seven (7) years and returned to Jinjiang to join Jinjiang Juwang Machinery Factory in 2001 as a sales personnel for automotive parts until 2006. In January 2007, he was hired by our Group in his current position as Sales and Marketing Manager.

(iv) Li Jian (李健)

Li Jian, a PRC national aged 34, is the Deputy Production Manager of our Group. He is mainly responsible for assisting the Production Manager in managing the efficiency of our Group's manufacturing processes as well as human resource management and administration affairs of our production plant.

Mr. Li graduated from Nanyang Institute of Technology, Henan with major in Applied Electronic Technology of Electronic and Information Engineering (later renamed as Electronics and Electrical Engineering) in July 1999. He was accredited as a senior facility engineer by CHC Manager Human Resource Committee of China High-technology Education Working Committee in 2009. Upon graduation, he worked in Lite-On Technology Corp. as a Mechanical Engineer. In 2003, he joined Yumei (Shantou) Garment Co., Ltd., a subsidiary of Eagle Nice (International) Holdings Ltd. (listed on Hong Kong Stock Exchange) as an Industrial Engineer and was subsequently promoted to workshop supervisor in 2004, overseeing its general production operations. In 2006, he joined Fujian SBS Zipper Science and Technology Co., Ltd., (listed on China Shenzhen Stock Exchange) as Production Manager, overseeing the efficiency of the production operations.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Mr. Li was an adviser for process efficiency optimisation to Xiamen Gold Way Enterprise Management Consulting Co., Ltd. prior to joining our Group. In February 2012, he joined our Group to assume his current position and brought with him over twelve (12) years of experience and knowledge in the management of production operations.

(v) Lu XiaoZhi (吕晓志)

Lu XiaoZhi, a PRC national aged 31, is the Assistant Finance Manager of our Group. He is responsible for overseeing overall accounting and financial aspects of our Group.

Mr. Lu graduated from Sanming College, Fujian (later renamed as Sanming University) in June 2003 with majors in finance and insurance. He is a holder of the Certificate of Accounting Professional issued by the Quanzhou Finance Bureau in April 2006, which has allowed him to work as an accountant in the PRC. In addition, he has also passed the national accounting examination organised by the Ministry of Human Resources and Social Securities of the PRC and qualified as a Junior Accountant in May 2009.

Upon graduation from Sanming College, he started his career at Quanzhou Jiatai Accounting and Bookkeeping Firm as an accountant. Prior to joining our Group, he was promoted to accounts supervisor and led a team to provide accounting and bookkeeping services. In February 2012, he joined our Group to assume his current position and brought with him over eight (8) years of experience and knowledge in accounting.

6.6 INVOLVEMENT OF EXECUTIVE DIRECTORS / SENIOR MANAGEMENT IN OTHER BUSINESS ACTIVITIES / CORPORATIONS

The involvements of our Executive Directors in other business activities / corporations are disclosed in Section 6.3.3.

As at LPD, save as disclosed below, none of our senior management personnel are involved in other business activities or corporations:-

Name of company	Principal activity	Position
Chai Wai Teck CTC M&C Services Sdn Bhd	Company secretary services	Shareholder

Chai Wai Teck is only a shareholder in CTC M&C Services Sdn Bhd, a company he co-invested with his sibling since 2003. The company has been managed by his sibling since its incorporation. Mr. Chai joined CTC M&C Services Sdn Bhd as General Manager in 2009 after he left WCT Berhad until his appointment as the Chief Financial Officer of our Group. Hence, his involvement in this other business activity as a shareholder neither materially nor adversely affects his contribution to our Group nor his ability to act as our senior management personnel. This position is not expected to change going forward.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Name of company	Principal activity	Position
<u>Li ShiXian</u> Jinjiang Qingyang Mingwei Shoes Trading Firm (晋江市青阳名威商贸鞋行)	Retail and wholesale of shoes	Sole proprietor

Li ShiXian's involvement in the above business does not require a significant amount of his time as Jinjiang Qingyang Mingwei Shoes Trading Firm is managed by his spouse with the assistance of an employee and he is not required to be involved in the daily operation of the trading firm. Hence, his involvement in this other business activity neither materially nor adversely affects his contribution to our Group nor his ability to act as our senior management personnel. This position is not expected to change going forward.

6.7 DECLARATION BY PROMOTERS, DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

As at LPD, none of our Promoters, Directors, senior management personnel or persons nominated to become a Director or senior management is or has been involved in any of the following events (whether in or outside Malaysia):-

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) was the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

6.8 RELATIONSHIPS OR ASSOCIATIONS

Save as disclosed below, there are no family relationships / association between our substantial Shareholders, Promoters, Directors and senior management.

- (i) Ong Juan Tee is the uncle and uncle-in-law of Wang YuYun and Terry Li, respectively;
- (ii) Terry Li is the spouse of Wang YuYun and the nephew-in-law of Ong Juan Tee; and
- (iii) Wang YuYun is the spouse of Terry Li and the niece of Ong Juan Tee.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

6.9 AMOUNTS OR BENEFITS PAID TO OUR PROMOTERS, DIRECTORS OR SUBSTANTIAL SHAREHOLDERS WITHIN THE TWO (2) YEARS PRECEDING THE DATE OF THIS PROSPECTUS

Save and except for the dividends as detailed in Sections 10.6 and 11 of this Prospectus, and the remuneration and benefits for services rendered in all capacities to our Group as detailed in Section 6.3.4 of this Prospectus, there are no other amounts or benefits paid or intended to be paid or given to any of our Promoters, substantial Shareholders or Directors, within the two (2) years immediately preceding the date of this Prospectus.

6.10 SERVICE AGREEMENTS

There are no existing or proposed service agreements between the Directors and senior management personnel of our Group with the Company and/or its subsidiaries.

6.11 EMPLOYEES

Our workforce as at 31 December 2009, 2010, 2011 and LPD are as follows:-

Category	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at LPD
Managerial and professional	8	8	8	10
Quality assurance	4	5	5	5
Research and development	6	6	6	7
Sales and marketing	21	24	24	27
Clerical and administrative	39	40	40	42
General workers	23	24	24	23
Factory workers (skilled)	440	440	440	470
Total	541	547	547	584

As can be seen from the table above, our total number of production employees has remained approximately constant since 31 December 2009, even though our production output has registered continued annual growth, a testament to the productivity gains arising from our production process improvements. Please refer to Section 4.8 of this Prospectus for details of our production process improvements.

All our employees have employment contracts with us. Under PRC laws and regulations, employees are classified as contract employees and part-time employees and there are no permanent employees. The relationship and co-operation between our management and staff has been good, and we have not encountered any incidence of work stoppage or labour dispute that affected our operations to-date. As of LPD, none of our employees belong to any union.

We pay social insurance for our employees, including medical insurance, work-injury insurance and unemployment insurance.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Employee welfare

Our production centre has seven (7) floors of furnished dormitories for our employees, which provides employees the convenience of staying on-site, without the hassle of commuting daily to work. Employees who are promoted / higher-ranked employees / married employees who are both under our employment are granted upgraded accommodation arrangements at our hostel. Leisure facilities such as exercise equipment as well as televisions are also provided for the use of our employees.

We also catered for the opening of a sundry shop within our premises, without collecting rental from the sundry shop operator, for the convenience and benefit of our employees. To motivate employees and encourage camaraderie, we celebrate the birthdays of all our employees (for all birthdays that fall within the month) once a month. We also provide annual Chinese New Year dinners, mooncakes, dumplings and other token gifts in conjunction with national festivities, as gestures of appreciation for our employees.

Our production employees are constantly monitored to ensure that the respective established procedures for each of our processes are practiced accordingly, which also serves to ensure the safety of our employees. Any observances that may potentially improve the safe conduct of any of our procedures are put forward for discussion and evaluation, and are incorporated into existing practices if deemed to enhance the safety of our operations. As at LPD, we have not encountered any accidents that have resulted in major injuries to our employees within our premises.

Training and development

It is our policy to develop all our employees to be equipped with the requisite skills for performing specific functions. We encourage our employees to continually increase their skill sets and knowledge through on-the-job training, in order to enhance productivity and operational efficiencies.

Our new production employees are provided hands-on training for a specific task under close supervision, to ensure familiarity with operational procedures, for at least three (3) to five (5) days. Employees who display satisfactory work performance are given opportunities to learn new skills via rotation into new tasks after a few months, which also serves to prevent lack of motivation due to monotony, while granting us more flexibility in the allocation of production employees in our various manufacturing processes.

Employees who perform well can be trained to be able to accomplish up to seven (7) to eight (8) processes after a few years, and we presently have more than ten (10) employees who are able to execute every single one of our manufacturing processes.

Every month, we honour one (1) or two (2) of our most outstanding performers as best employee of the month, to encourage employees to pursue excellence. Employees who win the award multiple times (three (3) times or more) are earmarked for promotion to team leader and supervisor positions, besides being granted more opportunities to advance their skill sets.

Succession planning

In addition to in-house training, development and promotion (as detailed above), and the proactive retention of well-performing employees, we also hire proficient candidates with outstanding work experiences, to bolster the strength of our human resources.

These policies are intended to facilitate the grooming of junior employees for more job responsibilities and supervisory roles, and middle-management staff to gradually assume the responsibilities of senior management, to ensure continuity of our management and technical competence.

7. APPROVALS AND CONDITIONS

7.1 APPROVALS AND CONDITIONS

The SC had approved our Listing Scheme, under Section 212(5) of the CMSA, vide its letter dated 21 December 2012. The conditions imposed by the SC and the status of compliance are as follows:-

Conditions imposed by SC	Status of compliance
(i) CAP-Bermuda to strengthen the composition, governance structure and processes of the Board and Audit Committee, as well as to strengthen the key management for the group's finance function;	<p>Complied. To strengthen the composition, governance structure and processes of our Board and Audit Committee, as well as to strengthen the key management for our Group's finance function, we have undertaken the following:-</p> <p>(i) engaged an independent consultant to advise and recommend the Board on the following:-</p> <p>(a) Board charter;</p> <p>(b) key board operational process; and</p> <p>(c) terms of reference and key policies for Board committees.</p> <p>The Board has evaluated the consultant's proposals and recommendations, and has since accepted their proposals and recommendations;</p> <p>(ii) appointed an additional independent director and member of Audit Committee, namely Dr. Chen Boon Heow (profile detailed in Section 6.3.2 of this Prospectus); and</p> <p>(iii) appointed our Chief Financial Officer, Mr. Chai Wai Teck (profile detailed in Section 6.5.1 of this Prospectus) as an additional senior management for our Group's finance function.</p>
(ii) The Board to make a clear determination on the accounting treatment relating to the renunciation of 33,750,000 Shares by Ong Juan Tee to GuoTai (a corporation owned by Terry Li) i.e. whether the renunciation of shares is to be treated as either a "gift" or a share-based payment under International Financial Reporting Standard 2; and	Complied. Our Board has determined that the 33,750,000 Shares renounced by Ong Juan Tee to GuoTai will be dealt with as an equity-settled share-based payment in accordance with IFRS 2 Share-based Payment.
(iii) AmInvestment Bank / CAP-Bermuda to rectify and/or enhance the disclosures in the listing prospectus in relation to CAP-Bermuda's compliance with conditions (i) and (ii) above; and	Complied. The disclosures in this Prospectus have reflected conditions (i) and (ii) above.
(iv) AmInvestment Bank / CAP-Bermuda to fully comply with the relevant requirements under the SC's Equity Guidelines and Prospectus Guidelines – Equity and Debt pertaining to the implementation of the Listing.	Noted and to be complied.

7. APPROVALS AND CONDITIONS (Cont'd)

The SC has noted our Listing under the equity requirement for public companies. No equity condition is imposed on our Company for our Listing in view that the entire profit of our Company is derived from foreign-based operations.

The SAC has, vide its letter dated 2 August 2012, classified our Shares as Shariah-compliant.

Bursa Securities had approved our Listing vide its letter dated 24 December 2012. The conditions imposed by Bursa Securities and the status of compliance are as follows:-

Conditions imposed by Bursa Securities	Status of compliance
(i) Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Requirements; and	Will be complied.
(ii) Furnish Bursa Securities with the following:-	
(a) a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid-up share capital of CAP-Bermuda on the first day of listing;	Will be complied.
(b) a copy of the final duly executed Bye-laws of CAP-Bermuda together with the compliance checklist thereof; and	Complied.
(c) a letter of compliance on Bye-laws of CAP-Bermuda in accordance to Paragraph 2.12 of the Listing Requirements.	Complied.

Bermuda Monetary Authority had vide its letters dated 28 November 2012 and 29 November 2012 granted permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) for the issuance of new Public Issue Shares and the transfer of the Offer Shares pursuant to the IPO.

A copy of this Prospectus will be filed with the Registrar of Companies in Bermuda. The Bermuda Monetary Authority in granting its permission and the Registrar of Companies in Bermuda in accepting this Prospectus for filing accepts no responsibility for the financial soundness of our Group or any proposal of for the correctness of any of the statements made or opinions expressed in this Prospectus or any other documents.

Gallant Y. T. Ho & Co., the Legal Advisers to our Company on Hong Kong Law, have confirmed that:-

- (i) there are no governmental or regulatory consents, approvals, authorisations or orders which are required in Hong Kong to enable our Company to carry out or perform any of the matters listed below:-
 - (a) list on the Main Market of Bursa Securities; and
 - (b) carry out the Listing Scheme as set out in Section 4.3 of this Prospectus;

(the matters referred to in (a) and (b) above shall be referred to as the “**Hong Kong Matters**”)
- (ii) there are no registration, filing or similar formalities required in Hong Kong in respect of the Hong Kong Matters.

7. APPROVALS AND CONDITIONS (Cont'd)

Grandall Legal Group (Guangzhou), the Legal Advisers to our Company on PRC Law, have confirmed that:-

- (i) there are no governmental or regulatory consents, approvals, authorisations or orders which are required in the PRC to enable our Company to carry out or perform any of the matters listed below:-
 - (a) list on the Main Market of Bursa Securities; and
 - (b) carry out the Listing Scheme as set out in Section 4.3 of this Prospectus;(the matters referred to in (a) and (b) above shall be referred to as the “**PRC Matters**”)
- (ii) there are no registration, filing or similar formalities required in the PRC in respect of the PRC Matters.

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7. APPROVALS AND CONDITIONS (Cont'd)

7.2 MORATORIUM ON OUR SHARES

Promoters

In accordance with Paragraph 5.29 of the SC Guidelines, our Promoters will not be allowed to sell, transfer or assign their entire shareholdings in the enlarged issued and paid-up share capital of our Company for six (6) months from the date of Admission.

Upon Admission, our Promoters' shareholdings, which will be subjected to the moratorium, are as set out below:-

Name	No. of Shares held upon Admission ⁽¹⁾			
	Direct	%	Indirect	%
CAP-BVI	⁽²⁾ 326,250,000	54.4	-	-
GuoTai	63,750,000	10.6	-	-
Ong Juan Tee	-	-	⁽²⁾⁽³⁾ 326,250,000	54.4
Terry Li	-	-	⁽⁴⁾ 63,750,000	10.6

Notes:-

- (1) Based on the enlarged issued and paid-up share capital of 600,000,000 Shares after the IPO
- (2) Assuming that up to 60,000,000 Shares under the Offer For Sale are fully placed out
- (3) Deemed interested by virtue of his interest in CAP-BVI pursuant to Section 6A of the Malaysian Companies Act
- (4) Deemed interested by virtue of his interest in GuoTai pursuant to Section 6A of the Malaysian Companies Act

The Promoters will not be allowed to sell, transfer or assign their entire shareholdings in the enlarged issued and paid-up share capital of CAP-Bermuda held at the date of listing for six (6) months from the date of listing on Bursa Securities.

The moratorium is specifically endorsed on the share certificates representing the shareholdings of our Promoters to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on our registrars' instructions in the prescribed forms, ensure that trading of these shares are not permitted in the moratorium period.

Ong Juan Tee and Terry Li, being the ultimate shareholders of CAP-BVI and GuoTai respectively, have provided undertaking letters to the SC that they will not sell, transfer or assign their respective shareholdings in CAP-BVI and GuoTai for six (6) months from the date of listing of the Shares on Bursa Securities.

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7. APPROVALS AND CONDITIONS (Cont'd)

Pre-IPO Investors

Our Pre-IPO Investors hold in aggregate 60,000,000 Shares upon Admission, representing 10.0% of our enlarged issued and paid-up share capital after the IPO. The Pre-IPO Investors have each given an undertaking that they will not sell, transfer or assign their entire shareholdings in CAP-Bermuda for six (6) months from the date of listing on Bursa Securities.

Upon Admission, Pre-IPO Investors' shareholdings, which will be subjected to the moratorium, are as set out below:-

Name	No. of Shares held upon Admission ⁽¹⁾			
	Direct	%	Indirect	%
Wisdom Delight Limited	9,100,000	1.52	-	-
Xiangfeng International Holdings Limited	25,450,000	4.24	-	-
Huateng International Holdings Limited	25,450,000	4.24	-	-
Dato' Ong Kook Liong	-	-	⁽²⁾ 9,100,000	1.52
Ding MaoFeng	-	-	⁽³⁾ 25,450,000	4.24
Ting Sheung Hing	-	-	⁽⁴⁾ 25,450,000	4.24

Notes:-

- (1) Based on the enlarged issued and paid-up share capital of 600,000,000 Shares after the IPO
- (2) Deemed interested by virtue of his interest in Wisdom Delight pursuant to Section 6A of the Malaysian Companies Act
- (3) Deemed interested by virtue of his interest in Xiangfeng pursuant to Section 6A of the Malaysian Companies Act
- (4) Deemed interested by virtue of his interest in Huateng pursuant to Section 6A of the Malaysian Companies Act

The Pre-IPO Investors will not be allowed to sell, transfer or assign their entire shareholdings in the enlarged issued and paid-up share capital of CAP-Bermuda held at the date of listing for six (6) months from the date of listing on Bursa Securities.

The moratorium is specifically endorsed on the share certificates representing the shareholdings of our Pre-IPO Investors to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on our registrars' instructions in the prescribed forms, ensure that trading of these shares are not permitted in the moratorium period.

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8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST

8.1 EXISTING AND PROPOSED RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Save as disclosed below, for the past three (3) FYEs up to 31 December 2011 and FPE 2012, our Group does not have any other existing and/or proposed related-party transactions or other subsisting contracts or arrangement entered into by our Group that involved the interest, direct or indirect, of our Directors, substantial Shareholders and/or senior management and/or persons connected to them as defined under Section 122A of the Malaysian Companies Act:-

8.1.1 Recurrent related-party transactions

Our Group does not have any existing and/or proposed recurrent related-party transactions entered into by our Group which involved the interest, direct or indirect, of our Directors, substantial Shareholders and/or senior management and/or persons connected to them as defined under Section 122A of the Malaysian Companies Act which are necessary for the day-to-day operations of our Group for the past three (3) FYEs up to 31 December 2011 and FPE 2012.

8.1.2 Non-recurrent related-party transactions

Save as disclosed below, for the past three (3) FYEs up to 31 December 2011 and FPE 2012, our Group does not have any other existing and/or proposed non-recurrent related-party transactions entered into by our Group which involved the interest, direct or indirect, of our Directors, substantial Shareholders and/or senior management and/or persons connected to them as defined under Section 122A of the Malaysian Companies Act:-

(i) Guarantees given for credit facilities

Credit facility 1

Related parties	FenSun and Terry Li												
Interested Promoter / Director	Terry Li												
Nature of transaction	Joint guarantee given by Terry Li, a non-related individual (namely Guo HuiChan) and a third party corporation (namely Nan'an Financing and Guarantee Company Limited) for credit facilities granted to FenSun												
Nature of Interest	Terry Li is a director of FenSun												
Balance as at	<table><tr><th colspan="3">FYE</th><th>FPE</th></tr><tr><th>2009 RMB'000 / RM'000</th><th>2010 RMB'000 / RM'000</th><th>2011 RMB'000 / (1)RM'000</th><th>2012 RMB'000 / RM'000</th></tr><tr><td>-</td><td>-</td><td>5,000 / 2,517</td><td>10,000 / 4,867</td></tr></table>	FYE			FPE	2009 RMB'000 / RM'000	2010 RMB'000 / RM'000	2011 RMB'000 / (1)RM'000	2012 RMB'000 / RM'000	-	-	5,000 / 2,517	10,000 / 4,867
FYE			FPE										
2009 RMB'000 / RM'000	2010 RMB'000 / RM'000	2011 RMB'000 / (1)RM'000	2012 RMB'000 / RM'000										
-	-	5,000 / 2,517	10,000 / 4,867										
Remarks	On 20 December 2011 and 2 February 2012, FenSun entered into a loan with Fujian Jinjiang Rural Cooperation Bank, Qingyang Branch and Rural Commercial Bank of Jinjiang Fujian Bank Limited, Qingyang Branch, amounting to RMB5.0 million (approximately RM2.5 million) and RMB5.0 million (approximately RM2.4 million) respectively. The credit facilities were secured by the guarantee given by Terry Li, Guo HuiChan and Nan'an Financing and Guarantee Company Limited.												

8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

	The secured loan entered into on 20 December 2011 with Fujian Jinjiang Rural Cooperation Bank, Qingyang Branch amounting to RMB5.0 million (approximately RM2.5 million) was fully repaid in December 2012, subsequent to FPE 2012.
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Credit facility 2

Related parties	FenSun, Terry Li, Li Pei Yuan and YongShun												
Interested Promoter / Director	Terry Li												
Nature of transaction	Joint guarantee given by Terry Li, Li PeiYuan and YongShun for credit facilities granted to FenSun												
Nature of Interest	Li PeiYuan, a shareholder of YongShun (ceased until his disposal, which became effective on 16 March 2012), is the father of Terry Li. Li PeiYuan was also a director of FenSun until his resignation on 21 December 2010.												
Balance as at	<table><tr><th colspan="3">FYE</th><th>FPE</th></tr><tr><th>2009 RMB'000 / RM'000</th><th>2010 RMB'000 / RM'000</th><th>2011 RMB'000 / (1)RM'000</th><th>2012 RMB'000 / RM'000</th></tr><tr><td>2,000 / 1,004</td><td>-</td><td>5,000 / 2,517</td><td>-</td></tr></table>	FYE			FPE	2009 RMB'000 / RM'000	2010 RMB'000 / RM'000	2011 RMB'000 / (1)RM'000	2012 RMB'000 / RM'000	2,000 / 1,004	-	5,000 / 2,517	-
FYE			FPE										
2009 RMB'000 / RM'000	2010 RMB'000 / RM'000	2011 RMB'000 / (1)RM'000	2012 RMB'000 / RM'000										
2,000 / 1,004	-	5,000 / 2,517	-										
Remarks	<p>On 27 December 2009 and 26 January 2011, FenSun entered into a loan with Fujian Jinjiang Rural Cooperation Bank, Qingyang Branch, amounting to RMB2.0 million (approximately RM1.0 million) and RMB5.0 million (approximately RM2.5 million) respectively. The credit facilities were secured by the guarantee given by the above parties.</p> <p>The secured loans were fully repaid in December 2010 and January 2012 respectively.</p>												

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8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Credit facility 3

Related parties	FenSun and YongShun												
Interested Promoter / Director	Terry Li												
Nature of transaction	Guarantee given by YongShun for credit facilities granted to FenSun												
Nature of Interest	Li PeiYuan, a shareholder of YongShun (ceased until his disposal, which became effective on 16 March 2012), is the father of Terry Li. Li PeiYuan was a Director of FenSun until his resignation on 21 December 2010.												
Balance as at	<table><tr><th colspan="3">FYE</th><th>FPE</th></tr><tr><th>2009 RMB'000 / RM'000</th><th>2010 RMB'000 / RM'000</th><th>2011 RMB'000 / (1)RM'000</th><th>2012 RMB'000 / RM'000</th></tr><tr><td>-</td><td>-</td><td>15,000 / 7,551</td><td>-</td></tr></table>	FYE			FPE	2009 RMB'000 / RM'000	2010 RMB'000 / RM'000	2011 RMB'000 / (1)RM'000	2012 RMB'000 / RM'000	-	-	15,000 / 7,551	-
FYE			FPE										
2009 RMB'000 / RM'000	2010 RMB'000 / RM'000	2011 RMB'000 / (1)RM'000	2012 RMB'000 / RM'000										
-	-	15,000 / 7,551	-										
Remarks	<p>On 23 June 2011 and 23 August 2011, FenSun entered into factoring arrangements with Industrial and Commercial Bank of China Limited, Shishi Branch, amounting to RMB5.0 million (approximately RM2.5 million) and RMB10.0 million (approximately RM5.0 million) respectively. The credit facilities were secured by the guarantee given by YongShun.</p> <p>These factoring arrangements were fully repaid in April 2012.</p>												

(ii) Purchase of land

Related parties	FenSun and YongShun
Interested Promoter / Director	Terry Li
Nature of transaction	Purchase of land from YongShun
Nature of Interest	Li PeiYuan, a shareholder of YongShun (ceased until his disposal, which became effective on 16 March 2012), is the father of Terry Li. Li PeiYuan was a Director of FenSun until his resignation on 21 December 2010.
Remarks	On 12 October 2009, FenSun entered into a land-use-right transfer contract with YongShun to purchase a piece of land at Shangfang Village, Neikeng Town, Jinjiang for a consideration of approximately RMB13.8 million (approximately RM6.9 million), based on the prevailing market price of such land at the time of the purchase.

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8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Note:-

(1) The RM amounts in the tables above have been translated using the closing exchange rate as at the respective financial years / period stated below:-

	FYE 2009	FYE 2010	FYE 2011	FPE 2012
RMB1 : RM	0.5019	0.4674	0.5034	0.4867

(iii) Equity Transfer Agreement

Equity transfer agreement dated 31 March 2012 between Ong Juan Tee as the vendor and CAP-HK as the purchaser for the transfer of 100% equity interest in FenSun to CAP-HK for a total disposal consideration of HK\$31,000,000.

(iv) Sale and Purchase Agreement

Sale and purchase Agreement dated 12 April 2012 between CAP-BVI as vendor and CAP-Bermuda as purchaser for the transfer of the entire issued and paid-up share capital in CAP-HK for a total disposal consideration of US\$44,999,999.

Our Directors are of the opinion that the non-recurrent related-party transactions referred to in Section 8.1.2 (i) and (ii) above were entered into on arm's length basis and on terms not more favourable to the related parties than those generally available to the public. In respect of the transactions referred to in Section 8.1.2 (iii) and (iv) above, our Directors are of the opinion that these transactions were entered into neither on an arm's length basis nor on terms not more favourable to the related parties than those generally available to the public, as these transactions were undertaken as part of the internal restructuring exercise of CAP Group.

Upon Listing, our Audit Committee will supervise the terms of related-party transactions, and our Directors will report related-party transactions, if any, annually in our Company's annual report. In the event there are any proposed related-party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the details of the nature and extent of his interest, including all matters in relation to the proposed related-party transactions that he is aware or should reasonably be aware of, which is not in our best interests. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related-party transactions.

In the event there are any proposed related-party transactions that require the prior approval of Shareholders, the Directors, major Shareholders and/or persons connected with a Director or major Shareholder, which have any interest, direct or indirect, in the proposed related-party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major Shareholder has interest, direct or indirect, in any proposed related-party transactions, the Director or major Shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major Shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related-party transaction at the general meeting.

8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

8.1.3 Recurrent related-party transactions of revenue or trading nature

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a shareholders' mandate in respect of recurrent related-party transactions of revenue or trading nature subject to, *inter-alia*, the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related-party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under paragraph 10.09(1) of the Listing Requirements;
- (c) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Currently, there are no existing and/or proposed recurrent related-party transactions entered into between our Group and our related parties, which are necessary for our day-to-day operations. Our Group would in the ordinary course of our business enter into transactions with persons which are considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Due to the time-sensitive nature of commercial transactions, the shareholders' mandate will enable us, in our normal course of business, to enter into the categories of related-party transactions, provided such related-party transactions are made at arm's length and on normal commercial terms.

Any recurrent related-party transaction to be entered into by us or any of our subsidiaries with our directors or substantial Shareholders or persons connected with such directors or substantial Shareholders will be disclosed in our annual report of the aggregate value of transactions conducted based on the nature of recurrent related-party transactions made together with the names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

Transactions that do not fall within the ambit of the shareholders' mandate shall be subject to the relevant provisions of the Listing Requirements.

8.2 TRANSACTIONS OF UNUSUAL NATURE OR CONDITIONS

Save as disclosed in Section 8.1 of this Prospectus, our Directors have confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiaries was a party in respect of the past three (3) FYEs up to 31 December 2011 and FPE 2012.

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8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

8.3 OUTSTANDING LOANS MADE TO / FOR THE BENEFIT OF RELATED PARTIES

Our Directors have confirmed that there are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of our related parties in respect of the past three (3) FYEs up to 31 December 2011 and FPE 2012.

8.4 INTERESTS IN SIMILAR BUSINESSES AND OTHER BUSINESSES OR CORPORATIONS WHICH ARE CUSTOMERS OR SUPPLIERS OF OUR GROUP

As at the LPD, none of our Directors and/or substantial Shareholders are interested, directly or indirectly, in any other businesses and/or corporations carrying on a similar trade as our Group or in any other businesses and/or corporations which are the customers or suppliers of our Group, either of which would give rise to a conflict of interest situation.

8.5 CONTRACTS OR ARRANGEMENTS IN WHICH OUR DIRECTORS OR SUBSTANTIAL SHAREHOLDERS ARE INTERESTED AND SIGNIFICANT IN RELATION TO OUR BUSINESS

Save as disclosed in Section 8.1, as at the LPD, none of our Directors and/or substantial Shareholders has interest in any contracts or arrangements, which is significant in relation to the business of our Group.

8.6 DECLARATION BY THE ADVISERS

AmInvestment Bank hereby confirms that, as at the date of this Prospectus, there are no conflicts of interest with respect to its capacity as Principal Adviser, Lead Placement Agent, Managing Underwriter, Joint Placement Agent and Joint Underwriter to our Group for the Listing.

Wong Beh & Toh hereby confirm that, as at the date of this Prospectus, there are no conflicts of interest in their capacity as Solicitors for the Listing and Legal Advisers to our Company on Malaysian Law for the Listing.

Conyers Dill & Pearman Pte Ltd hereby confirms that, as at the date of this Prospectus, there are no conflicts of interest in its capacity as Legal Advisers to our Company on Bermuda Law for the Listing.

Gallant Y.T. Ho & Co hereby confirm that, as at the date of this Prospectus, there are no conflicts of interest in their capacity as Legal Advisers to our Company on Hong Kong Law for the Listing.

Grandall Legal Group (Guangzhou) hereby confirms that, as at the date of this Prospectus, there are no conflicts of interest in its capacity as Legal Advisers to our Company on PRC Law for the Listing.

Messrs. BDO hereby confirm that, as at the date of this Prospectus, there are no conflicts of interest in their capacity as Auditors for our Group and Reporting Accountants for the Listing.

Converging Knowledge Sdn Bhd hereby confirms that, as at the date of this Prospectus, there are no conflicts of interest in its capacity as Independent Market Research Consultants for the Listing.

AD-Consult Sdn Bhd hereby confirms that, as at the date of this Prospectus, there are no conflicts of interest in its capacity as Company Agent in Malaysia to our Group.

9. OTHER INFORMATION CONCERNING OUR GROUP

9.1 INFORMATION ON LAND AND BUILDINGS

9.1.1 Material land and buildings owned by our Group

As at the LPD, details of the material land and buildings owned by our Group are as follows:-

Registered Owner	Asset Type	Location / Title Identification	Description and Existing Use	Approximate Age of Building	Tenure	Approximate Land Area (sqm)	Approximate Built-up Area (sqm)	Restriction in Interest / Major Encumbrances	Date of Issuance of Certificate	Audited NBV at 30 September 2012 RMB / ⁽¹⁾ RM
FenSun	Land use right	Shangfang Village, Neikeng Town, Jinjiang City, PRC	Industrial land with four (4) buildings erected within (Buildings 1, 2, 3 and 4 below)	N/a	50 years (expiring on 27 July 2059)	13,123	N/a	Pledged to Industrial and Commercial Bank of China Limited (Shishi Branch)	Certificate of Land Use Right: 9 December 2011	12,975,366 / 6,315,111
FenSun	Building	Buildings 1, 2, 3, 4, No. 1, 2 nd Block, Neikeng Industrial Zone, Neikeng Town, Jinjiang City, PRC	Building 1 is a 4-storey detached building used as warehouse and office. Buildings 2, 3 and 4 comprise a 7-storey building used as dormitory (together with a convenience store and other staff facilities), a single-storey building used as production area and a single-storey building used as storage area. All three (3) buildings are attached together.	1 year	N/a	N/a	18,690	Pledged to Industrial and Commercial Bank of China Limited (Shishi Branch)	Certificate of Building Ownership: 8 March 2012	87,329,279 / 42,503,160

Note:-

(1)

Based on the closing exchange rate of RMB1:RM0.4867 as at 30 September 2012, as set out in Paragraph 1.1 of the proforma consolidated financial information set out in Section 10.7 of this Prospectus

9. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

9.1.2 Material land and buildings leased by our Group

As at the LPD, there are no material land and buildings leased for our Group's operations.

Save as disclosed in Section 9.1.1 of this Prospectus, in respect of the land and buildings of our Group, the Directors of our Company have confirmed that:-

- (i) There are no other restrictions in interest or encumbrances;
- (ii) The existing use on all land is in accordance with land use conditions / permissible land use;
- (iii) The buildings are in compliance with relevant land use and building regulations;
- (iv) The buildings are in compliance with the express conditions attached; and
- (v) The land and buildings have been issued with Certificate of Land Use Right and Certificate of Building respectively.

9.2 ACQUISITIONS OF LAND USE RIGHTS AND/OR BUILDINGS DURING THE TWO (2) YEARS PRECEDING THE DATE OF THIS PROSPECTUS

There are no land and buildings acquired during the last two (2) years preceding the date of this Prospectus.

9.3 MATERIAL PLANT, MACHINERIES AND EQUIPMENTS OWNED BY OUR GROUP

Details of the material plant, machineries and equipments owned by our Group as at 30 September 2012 are as follows:-

Description	NBV at 30 September 2012	
	RMB'000	⁽¹⁾ RM'000
Plant and machineries	6,907	3,362
Office equipments	478	233
Total	7,385	3,594

Note:-

- (1) Based on the closing exchange rate of RMB1:RM0.4867 as at 30 September 2012, as set out in Paragraph 1.1 of the proforma consolidated financial information set out in Section 10.7 of this Prospectus.

The manufacturing capacity of our plant and machineries is as set out in Section 4.5.4 of this Prospectus.

Our Board is of the opinion that our Group has sufficient capacity to carry out our current operations and will be acquiring additional manufacturing machinery and equipment for an anticipated increase in our manufacturing operations, details of which are set out in Section 2.7.2 of this Prospectus.

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9. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

9.4 REGULATORY REQUIREMENT AND ENVIRONMENTAL ISSUE

As at LPD, our Group has not experienced any regulatory requirement and environmental issue which may materially affect our Group's operations and utilisation of assets. Please refer to Section 5 of this Prospectus for government legislation and policies affecting the PRC automotive industry.

9.5 MATERIAL CAPITAL EXPENDITURE AND DIVESTITURES

9.5.1 Material capital expenditure and divestitures for the last three (3) financial years

Save as disclosed below, our Group did not incur any other material capital expenditure in the past three (3) financial years up to 31 December 2011 and the subsequent financial period up to LPD:-

Description	Transaction value			From 1 January 2012 to LPD RM'000
	FYE			
	2009 RM'000	2010 RM'000	2011 RM'000	
Construction-in-progress	41	12,476	30,391	-
Plant and machineries	-	-	891	502
Office equipments	18	-	226	31
Motor vehicles	-	-	-	45

Save as disclosed below, our Group did not incur any other material capital divestitures in the past three (3) financial years up to 31 December 2011 and the subsequent financial period up to LPD:-

Description	Transaction value			From 1 January 2012 to LPD RM'000
	FYE			
	2009 RM'000	2010 RM'000	2011 RM'000	
Plant and machineries	-	-	512	61
Office equipments	-	-	43	-

9.5.2 Material plans to construct, expand or improve facilities

To further expand our production capabilities, we intend to commence the second phase of construction of our production centre, details of which are set out in Section 2.7.1 of this Prospectus. We estimate a total investment of approximately RMB58.0 million (approximately RM29.2 million). We plan to finance the construction of this production facility with proceeds from the IPO, internally-generated funds and/or borrowings.

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