

10. FINANCIAL INFORMATION

10.1 HISTORICAL FINANCIAL INFORMATION

The following table sets out a summary of the proforma consolidated results of our Group for the past three (3) FYEs 2009, 2010 and 2011 as well as for the nine (9)-month 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.

	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	287,107	416,539	194,691	495,464	241,836
Cost of sales	(266,917)	(137,649)	(315,546)	(149,821)	(410,558)	(194,728)	(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	

10. FINANCIAL INFORMATION (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 financial period end closing exchange rates, and the statements of comprehensive income items were translated using the average of month-end closing exchange rates for each financial period. The exchange rates used in the translation of financial information are summarised below:-

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

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 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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

10.2 CAPITALISATION AND INDEBTEDNESS

The following table summarises our cash and cash equivalents, capitalisation and indebtedness as at 30 September 2012 as well as after adjustments for the net proceeds from the issue of the IPO Shares and the utilisation of proceeds as set out in Section 2.7 of this Prospectus.

	As at 30 September 2012		After the IPO and utilisation of proceeds	
	RMB'000	RM'000	RMB'000	RM'000
Cash and cash equivalents	198,155	96,442	232,879	113,342
<u>Indebtedness</u>				
Short-term indebtedness:-				
- Factoring arrangements (secured)	13,000	6,327	13,000	6,327
- Short term loans (unsecured but guaranteed)	10,000	4,867	10,000	4,867
Total indebtedness	23,000	11,194	23,000	11,194
Total shareholders' equity / capitalisation	345,834	168,317	444,458	216,317
Total capitalisation / equity and indebtedness	368,834	179,511	467,458	227,511

Note:-

(1) Based on the closing exchange rate of RMB1: RM0.4867 as at 30 September 2012, as set out in the proforma consolidated financial information in Section 10.7 of this Prospectus.

The indirect and contingent liabilities of our Group are as set out in Section 10.4.8 of this Prospectus.

10.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

The following management's discussion and analysis of our Group's past financial performances and results of operations should be read in conjunction with the proforma consolidated financial information and the related notes thereon for the past three (3) financial years up to FYE 2011 as well as the nine (9)-month results of FPEs 2011 and 2012 included in Section 10.7 of this Prospectus.

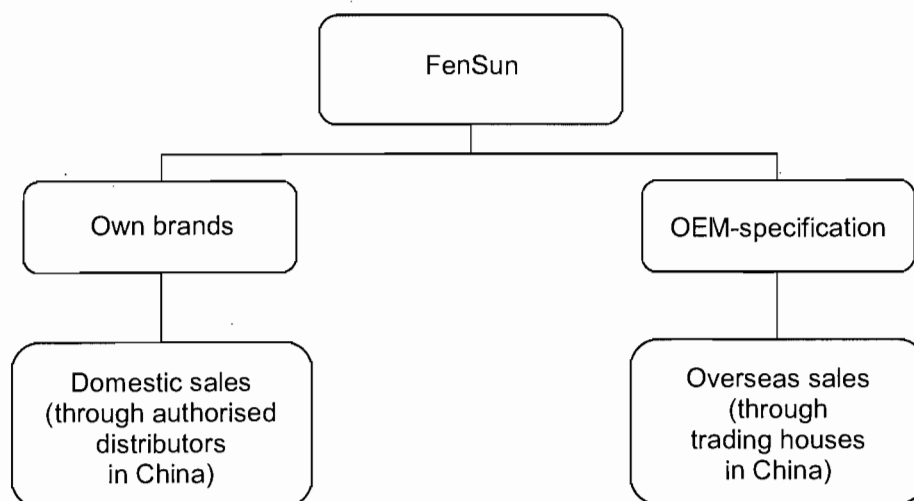
This discussion and analysis contain data derived from audited financial statements as well as forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 3 of this Prospectus.

10.3.1 Overview of operations

Our Group, through our wholly-owned subsidiary, FenSun, is a manufacturer of automobile chassis components. Our products are manufactured for our own brands 'PL', 'LIDUN' and 'SUOLI', as well as for other brands (OEM-specification).

10. FINANCIAL INFORMATION (Cont'd)

Our Group's core business activities can be illustrated as follows:-



We manufacture, market and trade an assortment of automobile chassis components – our product range comprises wheel-hub bolts, u-bolts, steel pins, wheel axles and torque-rod bushings.

Our products are sold within China as well as overseas, through authorised distributors and trading houses respectively. As at LPD, we have 19 authorised distributors in China covering 17 provinces and municipalities. Our eight (8) trading house customers export our OEM-specification products to countries in Southeast Asia (Malaysia, Indonesia and the Philippines), the Middle East (Dubai and Saudi Arabia), South Africa etc.

The number of our authorised distributors increased from 15 in FYE 2009 to 19 in FPE 2012, whereas there were no changes in our trading house customers throughout the financial years / periods under review.

We registered our 'LIDUN' and 'SUOLI' trademarks in 2005 and 'PL' trademark in 2006, and have been actively building our proprietary brand equity, awareness and presence in China. We have also been promoting our product lines through participation in trade fairs within China and overseas. From 2008 to FPE 2012, we participated in 85 trade fairs across China and twelve (12) other countries.

Revenue

Our revenue is recognised once our products leave our production centre. From FYE 2009 to 2011 and FPE 2012, we did not have any returns or rejections of product batches from our customers, which we attribute to our quality control and assurance measures.

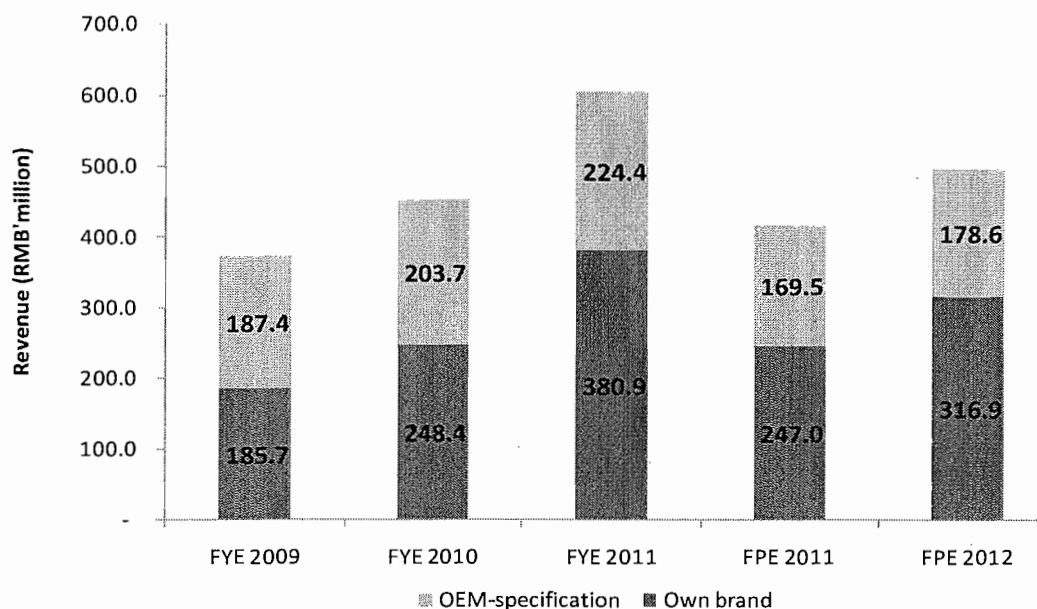
Transportation costs for delivery of our products to designated locations are borne by our customers.

In the financial years under review, revenue contributed by products sold under our own brands grew from 49.8% in FYE 2009, 54.9% in FYE 2010, 62.9% in FYE 2011 to 64.0% in FPE 2012. In our opinion, this indicates a growing awareness and acceptance of our proprietary brands in the automotive aftermarket segment in China.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

The following chart depicts our Group's revenue, segmented according to the contribution by our proprietary brand and OEM-specification products for the last three (3) financial years, as well as for FPEs 2011 and 2012:-



Our Group achieved continued growth in revenue from FYE 2009 to 2011, as well as from FPE 2011 to 2012. Total revenue was RMB373.1 million (RM192.4 million) in FYE 2009, RMB452.1 million (RM214.7 million) in FYE 2010, RMB605.3 million (RM287.1 million) in FYE 2011, registering an annual increase of RMB79.0 million (RM22.2 million) or 21.2% in FYE 2010, and a further increase of RMB153.2 million (RM72.5 million) or 33.9% in FYE 2011. Total revenue for FPE 2012 was RMB495.5 million (RM241.8 million), an increase of RMB78.9 million (RM47.1 million) or 18.9% as compared to FPE 2011.

We believe that the growth of our revenue over the past three (3) financial years, as well as for the nine-(9) month financial period of 2012 were mainly due to the following factors:-

(i) Product quality and reliability

Our Group's consistent delivery of quality automobile chassis components, in a timely and reliable manner, underpins our ability to gain our customers' confidence and secure repeat orders. Further, our knowledge and experience in the technical aspects of our product categories (and the manufacturing processes involved) allow us to deliver products that meet the requirements of our customers.

(ii) Marketing and branding

We have been building the foundation for brand-driven expansion of our product lines in China, with our 'PL', 'LIDUN' and 'SUOLI' trademarks. Our participation in domestic and international trade fairs serves to inform, promote and create recognition for our products and proprietary brands.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

(iii) Distribution outreach

Our products are distributed widely – across 17 provinces and municipalities in China, whilst eight (8) trading houses export our products to countries around the globe.

In building our domestic distribution network, we select distributors based on considerations such as:-

- Local market conditions, including potential market demand and growth, which will provide the customer base that drives continued demand for our products;
- The distributor's knowledge and experience in the industry and local market conditions, as well as distribution and financial capabilities, which will facilitate effective distribution and market penetration; and
- Credibility of the distributor, and a shared view of building long-term and sustainable demand for our products.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

Revenue analysis by product mix

Product types	FYE 2009				FYE 2010				FYE 2011			
	Average selling price	Number of units sold	Sales value		Average selling price	Number of units sold	Sales value		Average selling price	Number of units sold	Sales value	
	RMB/unit	unit'000	RMB'000	RM'000	RMB/unit	unit'000	RMB'000	RM'000	RMB/unit	unit'000	RMB'000	RM'000
Own brands												
U-bolts	32.8	1,360	44,574	22,987	33.3	2,211	73,552	34,922	33.4	3,806	127,151	60,308
Steel pins	15.3	2,907	44,612	23,006	15.3	3,230	49,380	23,446	15.6	6,151	96,135	45,597
Wheel axles	170.7	64	10,927	5,635	167.4	211	35,317	16,769	178.9	420	75,123	35,631
Torque-rod bushings	37.0	1,113	41,197	21,245	39.0	1,364	53,157	25,239	40.7	1,538	62,569	29,677
Wheel-hub bolts	10.4	4,287	44,390	22,892	10.3	3,608	37,004	17,569	10.6	1,881	19,888	9,433
Subtotal		9,731	185,700	95,765		10,624	248,410	117,945		13,796	380,866	180,646
OEM-specification												
U-bolts	30.2	1,638	49,501	25,528	28.4	1,583	44,951	21,342	29.6	1,878	55,510	26,328
Steel pins	15.2	2,917	44,398	22,896	15.0	3,269	48,983	23,257	15.0	3,377	50,660	24,028
Wheel axles	158.2	96	15,191	7,834	154.3	165	25,465	12,091	162.1	276	44,742	21,221
Torque-rod bushings	34.0	906	30,806	15,887	35.3	1,104	38,923	18,481	36.9	1,264	46,696	22,148
Wheel-hub bolts	9.9	4,783	47,542	24,517	9.6	4,702	45,362	21,538	9.9	2,725	26,853	12,736
Subtotal		10,340	187,438	96,662		10,823	203,684	96,709		9,520	224,461	106,461
Total												
U-bolts		2,998	94,075	48,515		3,794	118,503	56,264		5,684	182,661	86,636
Steel pins		5,824	89,010	45,902		6,499	98,363	46,703		9,528	146,795	69,625
Wheel axles		160	26,118	13,469		376	60,782	28,860		696	119,865	56,852
Torque-rod bushings		2,019	72,003	37,132		2,468	92,080	43,720		2,802	109,265	51,825
Wheel-hub bolts		9,070	91,932	47,409		8,310	82,366	39,107		4,606	46,741	22,169
Subtotal		20,071	373,138	192,427		21,447	452,094	214,654		23,316	605,327	287,107

10. FINANCIAL INFORMATION (Cont'd)

Product types	FPE 2011				FPE 2012					
	Average selling price		Number of units sold		Average selling price		Number of units sold			
	RMB/unit	RM/unit	unit'000	RM'000	RMB/unit	RM/unit	unit'000	RM'000		
Own brands										
U-bolts	33.1	15.5	2,758	91,325	42,685	29.5	14.4	3,313	97,808	47,740
Steel pins	14.5	6.8	3,717	53,957	25,219	13.1	6.4	5,454	71,602	34,949
Wheel axles	174.7	81.7	261	45,609	21,318	151.3	73.8	459	69,445	33,896
Torque-rod bushings	40.7	19.0	1,001	40,746	19,045	42.5	20.7	1,271	53,977	26,346
Wheel-hub bolts	10.7	5.0	1,440	15,345	7,172	10.8	5.3	2,236	24,061	11,744
Subtotal			9,177	246,982	115,439			12,733	316,893	154,675
OEM-specification										
U-bolts	29.7	13.9	1,485	44,043	20,586	25.9	12.6	1,932	49,983	24,397
Steel pins	14.7	6.9	2,596	38,250	17,878	11.2	5.5	3,375	37,791	18,446
Wheel axles	158.9	74.2	229	36,379	17,004	157.4	76.8	243	38,248	18,669
Torque-rod bushings	36.9	17.2	827	30,514	14,262	38.0	18.5	959	36,442	17,787
Wheel-hub bolts	10.0	4.6	2,048	20,371	9,522	10.1	4.9	1,594	16,107	7,862
Subtotal			7,185	169,557	79,252			8,103	178,571	87,161
Total										
U-bolts			4,243	135,368	63,271			5,245	147,791	72,137
Steel pins			6,313	92,207	43,097			8,829	109,393	53,395
Wheel axles			490	81,988	38,322			702	107,693	52,565
Torque-rod bushings			1,828	71,260	33,307			2,230	90,419	44,133
Wheel-hub bolts			3,488	35,716	16,694			3,830	40,168	19,606
Subtotal			16,362	416,539	194,691			20,836	495,464	241,836

10. FINANCIAL INFORMATION (Cont'd)

In the financial years and periods under review, wheel axles commanded the highest average selling prices, whilst wheel-hub bolts had the lowest average selling prices. The price of wheel axles (relative to our other product lines) is substantially higher, because the average size of a wheel axle is larger than our other product lines, and requires the use of more raw materials.

We believe that our brand equity, in addition to our quality products, allows us to secure higher average selling prices for products sold under our own brands in China, as compared to overseas-designated OEM-specification products sold to trading houses. From FYE 2009 to FPE 2012, almost all the average selling prices of each of our own-brand product lines have been higher, as compared to the average selling prices of OEM-specification product lines.

We have always emphasised on the consistency of our product quality. Hence, we have a good reputation as a reliable manufacturer of quality chassis components. We have also been cultivating the recognition of our proprietary brands in the automotive component aftermarket segment in China since 2005 by spending on promotional activities as well as participation in trade fairs. Such investments in time, human and financial resources on our part have allowed us to create a market preference for our own-brand products and have increased our brand equity. This we believe, are factors that allows us to attach higher selling prices for our own-brand products.

On the other hand, OEM-specification products are made for other brand names, where prices have to be more competitive to warrant an OEM-specification customer to continue outsourcing the manufacture of their products to us. Otherwise, it would be more advantageous for an OEM-specification customer to manufacture in-house. Furthermore, the promotion of OEM-specification products is undertaken by our OEM-specification customers and not by us.

Our revenue registered an increase of RMB79.0 million (RM22.2 million) or 21.2% in FYE 2010 despite a slight decrease in the average selling price for some of our product lines. Although selling prices vary within a product range, depending on the specification, weight and technical complexity of products, the slight decrease in average selling price for four (4) product categories were mainly due to the lower average purchasing price for our raw steel materials (steel rods) in FYE 2010 as compared to FYE 2009.

We recorded an increase in the total number of product units sold in FYE 2010. As a whole, our aggregate sales in FYE 2010 increased by 1.4 million product units or 6.9% over FYE 2009. Such increase was attributed to the appointment of a new distributor in FYE 2010 as well as overall increase of orders from other existing distributors and trading houses.

In FYE 2011, our revenue increased by RMB153.2 million (RM72.5 million) or 33.9%. This was contributed by an increase in average selling prices, as well as an increase in the total sales quantity for our products. In our opinion, we were able to increase the average selling price of our products in FYE 2011 mainly due to improved brand recognition and enterprise reputation. Based on feedback from our authorised distributors and trading houses, we are currently regarded as a reliable manufacturer of quality chassis component parts.

As a whole, our annual aggregate sales in FYE 2011 further increased by 1.9 million units or 8.7% over FYE 2010.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

Our revenue in FPE 2012 recorded an increase of RMB78.9 million (RM47.1 million) or 18.9% as compared to the corresponding period in 2011, despite a decrease in average selling prices for three (3) product categories (we capitalise on the decrease in average purchase prices of our steel raw materials in FPE 2012 to reduce our selling prices in order to capture more market share), due to an increase of 4.5 million units or 27.3% in aggregate sales as compared to FPE 2011. Despite the decrease in average prices for three (3) product categories, we were able to maintain our gross profit margin in FPE 2012 as compared to FPE 2011.

We have been diverting our manufacturing capacities from wheel-hub bolts to u-bolts, steel pins and wheel axles, as we are able to achieve higher gross profit margin from the sales of these other products.

The overall average selling price of our products depends on the sales mix from year to year as we have a range of products (i.e. u-bolts, wheel-hub bolts, steel pins, wheel axles and torque-rod bushings), each with variations in specifications, size and prices. Factors taken into consideration in determining and reviewing the selling price of each product model include the estimated unit cost of production, the estimated production volume, and the receptiveness and competitiveness of the product in our customers' markets.

The average purchase price for our steel raw materials fluctuated marginally during the financial years under review, decreasing to RMB4,399 (RM2,089) per tonne in FYE 2010 from RMB4,638 (RM2,392) per tonne in FYE 2009, and increasing slightly to RMB4,437 (RM2,104) in FYE 2011, and subsequently decreasing to RMB3,880 (RM1,894) per tonne in FPE 2012.

FYE 2009

The main contributors to our revenue during FYE 2009 are u-bolts, wheel-hub bolts and steel pins.

U-bolts accounted for RMB94.1 million (RM48.5 million) or 25.2% of total revenue; wheel-hub bolts were our second highest revenue contributor, amounting to RMB91.9 million (RM47.4 million) or 24.6% of total revenue; whilst steel pins contributed RMB89.0 million (RM45.9 million) or 23.9% of total revenue.

During the year, we added wheel axles to our product range, and recorded sales amounting to RMB26.1 million (RM13.5 million) in our maiden year of production.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

FYE 2010

For FYE 2010, sales of u-bolts, steel pins and torque-rod bushings were the largest contributors to our revenue. Revenue increases for u-bolts and torque-rod bushings were primarily driven by growth in domestic sales.

U-bolts accounted for RMB118.5 million (RM56.3 million) or 26.2% of total revenue, an increase of RMB24.4 million (RM11.6 million) or 26.0% over FYE 2009. The increase in the revenue for u-bolts was mainly contributed by five (5) authorised distributors from the Northern and Southern regions in China.

The second highest revenue contributor was steel pins with total revenue of RMB98.4 million (RM46.7 million) or 21.8% of total revenue. Sales of steel pins grew domestically and overseas, increasing by RMB9.4 million (RM4.5 million) or 10.5% over FYE 2009.

Torque-rod bushings were the third highest source of revenue, amounting to RMB92.1 million (RM43.7 million) or 20.4% for FYE 2010. Sales of torque-rod bushings to both domestic distributors and trading houses increased.

Notably, there was an increase of RMB34.7 million (RM16.5 million) or 132.7% in sales of wheel axles as compared to FYE 2009, which we attribute to wider acceptance of our wheel axles due to our marketing and promotion, resulting in a substantial increase in orders received from authorised distributors and trading houses.

Sales of wheel-hub bolts reduced by RMB9.6 million (RM4.6 million) in FYE 2010, due to a decreased emphasis on our part for manufacturing this product line in favour of our other product lines with comparably higher gross profit margins.

FYE 2011

For FYE 2011, sales of u-bolts and steel pins remained the main contributors to our revenue, which in aggregate, contributed an increase of RMB112.6 million (RM53.3 million) in our revenue for FYE 2011, representing 73.5% of the increase in our total revenue (over FYE 2010). Revenue increases for u-bolts, steel pins and wheel axles were particularly driven by substantial growth in domestic sales.

U-bolt sales contributed RMB182.7 million (RM86.7 million) or 30.2% of our total revenue in FYE 2011, an increase of RMB64.2 million (RM30.4 million) or 54.1% over FYE 2010, mainly due to increased demand from our larger authorised distributors as well as certain trading houses.

Steel pins was the second highest revenue contributor, accounting for RMB146.8 million (RM69.6 million) or 24.3% of total revenue, an increase of RMB48.4 million (RM22.9 million) or 49.2% over FYE 2010. The increase was mainly contributed by the increase in sale of steel pins to certain authorised distributors.

Wheel axles became the third highest source of revenue, amounting to RMB119.9 million (RM56.9 million) for FYE 2011. Sale of wheel axles grew RMB59.1 million (RM28.0 million) or 97.2% as compared to FYE 2010, registering significant year-on-year growth since the commencement of our manufacture of this product line. We believe that wheel axles will contribute a higher proportion of our revenue as compared to our other products in future, due to its substantially higher unit prices as compared to our other product lines as well as the growth in its sales volume.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

Torque-rod bushing sales continued to grow domestically as well as for OEM-specification sales, accounting for RMB109.3 million (RM51.8 million) or 18.1% of our total revenue in FYE 2011, an increase of RMB17.2 million (RM8.1 million) or 18.7% over FYE 2010.

Wheel-hub bolt sales in FYE 2011 further decreased by RMB35.6 million (RM16.9 million) or 43.3% as compared to FYE 2010, due to our preference for taking on orders for the manufacture of our other product lines, which have relatively higher profit margins.

FPE 2012

Revenue growth in FPE 2012 was driven by growth in our own proprietary-brand sales, which increased by RMB69.9 million (RM39.2 million) or 28.3%, while OEM-specification sales increased by RMB9.0 million (RM7.9 million) or 5.3%, as compared to FPE 2011. This is attributable to our decision to continue prioritising the expansion of our proprietary brand presence in the domestic market.

U-bolts continue to be the highest revenue contributor, contributing RMB147.8 million (RM72.1 million) or 29.8% of our total revenue in FPE 2012, an increase of RMB12.4 million (RM6.1 million) or 9.2% over FPE 2011, with growth in both our own-brand and OEM-specification segments.

Steel pins accounted for RMB109.4 million (RM53.4 million) or 22.1% of our total revenue in FPE 2012, an increase of RMB17.2 million (RM8.4 million) or 18.6% over FPE 2011. Growth in steel pin sales was driven by our own-brand sales to authorised distributors.

Wheel axle sales continued to grow robustly in FPE 2012, with its total revenue contribution edging closer to steel pins. Wheel axles contributed RMB107.7 million (RM52.6 million) or 21.7% of our total revenue. Wheel axles recorded the highest growth among all our product categories in FPE 2012, with an increase of RMB25.7 million (RM12.5 million) or 31.4% over FPE 2011. Growth was primarily driven by own-brand sales, which grew by 52.3% over FPE 2011.

Torque-rod bushing sales continued to grow for both our own-brand and OEM-specification sales, accounting for RMB90.4 million (RM44.1 million) or 18.2% of our total revenue in FPE 2012, an increase of RMB19.2 million (RM10.8 million) or 26.9% over FPE 2011.

Wheel-hub bolt sales contributed RMB40.2 million (RM19.6 million) or 8.1% of our total revenue in FPE 2012.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

Revenue analysis by geographical regions

Our own-brand products are sold to authorised distributors who then sell it to end users in China, while OEM-specification products sold to trading houses are for export-designated customers. Based on this, our revenue contribution segmented according to domestic and overseas designations are as follows:-

	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	%			
Domestic (Own brands)	185,700	95,765	49.8	248,410	117,945	54.9	380,866	180,646	62.9	246,982	115,439	59.3	316,893	154,675	64.0
Overseas (OEM-specification)	187,438	96,662	50.2	203,684	96,709	45.1	224,461	106,461	37.1	169,557	79,252	40.7	178,571	87,161	36.0
Total revenue	373,138	192,427	100.0	452,094	214,654	100.0	605,327	287,107	100.0	416,539	194,691	100.0	495,464	241,836	100.0

Growth in domestic-designated sales have registered robust year-on-year increases, growing by 33.8% in FYE 2010, 53.3% in FYE 2011 and 28.3% in FPE 2012 (as compared to the respective corresponding periods), due to higher demand for our product lines in the PRC market, which we believe is due in part to growing brand recognition and market acceptance of our own-brand products in China.

Overseas-designated sales have also registered continued year-on-year growth, increasing 8.7% in FYE 2010, 10.2% in FYE 2011 and 5.3% in FPE 2012 (as compared to the respective corresponding periods).

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

The locations of authorised distributors (according to our regional categorisations) as at 31 December 2009, 2010 and 2011, as well as 30 September 2011 and 2012 are as follows:-

	Number of authorised distributors as at end of				
	FYE 2009	FYE 2010	FYE 2011	FPE 2011	FPE 2012
Northern region					
Heilongjiang	1	1	1	1	1
Jilin	1	1	1	1	1
Liaoning	1	1	1	1	1
Hebei	1	1	1	1	1
Henan	1	1	1	1	1
Shandong	2	2	2	2	2
Shanxi	-	1	1	1	1
	7	8	8	8	8
Western region					
Shaanxi	-	-	1	1	1
Chongqing	-	-	1	1	1
Sichuan	1	1	1	1	1
Guizhou	1	1	1	1	1
Yunnan	1	1	1	1	1
Guangxi	1	1	1	1	1
	4	4	6	6	6
Southern region					
Hubei	2	2	2	2	2
Hunan	1	1	1	1	1
	3	3	3	3	3
Eastern region					
Jiangsu	1	1	1	1	1
Anhui	-	-	1	1	1
	1	1	2	2	2
Total authorised distributors	15	16	19	19	19

We appointed two (2) distributors each in Shandong and Hubei to strengthen our market coverage and penetration in these two (2) provinces, in order to improve our ability to fulfil local demand.

FYE 2009

Contribution from domestic and overseas sales to our revenue was relatively even for FYE 2009.

For domestic sales, 47.8% was generated from authorised distributors in the Northern region, followed by 27.3% in the Western region, 17.5% in the Southern region and 7.4% in the Eastern region.

FYE 2010

In FYE 2010, revenue derived from domestic sales surpassed the revenue from overseas sales, indicating the growing importance of goods sold under our own brand.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

Major contributors to domestic revenue growth included increases of RMB9.4 million (RM4.5 million) in purchases by two (2) authorised distributors in the Western region, RMB8.5 million (RM4.0 million) from two (2) authorised distributors in the Southern region, and RMB6.0 million (RM2.8 million) from one (1) distributor in the Northern region. During the financial year, we also appointed a new authorised distributor in Shanxi, who also contributed RMB6.9 million (RM3.3 million) to our domestic revenue.

FYE 2011

In FYE 2011, the increase in domestic sales was contributed by all our authorised distributors, with the most apparent being increases of RMB16.2 million (RM7.7 million) from two (2) distributors in the Northern region, RMB8.6 million (RM4.0 million) from one (1) authorised distributor in the Southern region, RMB8.4 million (RM4.0 million) from one (1) authorised distributor in the Eastern region, and RMB7.8 million (RM3.7 million) from one (1) authorised distributor in the Western region.

Furthermore, we appointed three (3) new authorised distributors (in Shaanxi, Chongqing and Anhui), who collectively contributed RMB30.8 million (RM14.6 million) to our revenue.

FPE 2012

Although our distribution outreach remained the same as FYE 2011 with 19 authorised distributors, revenue from own-brand sales in our domestic market continued to increase in comparison to FPE 2011.

Major contributors to growth in our own-brand sales included increases of RMB11.1 million (RM5.9 million) from two (2) authorised distributors in the Northern region, RMB6.2 million (RM3.2 million) from one (1) authorised distributor in the Southern region, RMB5.5 million (RM2.8 million) from one (1) authorised distributor in the Western region, and RMB4.3 million (RM2.2 million) from one (1) authorised distributor in the Eastern region.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

Cost of sales

Cost of sales by major components	FYE 2009		FYE 2010		FYE 2011		FYE 2011		FPE 2012	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Manufacturing										
Raw material costs	186,319	69.8	221,075	70.1	294,642	71.8	207,106	73.2	243,649	72.7
Direct labour costs	13,510	5.1	15,583	4.9	16,801	4.1	12,430	4.4	15,326	4.6
Subcontractor fees	7,747	2.9	8,376	2.7	13,014	3.2	8,513	3.0	9,529	2.8
Manufacturing overheads	5,722	2.2	6,749	2.1	7,663	1.8	5,647	2.0	6,710	2.0
Total cost of manufacturing	213,298	80.0	251,783	79.8	332,120	80.9	233,696	82.6	275,214	82.1
Movement of finished goods										
	148	0.1	(3,057)	(1.0)	615	0.1	(1,606)	(0.5)	(1,694)	(0.5)
Total cost of purchase for trading goods	53,471	19.9	66,820	21.2	77,823	19.0	50,757	17.9	61,688	18.4
Total cost of sales	266,917	100.0	315,546	100.0	410,558	100.0	282,847	100.0	335,208	100.0

The increasing trend in costs of sales for the past three (3) financial years and the nine (9)-month financial periods of 2011 and 2012 was in line with the growth in sales.

Raw materials mainly comprised steel inputs and other ancillary materials such as wheel nuts and gaskets as well as packaging materials.

Raw materials are purchased locally in bulk, mainly from suppliers in Jinjiang and Quanzhou. Raw material costs, which were incurred for both in-house and outsourced production, accounted for approximately 69.8%, 70.1%, 71.8%, 73.2% and 72.7% of the cost of sales in FYE 2009, FYE 2010, FYE 2011, FPE 2011 and FPE 2012 respectively. Each of our four (4) product types manufactured in-house consumes different amounts of steel materials.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

Our average purchase price for steel raw materials fluctuated marginally during the financial years under review. It decreased to RMB4,399 (RM2,089) per tonne in FYE 2010 from RMB4,638 (RM2,392) per tonne in FYE 2009, and subsequently increased slightly to RMB4,437 (RM2,104) per tonne in FYE 2011. In FPE 2012, the average purchase price for steel raw materials decreased to RMB3,880 (RM1,894) per tonne.

Direct labour costs comprised mainly salaries and wages of production staff which are directly involved in the manufacturing process. Direct labour costs accounted for approximately 5.1%, 4.9%, 4.1%, 4.4% and 4.6% of the cost of sales for FYE 2009, FYE 2010, FYE 2011, FPE 2011 and FPE 2012 respectively. Although we have been implementing an annual increment of approximately 5% in the salaries and wages paid to production staff in the financial years / periods under review, direct labour costs as a percentage of total cost of sales did not register an upward trend and remained fairly stable due to improved efficiency in our manufacturing process.

Subcontractor fees are incurred for surface treatment processes (as it is more economical to outsource these processes) as well as certain outsourced processes such as lathe machining, drilling and threading, amongst others, in order to enhance our ability to meet tight delivery schedules.

Manufacturing overheads mainly comprised depreciation charge on plant and machinery, rentals, repairs and maintenances, salaries for staff from the purchasing, warehouse and quality-control departments, as well as other utility expenses. These costs accounted for 2.2%, 2.1%, 1.8%, 2.0% and 2.0% of total cost of sales in FYE 2009, FYE 2010, FYE 2011, FPE 2011 and FPE 2012 respectively.

The purchase of finished goods relates to the purchase of torque-rod bushings from Jinjiang WanHong, which accounted for 19.9%, 21.2%, 19.0%, 17.9% and 18.4% of our total cost of sales for FYE 2009, FYE 2010, FYE 2011, FPE 2011 and FPE 2012 respectively. We have signed a long-term contract with Jinjiang WanHong for three (3) years, which will expire in year 2014, to ensure a continuous and reliable supply of torque-rod bushings.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

Tax expenses categorised under administrative expenses (which is distinct from corporate tax), comprised dike maintenance and management fees, property taxes, stamp duties, land use rights taxes, union fees, local education fees, education fees, levies on the adjustment of food pricing, city construction fees as well as car usage taxes.

City construction fee is payable to the PRC tax authorities for the maintenance of the city, whilst education fee is paid to expand amenities for better education in PRC, at a rate of 7% and 3% of value added tax payable respectively. Both fees, payable on a monthly basis, were previously exempted by PRC tax authorities for WFOE until December 2010. Hence, both fees increased significantly in FYE 2011.

There was no land use rights tax in FYE 2009 as we only purchased land use right towards the end of FYE 2009. Hence, we only commenced the payment of land use rights tax in FYE 2010.

The decrease in dike maintenance and management fees in FPE 2012 as compared to FPE 2011 was due to a change in PRC tax regulations effective from 1 January 2012, which decreased the fees payable for maintenance and management of dikes.

Tax expenses collectively totalled RMB1.1 million (RM0.6 million) in FYE 2009, RMB1.2 million (RM0.6 million) in FYE 2010, RMB5.7 million (RM2.7 million) in FYE 2011, RMB3.7 million (RM1.7 million) in FPE 2011 and RMB5.3 million (RM2.6 million) in FPE 2012, which increased in tandem with the growth in revenue.

Staff costs comprised basic salaries, social insurance as well as key management personnel incentives and share-based payment.

Total staff cost increased in tandem with the expansion in our operations during the financial years under review. The number of administrative staff i.e. administrative department, finance and accounts department, human resources department, increased from 41 staff in January 2009 to 51 staff in FPE 2012. In addition, annual salary adjustments were also granted to our employees during the financial years under review, in the range of RMB150 to RMB500 (RM71 to RM237) per month. The increase of RMB3.5 million (RM1.6 million) or 101.4% in staff costs in FYE 2011 was mainly due to a bonus payout to key management personnel.

Proposed listing costs comprised professional and legal fees incurred in relation to our IPO and Listing exercise.

Entertainment expenses, which include food and accommodation costs, are not directly related to the selling and distribution of our products, and are incurred by other departments.

Other administrative expenses include travelling expenses, utilities, and office expenses. The increase in these expenses is due to the growth of our operations as well as new costs incurred such as capital verification fees amounting to RMB0.2 million (RM0.1 million) and landscaping work at our production centre amounting to RMB0.1 million (approximately RM50,000) in FYE 2011.

10. FINANCIAL INFORMATION (Cont'd)

Selling and distribution expenses

	FYE 2009		FYE 2010		FYE 2011		FYE 2011		FPE 2012						
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%					
Entertainment	1,228	633	24.1	1,690	802	26.3	2,227	1,057	28.2	1,637	765	28.9	1,249	610	31.2
Exhibition costs	1,252	646	24.5	1,466	696	22.8	1,396	662	17.7	975	456	17.2	368	180	9.2
Staff costs	751	387	14.7	975	463	15.1	1,078	511	13.7	804	376	14.2	932	455	23.3
Promotional costs	516	266	10.1	752	357	11.7	1,033	490	13.1	660	308	11.7	230	112	5.8
Travelling	568	293	11.1	600	285	9.3	924	438	11.7	693	324	12.2	704	344	17.6
Advertisement costs	501	258	9.8	599	284	9.3	773	367	9.8	547	256	9.7	144	70	3.6
Others	288	149	5.7	353	168	5.5	455	216	5.8	343	160	6.1	372	181	9.3
Total selling and distribution expenses	5,104	2,632	100.0	6,435	3,055	100.0	7,886	3,741	100.0	5,659	2,645	100.0	3,999	1,952	100.0

Selling and distribution expenses increased by RMB1.3 million (RM0.4 million) or 26.1% in FYE 2010 over FYE 2009, and increased further by approximately RMB1.5 million (RM0.7 million) or 22.5% in FYE 2011, which was in tandem in overall sales performance. However, there was a decrease of RMB1.7 million (RM0.7 million) or 29.3% in selling and distribution expenses in FPE 2012 as compared to FPE 2011, which was mainly attributable to a reduction in exhibition costs incurred in FPE 2012.

Our sales and marketing personnel incurred entertainment expenses in the promotion and marketing of our products, including food and accommodation.

Exhibition costs were costs incurred to participate in exhibitions, such as admission or registration fees, food, accommodation and transportation (e.g. flight tickets) for our staff to attend exhibitions.

Exhibition costs for trade fair participation in overseas countries were generally higher than that of those held in the PRC. From 2008 to FPE 2012, we participated in 85 trade fairs across China and twelve (12) other countries.

Staff costs include salaries and accommodation allowances for our sales and marketing personnel. In FYE 2010, staff costs increased by RMB0.2 million (RM0.1 million) or 29.8% over FYE 2009, mainly due to annual salary adjustments ranging from RMB200 to RMB500 (RM95 to RM237) per month, according to position and performance appraisals. In addition, our sales and marketing team increased its headcount, from 21 personnel in FYE 2009 to 24 personnel in FYE 2010.

10. FINANCIAL INFORMATION (Cont'd)

In FYE 2011, staff costs increased by RMB0.1 million (approximately RM50,000) or 10.6% as compared to FYE 2010, as a result of annual salary adjustments ranging from RMB50 to RMB500 (RM24 to RM237) per month. Similarly in FPE 2012, staff cost increased by RMB0.1 million (RM0.1 million) or 15.9% as compared to FPE 2011, due to an increase in staff size (from 24 personnel to 27 personnel) in our sales and marketing team.

Promotional costs incurred were in relation to expenses incurred for purchases of promotional items such as t-shirts, umbrellas and pens for distribution to existing and potential customers during exhibitions. Advertising costs include printing expenses of catalogues and brochures.

Travelling costs relate to travel expenses incurred by sales and marketing personnel within China and overseas, for customer relationship and business development purposes, as well as visits to potential locations for increasing our market presence.

Other selling and distribution expenses include depreciation charges, office expenses and telephone charges, which were incurred as ancillaries to the sales, marketing and distribution functions of our Group.

Finance costs

	FYE 2009		FYE 2010		FYE 2011		FPE 2011		FPE 2012	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Interest expenses	264	97.4	668	98.2	973	97.6	601	96.5	1,831	98.4
Bank charges	7	2.6	12	1.8	24	2.4	22	3.5	30	1.6
Total finance costs	271	100.0	680	100.0	997	100.0	623	100.0	1,861	100.0

Finance costs mainly consist of interest expenses incurred for short-term loans and factoring arrangements granted by several financial institutions. Finance costs increased by RMB0.4 million (RM0.2 million) or 150.9% in FYE 2010 as compared to FYE 2009, and further increased by RMB0.3 million (RM0.2 million) or 46.6% in FYE 2011. Finance costs in FPE 2012 increased by RMB1.2 million (RM0.6 million) or 198.7% as compared to FPE 2011.

Borrowings were mainly utilised to finance our daily working capital requirements. The increase in interest expenses from FYE 2009 to FPE 2012 were due to increases in short-term borrowings obtained during the financial years / periods under review.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

PBT

	FYE 2009	FYE 2010	FYE 2011	FPE 2011	FPE 2012
PBT (RMB'000)	99,466	127,505	177,522	124,171	122,115
PBT (RM'000)	51,295	60,539	84,198	58,038	59,605

PBT increased by RMB28.0 million (RM9.2 million) or 28.2% in FYE 2010 over FYE 2009, and further increased by RMB50.0 million (RM23.7 million) or 39.2% in FYE 2011 as compared to FYE 2010.

In FPE 2012, PBT marginally decreased by RMB2.1 million (RM1.6 million) or 1.7% as compared to FPE 2011, largely due to a one-off expense of RMB22.8 million (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 and recorded under administrative expenses (staff costs).

Although PBT grew in tandem with our gross profit in the financial years under review, the rate of increase in our PBT were marginally lower than gross profit growth, mainly due to higher tax expenses in relation to administration expenses (including city construction fees, education fees and local education fees in FYE 2011). PBT in FPE 2012 accounted for one-off expenses such as proposed listing costs and the aforementioned share-based payment.

Taxation

Tax expenses were 12.6%, 25.3%, 25.2%, 25.0% and 30.5% of our Group's PBT for FYE 2009, FYE 2010, FYE 2011, FPE 2011 and FPE 2012 respectively. The tax rate applicable to us increased from 12.5% in FYE 2009 to 25.0% in FYE 2010 onwards, as the 50% tax relief from PRC state and local corporate income tax ended in FYE 2009. The increase in taxation for FPE 2012 was primarily because the share-based payment (discussed in PBT and administrative expenses) recorded in FPE 2012 was not recognised as tax-deductible in the computation of tax expenses.

Under the Income Tax Laws, we were entitled to a full exemption from both the PRC state and local corporate income tax for the first two (2) profitable calendar years of our operations and thereafter a 50% tax relief from PRC state and local corporate income tax for the subsequent three (3) calendar years.

We elected FYE 2005 as our first profit-making year for the purposes of tax exemption. Therefore, we were exempted from corporate income tax in FYE 2005 and 2006, and had a 50% corporate income tax relief for the subsequent three (3) financial years (FYE 2007, 2008 and 2009).

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

10.3.2 Factors affecting operations and financial results

After taking into consideration the risk factors relating to our business and industry, and our ability to mitigate such risk factors as set out in Section 3 of this Prospectus, we are of the opinion that our future financial condition and results will remain favourable.

We believe that our product quality, brand equity, market reputation, distribution channels and financial stability collectively position us well to capitalise on opportunities to grow within China as well as overseas.

Domestically, the continued annual growth in new commercial automobile units in recent years will drive increases in the market size for replacement chassis components for at least the next few years. In our opinion, demand for commercial transportation in China will be supported by economic growth.

For export-designated sales, we believe that demand for commercial automobile transportation will be sustained across the globe and will unlikely decline in a short period of time in spite of uncertain economic conditions in major economies. As our products are exported to various geographical markets (through trading houses), decreases in demand from a single geographical market may be offset by increases in demand by other markets.

Notwithstanding the above, the main factors that may affect our Group's operation and financial results include, but are not limited to the following:-

Internal factors affecting operations and financial results

(i) Relationships with authorised distributors and trading houses

We have established strong relationships with our authorised distributor and trading house customers – most of them have had five (5) years or more of business relationships with us.

Our co-operation and mutual interests serve as a foundation that encourages on-going patronage and business continuity. In addition, we also work closely with our authorised distributors to develop their distribution networks.

Based on the above, we believe that we are able to continue receiving orders from our existing customers.

(ii) Product mix

Our product range enables us to serve as a one-stop supplier for five (5) main categories of automobile chassis parts. This enables us to capitalise on the replacement needs for five (5) types of chassis parts on a single commercial automobile.

(iii) Brand and enterprise reputation

We believe that our enterprise reputation and market presence, as well as the brand recognition of our 'PL', 'LIDUN' and 'SUOLI' trademarks, are key to our long-term growth.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

(iv) Reliability and product quality

Our integrity and reliability in delivering products manufactured in accordance to customer specifications as well as our production competencies in the fabrication of quality products, are fundamental in our endeavours to serve the automotive chassis component market well.

External factors affecting operations and financial results

(i) Competition

We face competition from existing industry players as well as new entrants, both domestic and overseas. Competition comes mainly in the form of pricing, product quality, branding as well as distribution outreach, as detailed in Section 5 of this Prospectus.

Nevertheless, our competitive advantages, as detailed in Section 4.2 of this Prospectus, accord us the capability to address the competitive pressures in the industry that we operate in.

(ii) Supply of raw materials

The uninterrupted supply of raw steel materials is crucial in our manufacturing processes. We maintain several supplier relationships in order to access multiple sources of steel supplies, and actively monitor our raw material inventories during production.

10.3.3 Material changes in sales / revenue

A discussion on the reasons for material changes in our revenue for the past three (3) FYEs 2009, 2010 and 2011 and past two (2) FPEs 2011 and 2012 is set out in Section 10.3.1 above.

10.3.4 Impact of foreign exchange / interest rate / commodity prices

Our business operations are within the PRC. All of our sales and purchases have been made in RMB for the last three (3) financial years as well as FPE 2012. As such, we did not have any foreign exchange exposure. Accordingly, we did not require hedging policies or entry into forward contracts to mitigate foreign exchange exposure.

Our operations are financed using internally-generated funds and borrowings for the last three (3) financial years as well as FPE 2012. Our Group's interest-bearing bank borrowings were RMB25.0 million (RM12.6 million) as at 31 December 2011 and RMB23.0 million (RM11.2 million) as at 30 September 2012. The weighted average effective interest rate of our bank borrowings are 5.9%, 5.6%, 6.9% and 8.3% per annum for FYE 2009, FYE 2010, FYE 2011 and FPE 2012 respectively.

The primary inputs for our production are steel raw materials, and their prices are affected by demand and supply conditions for steel. We believe that we are able to obtain raw materials from our suppliers at competitive prices due to our good long-term business relationships with them. We have been in business with most of our suppliers for more than five (5) years.

10. FINANCIAL INFORMATION (Cont'd)

10.3.5 Impact of inflation

There was no material impact of inflation on our Group's historical financial results for the past three (3) FYEs 2009, 2010 and 2011, as well as for FPE 2012.

10.3.6 Exceptional and extraordinary items

There were no exceptional and extraordinary items for the past three (3) FYEs 2009, 2010 and 2011, as well as FPE 2012.

10.3.7 Government / economic / fiscal / monetary policies

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our operations, are as set out in Section 3 of this Prospectus.

Other than as disclosed in Sections 3 and 5 of this Prospectus, there were no material impacts arising from other government, economic, fiscal or monetary policies or factors on our historical financial results for the past three (3) financial years, as well as FPE 2012.

10.4 LIQUIDITY AND CAPITAL RESOURCES

10.4.1 Working capital

We have been financing our operations through internally-generated funds and borrowings, which mainly comprise various credit facilities from financial institutions, credit extended to our Group by suppliers, as well as shareholders' equity. As at 30 September 2012, we have cash and cash equivalent balances of RMB198.2 million (RM96.4 million), which we expect to increase to RMB232.9 million (RM113.3 million) after the Public Issue and utilisation of proceeds.

These funds are principally used for daily working capital such as purchase of raw materials and consumables, payment of operating expenses as well as capital expenditure.

Our Directors are of the opinion that, based on our existing cash and cash equivalents, the cash flows generated from our operations, and proceeds from the Public Issue Shares, we will have adequate working capital for a period of at least twelve (12) months from the date of this Prospectus.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

10.4.2 Proforma cash flow

A summary of our Group's proforma cash flow for FPE 2012 based on the proforma consolidated statement of cash flow as set out in Section 10.7 of this Prospectus, is as follows:-

	FPE 2012 ⁽¹⁾	
	RMB'000	RM'000
Net cash from operating activities	121,554	59,331
Net cash used in investing activities	(64,901)	(31,678)
Net cash used in financing activities	148,642	72,551
Net increase in cash and cash equivalents	205,295	100,203
Foreign exchange difference	98	(698)
Cash and cash equivalents at beginning of the year	27,486	13,836
Cash and cash equivalents at end of the year	232,879	113,342

Note:-

(1) After adjustments for proceeds from our IPO and the utilisation of proceeds as set out in Section 10.7 of this Prospectus.

Net cash flows generated from operating activities

For FPE 2012, our Group recorded an operating profit before changes in working capital of RMB147.1 million (RM71.8 million). Trade and other receivables was reduced by RMB40.0 million (RM19.5 million), while RMB24.2 million (RM11.8 million) was used to pay trade and other payables. Inventory levels increased by RMB2.1 million (RM1.0 million) during the financial period.

In addition, our Group paid RMB37.7 million (RM18.4 million) in corporate income tax. Interest paid was RMB1.8 million (RM0.9 million). Thus, this collectively resulted in net cash generated from operating activities of RMB121.6 million (RM59.3 million).

Net cash flows used in investing activities

For proforma purposes, our Group's actual cash flow used in investing activities has been adjusted to take into account the expected capital expenditure incurred for expansion of our production centre and increase in production capacity after the Listing of RMB64.9 million (RM31.7 million).

Net cash flows used in financing activities

In FPE 2012, we repaid net borrowings of RMB2.0 million (RM1.0 million) as well as proceeds from increase in share capital of RMB40.0 million (RM19.5 million). For proforma purposes, our Group's net cash flow from financing activities has been adjusted to take into account the gross proceeds raised via the Public Issue of RMB125.4 million (RM61.2 million). Out of this, approximately RMB14.8 million (RM7.2 million) will be used to defray Listing expenses.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

10.4.3 Borrowings

As at LPD, the total borrowings of our Group are in the form of short-term loans amounting to RMB18.0 million (RM8.8 million). All borrowings of our Group are interest bearing.

Our Group's total borrowings for FYE 2009, 2010, 2011 and FPE 2011 and 2012 are as follows:-

	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
Secured										
Short-term loan	4,900	2,459	4,900	2,290	-	-	-	-	13,000 ⁽¹⁾	6,327 ⁽¹⁾
Factoring arrangements	5,000	2,510	5,000	2,337	15,000	7,551	15,000	7,495	-	-
Unsecured										
Short-term loan	2,000	1,004	-	-	10,000	5,034	5,000	2,499	10,000	4,867
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)⁽²⁾	0.04		0.03		0.07		0.07		0.05	

Notes:-

(1) A 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 on 10 December 2012, subsequent to FPE 2012.

(2) Computed based on our Group's total interest-bearing borrowings divided by our Group's proforma consolidated shareholders' equity as at 31 December 2009, 2010 and 2011 and 30 September 2011 and 2012 respectively upon completion of the Listing.

Our Group has not defaulted on payments of principal sums and/or interests in respects of any borrowings from FYE 2009 up to LPD.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

10.4.4 Breach of terms and conditions / covenants associated with credit arrangement / bank loan

As at LPD, neither we nor our subsidiaries are in breach of any terms and conditions or covenants associated with credit arrangements or bank loans, which can materially affect our financial position and results or business corporations, or the investments by holders of securities in our Company and/or our subsidiaries.

10.4.5 Type of financial instruments used

For the past three (3) financial years and FPE 2012, our Group's financial instruments comprised mainly cash and bank balances, trade and other receivables, trade and other payables and borrowings. As at LPD, we do not have nor are we using any financial instruments for hedging purposes.

10.4.6 Treasury policies and objectives

We have been financing our operations through internally-generated funds and external sources of funds, which mainly comprised various credit facilities from financial institutions as well as credit extended to our Group by suppliers.

The principal uses of these cash resources were for the purchase of raw materials and consumables, payment of employee salaries and social insurance, and to defray operating and other expenses such as repair and maintenance expenses, electricity and water expenses, rental expenses as well as transport and travelling expenses. These funds were also used to finance capital expenditure and to extend trade credit to customers.

All of our Group's sales and purchases are denominated in RMB, and as such, there is no foreign exchange exposure. Accordingly, our Group does not have any hedging policies nor have we entered into any forward contracts to mitigate foreign exchange exposure.

10.4.7 Material commitments

As at LPD, we are not aware of any material commitments for capital expenditure, which upon becoming enforceable, may have a material effect on our financial position.

10.4.8 Contingent liabilities

As at LPD, we are not aware of any material contingent liabilities which upon becoming enforceable may have a material effect on our financial position.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

10.4.9 Key financial ratios

The key financial ratios of our Group are as follows:-

	FYE 2009	FYE 2010	FYE 2011	FPE 2011	FPE 2012
Current ratio (times) ⁽¹⁾	6.8	5.8	3.5	4.0	6.3
Trade receivables turnover period (days) ⁽²⁾	52.5	56.2	58.1	49.8	54.7
Trade payables turnover period (days) ⁽²⁾	33.3	30.0	26.9	23.7	23.5
Inventories turnover period (days) ⁽²⁾	8.2	9.3	9.4	11.1	9.9

Notes:-

- (1) 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 respectively upon completion of the Listing.
- (2) Computed based on average balances in FYE 2009, 2010 and 2011 as well as FPE 2011 and 2012.

The current ratio of our Group throughout the financial years / periods under review has been in the range of 3.5 times to 6.8 times. The current ratio dropped from 6.8 times in FYE 2009 to 5.8 times in FYE 2010, mainly due to higher current tax liabilities. The current ratio dropped further to 3.5 times in FYE 2011, mainly due to higher short-term borrowings and current tax liabilities. The current ratio increased to 6.3 times in FPE 2012, mainly due to higher cash and cash equivalents

10.4.10 Trade receivables

Our Group's normal credit period given to authorised distributors is 60 days while trading houses are given credit period of 30 days. The trade receivables turnover period for FYE 2009, FYE 2010, FYE 2011, and FPE 2012 were within the credit period of 60 days.

Throughout the financial years / periods under review, our Group did not have any allowance for impairment of trade receivables or bad debts written off.

The audited trade receivables balance and the ageing analysis thereon as at 30 September 2012 were as follows:-

As at 30 September 2012	Within normal credit periods		Exceeding normal credit periods i.e. > 60 days	Total
	0-30 days	31-60 days		
Trade receivables (RMB'000)	68,735	27,056	-	95,791
Trade receivables (RM'000)	33,453	13,168	-	46,621
% of total trade receivables	71.8	28.2	-	100.0

10. FINANCIAL INFORMATION (Cont'd)

As at LPD, 100% of the trade receivables as at 30 September 2012 have been collected. We monitor all outstanding debts closely to ensure that adequate impairment may be made in the event that the recovery of any debt appears to be doubtful. The quantum of such impairment depends on the duration for which the debt is overdue, as well as our assessment of the likelihood that such debt may be unrecoverable.

10.4.11 Trade payables

For certain suppliers, mainly suppliers for steel rods, advance payment is required. For the rest of our Group's suppliers, which supply packaging materials and other supplementary steel materials, the normal credit term granted is 60 days. Our Group's trade payables turnover period of 33.3 days, 30.0 days, 26.9 days and 23.5 days for FYE 2009, FYE 2010, FYE 2011 and FPE 2012 respectively were within the normal credit period, as we pay our suppliers promptly to obtain better pricing for raw materials.

Throughout the financial years / periods under review, there were no significant matters in dispute in respect of trade payables, and no legal action was initiated by any of our suppliers to demand payment.

Our Group's audited trade payables balance and the ageing analysis thereon as at 30 September 2012 were as follows:-

As at 30 September 2012	Within normal credit periods		Exceeding normal credit periods i.e. > 60 days	Total
	0-30 days	31-60 days		
Trade payables (RMB'000)	17,372	8,828	-	26,200
Trade payables (RM'000)	8,455	4,296	-	12,751
% of total trade payables	66.3	33.7	-	100.0

10.4.12 Inventories

Our Group's inventories comprised raw materials, work-in-progress and finished goods.

We have been practising the policy of keeping our inventories turnover periods as low as possible throughout the financial years / periods under review. Our raw material purchases are based on production planning, which is prepared based on sales orders. Due to our good relationship with key suppliers and the proximity of raw material suppliers to our production centre, we do not maintain high levels of raw materials.

As at 30 September 2012, our inventories amounted to approximately RMB13.2 million (RM6.4 million), or 4.3% of our Group's current assets.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

10.5 TREND INFORMATION

Based on our Group's track record for FYE 2009, FYE 2010, FYE 2011 and FPE 2012, we have observed and anticipated the following trends:-

- (a) Revenue will be supported by our continued efforts in sales and marketing, as well as building distribution presence to capitalise on existing and potential growth of market demand for automobile chassis components.
- (b) Average selling prices have been on an increasing trend between FYE 2009 and FYE 2011, but decreased in FPE 2012 due to a marked decrease in steel raw material prices during the period. Apart from being correlated to our raw steel material prices, the overall average selling prices of our products depend on our sales mix from year to year as we have a range of products with varying models and specifications.
- (c) We experienced fluctuations in the price of raw materials during the financial years / periods under review, but were able to pass on raw material cost increases to our customers in the past without jeopardising sales volumes.
- (d) Productivity increases arising from continuous improvements in our production efficiencies (through the acquisition of new machineries and re-engineering of certain processes) in the financial years / periods under review has allowed us to keep the number of production employees constant throughout those years whilst increasing our production output. This has allowed us to reduce our dependence on manual labour, the costs of which have been increasing in tandem with the growth of China's economy.
- (e) Overall gross profit margins have been on an upward trend throughout the financial years / periods under review, which we attribute to improvements in production processes and cost-control measures, as well as our brand equity and the quality of our products.

We are not aware of any specific material circumstances which would result in a significant decline in our overall gross profit margin, other than as detailed in Section 10.3.2.

- (f) Normal and recurring administrative expenses as well as selling and distribution expenses grew in tandem with revenue increases in the past three (3) financial years and FPE 2012, and are generally expected to increase in tandem with the growth of our Group's business.

As at LPD, the sales orders of our Group (based on sales contracts signed with customers) for the next three (3) months stands at approximately RMB176.1 million (RM85.9 million). These orders may be subjected to cancellation, deferral or rescheduling by customers. As such, our order book may not be taken as an indication of our revenue for the subsequent period.

Save as disclosed above, we believe that barring any major natural calamities / economic or financial adversity / political turmoil, there are no other significant known trends, uncertainties, demand, commitments or events that are reasonably likely to have a material favourable or unfavourable impact on our financial performance and position, or that would cause financial information disclosed in this Prospectus to be not indicative of our Group's future operating results and financial condition.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

10.6 DIVIDEND POLICY

Subject to the factors outlined below, our Directors intend to recommend and distribute dividends of 20% of our net profit distributable to our Shareholders for FYE 2013 and FYE 2014.

It is our Directors' policy to recommend dividends to allow our Shareholders to participate in the profits of our Group. Our Company will declare dividends, if any, in RM and will make payment for dividends in RM.

Notwithstanding the above, our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, such as having profits and excess funds not required to be retained to fund our business. Our Directors will also consider the following factors, amongst others, when recommending dividends for approval by our Shareholders or when declaring any interim dividends:-

- (i) the sufficiency of distributable reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments; and
- (iii) any material impact of tax laws and other regulatory requirements.

Any declaration and payment of dividends in the future will be at the discretion of our Board of Directors, after taking into consideration the factors set out above. There is no assurance on whether dividend distributions will occur as intended, the amount of dividend payment, or timing of such payments.

Subject to the Bermuda Companies Act, Shareholders in general meeting may from time to time declare a dividend or other distribution, but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Subject to the Bermuda Companies Act, our Directors may also from time to time declare a dividend or other distribution.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

10. FINANCIAL INFORMATION (Cont'd)

10.7 PROFORMA CONSOLIDATED FINANCIAL INFORMATION TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



Tel: +603 2616 2888
Fax: +603 2616 3190, 2616 3191
www.bdo.my

12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Reporting Accountants' Letter on the Proforma Consolidated Financial Information (Prepared for the purpose of inclusion in this Prospectus)

The Board of Directors
China Automobile Parts Holdings Limited
Clarendon House,
2 Church Street,
Hamilton HM11,
Bermuda

24 December 2012
Our ref: BDO/LKH/LKW/ycw

Dear Sirs

CHINA AUTOMOBILE PARTS HOLDINGS LIMITED (Malaysian Foreign Company No. 995377-M) (Bermuda Company No. 46416) ("CAP-BERMUDA" OR "THE COMPANY") AND ITS SUBSIDIARIES ("CAP GROUP", "PROFORMA GROUP" OR "THE GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

In connection with the Initial Public Offering exercise of the Company (as disclosed in Section 1.2 of the proforma consolidated financial information prepared by the Company), we have reviewed the proforma consolidated financial information of the Group for the past three (3) financial years ended ("FYE") 31 December 2009 to 2011 and for the financial period from 1 January 2012 to 30 September 2012 ("FPE 30 September 2012"), with the accompanying notes thereon (stamped by us for identification purpose). These proforma consolidated financial information are prepared for illustration purpose only based on the audited financial statements of CAP-Bermuda and Quanzhou Fensun Automobile Parts Co., Ltd. ("FenSun") as well as the unaudited management accounts of China Automobile Parts (Hong Kong) Holding Limited ("CAP-HK") after making certain assumptions, and such adjustments to show the effects of the listing scheme on:

- (a) the consolidated financial results of the Group for the financial years/period under review had the Group structure as of 12 April 2012 been in existence throughout the financial years/period under review;
- (b) the consolidated financial position of the Group as at 30 September 2012, adjusted for the effects of the initial public offering and utilisation of the listing proceeds; and
- (c) the consolidated statement of cash flows of the Group for the FPE 30 September 2012, adjusted for the effects of the initial public offering and utilisation of the listing proceeds.

As the proforma consolidated financial information is prepared for illustrative purpose only, such information, because of its nature, may not reflect the Group's actual financial results, financial position and cash flows. Further, such information does not predict the Group's future financial results, financial position and cash flows.

The proforma consolidated financial information has been prepared for inclusion in the Prospectus of CAP-Bermuda in connection with the listing of and quotation for the entire issued and paid-up share capital of CAP-Bermuda on the Main Market of Bursa Malaysia Securities Berhad.

It is the sole responsibility of the Directors of the Company to prepare the proforma consolidated financial information in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission ("Prospectus Guidelines"). Our responsibility is to form an opinion as required by the Prospectus Guidelines on the proforma consolidated financial information.

10. FINANCIAL INFORMATION (Cont'd)



*China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Proforma Consolidated Financial Information*

In providing this opinion, we are not updating or re-issuing any reports or opinion previously made by us on any financial information used in the compilation of the proforma consolidated financial information, nor do we accept the responsibility for such reports or opinions beyond that is owed to those to whom those letters or opinions were addressed by us at the date of their issue.

Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the proforma consolidated financial information with the Directors of CAP-Bermuda. Our work involved no independent examination of any of the underlying financial information other than our audit of the financial statements of CAP-Bermuda for the FPE 30 September 2012 and the financial statements of FenSun for the FYE 31 December 2009 to FYE 31 December 2011 and FPE 30 September 2012 prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

There were no audited financial statements for China Automobile Parts (Hong Kong) Holding Limited ("CAP-HK") for the FYE 31 December 2009, 2010, 2011 and FPE 30 September 2012 as CAP-HK was only incorporated on 18 November 2011 and the first set of the audited financial statements of CAP-HK shall be covering the financial period from 18 November 2011 to 31 December 2012. Based on Section 111(1) and Section 122(1) of the Hong Kong Companies Ordinance, a newly incorporated company shall prepare the first set of audited financial statements covering not more than 18 months from its incorporation made up to the appropriate financial year end. Hence, the unaudited management accounts for the financial period from 18 November 2011 to 30 September 2012 was used for the purposes of preparing the proforma consolidated financial information.

In our opinion:

- (i) the proforma consolidated financial information of the Group together with the accompanying notes, which are prepared for illustrative purposes only, have been properly prepared on the basis and assumptions as set out in the notes thereon, and such basis is consistent with the accounting policies adopted by the Group, unless otherwise stated;
- (ii) the audited financial statements of CAP-Bermuda and FenSun used in the preparation of the proforma consolidated financial information have been prepared in accordance with IFRSs and the proforma consolidated financial information have been properly prepared in a manner consistent with the format of the financial statements to be adopted by the Group;
- (iii) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing the proforma consolidated financial information; and
- (iv) the proforma consolidated financial information have been properly prepared on the basis of the assumptions stated in this letter.

This letter has been prepared solely for the purpose stated above, in connection with the listing of and quotation for the entire issued and paid-up share capital of CAP-Bermuda on the Main Market of Bursa Malaysia Securities Berhad. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

BDO
AF : 0206
Chartered Accountants

Law Kian Huat
2855/06/14 (J)
Chartered Accountant

24 December 2012

10. FINANCIAL INFORMATION (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Proforma Consolidated Financial Information*

1. PROFORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME

1.1 Proforma group and basis of preparation

The proforma consolidated financial information of China Automobile Parts Holdings Limited ("CAP-Bermuda" or "the Company") and its subsidiaries ("CAP Group", "Proforma Group" or "the Group") are prepared for illustrative purposes only and have been prepared using the basis and the accounting policies consistent with those to be adopted by the Group, after giving effect to the adjustments considered appropriate, based on the audited financial statements (which have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) of CAP-Bermuda for the financial period ended ("FPE") 30 September 2012 and Quanzhou Fensun Automobile Parts Co., Ltd. ("FenSun") for the financial years ended ("FYE") 31 December 2009 to 2011 and FPE 30 September 2012.

There were no audited financial statements for China Automobile Parts (Hong Kong) Holding Limited ("CAP-HK") for the FYE 31 December 2009, 2010, 2011 and FPE 30 September 2012 as CAP-HK was only incorporated on 18 November 2011 and the first set of the audited financial statements of CAP-HK shall be covering the financial period from 18 November 2011 to 31 December 2012. Based on Section 111(1) and Section 122(1) of the Hong Kong Companies Ordinance, a newly incorporated company shall prepare the first set of audited financial statements covering not more than 18 months from its incorporation made up to the appropriate financial year end. Hence, the unaudited management accounts for the financial period from 18 November 2011 to 30 September 2012 was used for the purposes of preparing the proforma consolidated financial information.

There were no audited financial statements for CAP-Bermuda for the FYE 31 December 2009, 2010 and 2011 as CAP-Bermuda was only incorporated on 4 April 2012.

The Group is regarded as a continuing entity resulting from the reorganisation exercise since the management of all the entities which took part in the reorganisation exercise were controlled by the common shareholder before and immediately after the reorganisation exercise. Consequently, immediately after the reorganisation exercise, there was a continuation of the control over the entities' financial and operating policy decisions as well as risks and benefits to the ultimate shareholder that existed prior to the reorganisation exercise. The reorganisation exercise has been accounted for as a reorganisation under common control in a manner similar to pooling of interests. Accordingly, the proforma consolidated financial information of CAP-Bermuda for the financial period ended 30 September 2012 have been prepared on the basis of merger accounting.

The audited financial statements of CAP-Bermuda and FenSun used in the preparation of the proforma consolidated financial information for the financial years/period under review were not subject to any qualification.

The proforma consolidated financial information have been prepared in accordance with IFRSs and after incorporating adjustments that are appropriate for the preparation of the proforma consolidated financial information.

Elimination of intra-group transactions, if any, has also been made on the assumption that CAP Group had been in existence throughout the financial years/period under review.

The proforma consolidated statements of financial position were also prepared, together with the accompanying notes thereto, which have been prepared solely for illustrative purposes, to show the effects of the listing scheme as disclosed in Section 1.2 had the listing scheme been implemented and completed on 30 September 2012.

Stamped for
the purpose of
identification only.

24 DEC 2012

BDO (AF0206)
Chartered Accountants
Kuala Lumpur

10. FINANCIAL INFORMATION (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Proforma Consolidated Financial Information

1. PROFORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)

1.1 Proforma group and basis of preparation (continued)

The proforma consolidated financial information, because of its nature, may not reflect the Group's actual financial results, financial position and cash flows. Further, such information does not predict the Group's future financial results, financial position and cash flows.

The proforma consolidated financial information comprises the following:-

Section 2 - Proforma Consolidated Statements of Comprehensive Income for the FYE 31 December 2009, 31 December 2010, 31 December 2011 and FPE 30 September 2011 and 30 September 2012 on the assumption that the Group structure as of 12 April 2012 had been in existence throughout the financial years/period under review;

Section 3 - Proforma Consolidated Statements of Financial Position as at 30 September 2012, adjusted for the effects of the initial public offering ("IPO") and utilisation of the listing proceeds; and

Section 4 - Proforma Consolidated Statement of Cash Flows for the FPE 30 September 2012, adjusted for the effects of the IPO and utilisation of the listing proceeds.

The management of the Group considers the functional currency of CAP-Bermuda, CAP-HK and FenSun to be US Dollar ("USD"), Hong Kong Dollar ("HKD") and Renminbi ("RMB") respectively. The audited financial statements of CAP-Bermuda and FenSun were presented in RMB. In preparing this report, the financial information was translated into Ringgit Malaysia ("RM") for information purposes.

The exchange rates used for the purpose of this report are as follows:

Financial years/period ended	Average rate
31 December 2009	RMB1.00: RM0.5157
31 December 2010	RMB1.00: RM0.4748
31 December 2011	RMB1.00: RM0.4743
30 September 2011	RMB1.00: RM0.4674
30 September 2012	RMB1.00: RM0.4881

Financial years/period ended	Closing rate
31 December 2009	RMB1.00: RM0.5019
31 December 2010	RMB1.00: RM0.4674
31 December 2011	RMB1.00: RM0.5034
30 September 2011	RMB1.00: RM0.4997
30 September 2012	RMB1.00: RM0.4867

(Source: Bank Negara Malaysia)



10. FINANCIAL INFORMATION (Cont'd)

***China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Proforma Consolidated Financial Information***

1. PROFORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)

1.2 Details of the IPO

In conjunction with and as an integral part of CAP-Bermuda's listing exercise ("Listing"), the Company will undertake the IPO, which involves the following transactions:

(a) Public Issue

Public issue of 90,000,000 new ordinary shares with par value of USD0.10 each ("Shares") ("Public Issue") representing 15.0% of the enlarged issued and paid up share capital of CAP-Bermuda upon Listing, is offered at the issue/offer price of RM0.68 per Share ("IPO Price"), payable in full on application upon the terms and conditions as set out in the Prospectus and will be allocated in the following manner:

(i) Malaysian Public via Balloting

30,000,000 Public Issue Shares, representing 5.0% of the enlarged issued and paid up share capital of the Company upon Listing, to be allocated via balloting, will be made available for application by Malaysian Public.

(ii) Selected investors via Private Placement

60,000,000 Shares representing 10.0% of the enlarged issued and paid up share capital of the Company upon Listing will be made available for private placement to selected investors.

(b) Offer for Sale

Simultaneous with the Public Issue, the offer for sale of up to 60,000,000 Shares representing 10.0% of the enlarged issued and paid up share capital of the Company upon Listing is offered at the IPO Price, payable in full on application upon the terms and conditions as set out in the Prospectus and will be allocated and allotted by the way of private placement to selected investors.

(c) Listing and Quotation on the Main Market of Bursa Securities

Upon completion of the Public Issue and Offer for Sale, CAP-Bermuda proposes to seek a listing and quotation of its entire enlarged issued share capital comprising 600,000,000 Shares on the Main Market of Bursa Securities.



10. FINANCIAL INFORMATION (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Proforma Consolidated Financial Information

2. PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR FYE 31 DECEMBER 2009, 2010, 2011 AND FPE 30 SEPTEMBER 2011 AND 2012

The proforma consolidated statements of comprehensive income of CAP Group for the FYE 31 December 2009 to 2011 and FPE 30 September 2011 and 2012 have been prepared for illustrative purposes only and after incorporating such adjustments as considered necessary and assuming that the Group had been in existence throughout the financial years/period under review.

	2009		FYE 31 December 2010		2011		9-month period ended 30 September 2012			
	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	287,107	416,539	194,691	495,464	241,836
Cost of sales	(266,917)	(137,649)	(315,546)	(149,821)	(410,558)	(194,728)	(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
Administration expenses	(6,199)	(3,197)	(7,716)	(3,664)	(17,294)	(8,202)	(9,559)	(4,468)	(42,636)	(20,810)
Selling & distribution expenses	(5,104)	(2,632)	(6,435)	(3,055)	(7,886)	(3,741)	(5,659)	(2,645)	(3,999)	(1,952)
Finance cost	(271)	(139)	(680)	(323)	(997)	(473)	(623)	(291)	(1,866)	(911)
Profit before tax	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)
Profit for the financial year/period	86,928	44,829	95,286	45,241	132,712	62,945	93,075	43,503	83,098	40,561
Other comprehensive income	-	(1,175)	-	(4,529)	-	6,813	-	780	(2,038)	(4,150)
Foreign currency translation										
Total comprehensive income	86,928	43,654	95,286	40,712	132,712	69,758	93,075	44,283	81,060	36,411
Earnings before interest, depreciation, tax and amortisation ("EBIDTA")	100,734	51,949	129,402	61,440	180,712	85,711	125,941	58,865	124,207	60,626
Number of ordinary shares in issue ('000)	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Gross earnings per share (RMB/RM)	0.17	0.09	0.21	0.10	0.30	0.14	0.21	0.10	0.20	0.10
Net earnings per share (RMB/RM)	0.14	0.07	0.16	0.08	0.22	0.10	0.16	0.07	0.14	0.07
Gross profit margin (%)	28.47	28.47	30.20	30.20	32.18	32.18	32.10	32.10	32.34	32.34
Profit before tax margin (%)	26.66	26.66	28.20	28.20	29.33	29.33	29.81	29.81	24.11	24.11
Profit after tax margin (%)	23.30	23.30	21.08	21.08	21.92	21.92	22.34	22.34	16.77	16.77
EBIDTA margin (%)	27.00	27.00	28.62	28.62	29.85	29.85	30.24	30.24	25.07	25.07
Effective tax rate (%)	12.61	12.61	25.27	25.27	25.24	25.24	25.04	25.04	30.45	30.45

Stamped for the purpose of identification only.
24 DEC 2012
BDO (AFO206)
Chartered Accountants
Kuala Lumpur

10. FINANCIAL INFORMATION (Cont'd)

**China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Proforma Consolidated Financial Information**

2. PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR FYE 31 DECEMBER 2009, 2010, 2011 AND FPE 30 SEPTEMBER 2011 AND 2012 (continued)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

- (a) For the purpose of presentation, all the statements of comprehensive income items were translated using the average exchange rates applicable for the respective financial years/period.
- (b) EBITDA is the total earnings for the financial year/period before interest, tax, depreciation and amortisation for the respective financial years/period.
- (c) Number of ordinary shares in issue is the number of ordinary shares in issue of 600,000,000 shares after the Public Issue.
- (d) Gross earnings per share is computed by dividing profit before tax for the respective financial years/period over the number of ordinary shares in issue of 600,000,000 shares after the Public Issue.
- (e) Net earnings per share is computed by dividing profit after tax and attributable to the owners of the Company for the respective financial years/period over the number of ordinary shares in issue of 600,000,000 shares after the Public Issue.
- (f) Gross profit margin is computed by dividing the gross profit over revenue earned in the respective financial years/period.
- (g) Profit before tax margin is computed by dividing the profit before tax over revenue earned in the respective financial years/period.
- (h) Profit after tax margin is computed by dividing the profit after tax over revenue earned in the respective financial years/period.
- (i) EBITDA margin is computed by dividing EBITDA over revenue earned in the respective financial years/period.
- (j) Effective tax rate is computed by dividing tax expense over profit before tax in the respective financial years/period.
- (k) All significant inter-company transactions, if any, are eliminated on consolidation and the consolidated results reflect external transactions only.
- (l) No diluted earnings per share is shown as there were no potential dilutive shares in issue during the financial years/period under review.
- (m) There was no non-controlling interest.
- (n) There was no share of profits of joint ventures or associates.
- (o) There were no exceptional or extraordinary items throughout the financial years/period under review.



10. FINANCIAL INFORMATION (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Proforma Consolidated Financial Information

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012

The proforma consolidated statements of financial position of CAP Group as at 30 September 2012 have been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that the Listing is completed on 30 September 2012.

	Section	←-----Proforma-----→					
		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
ASSETS							
Non-current assets							
Property, plant and equipment	3.2.1	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	3.2.2	198,155	96,442	323,900	157,642	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	3.2.3	320,555	156,014	377,124	183,546	377,124	183,546
Share premium	3.2.4	-	-	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		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
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							
Number of ordinary shares assumed in issue ('000)		510,000	510,000	600,000	600,000	600,000	600,000
Net assets per ordinary share (RMB/RM)		0.68	0.33	0.79	0.38	0.74	0.36

Stamped for the purpose of identification only

24 DEC 2012

BDO (AF0206)
 Chartered Accountants
 Kuala Lumpur

10. FINANCIAL INFORMATION (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Proforma Consolidated Financial Information*

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (continued)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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.

3.1 PROFORMA ADJUSTMENTS TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(A) PROFORMA I

Proforma I is stated after incorporation of the following events:

(a) Public Issue

In conjunction with the Listing, CAP-Bermuda undertakes a Public Issue of 90,000,000 new Shares, representing 15.0% of the enlarged issued and paid-up share capital of CAP-Bermuda, is offered at the IPO Price to Malaysian public via balloting and to selected investors via private placement.

The Public Issue will increase CAP-Bermuda's issued and paid-up share capital from 510,000,000 Shares to 600,000,000 Shares.

(b) Offer for Sale

The offer for sale of up to 60,000,000 Shares representing 10.0% of CAP-Bermuda's enlarged issued share capital, to selected investors via private placement at the IPO Price.

(c) Listing and Quotation on the Main Market of Bursa Securities

Upon completion of the Public Issue and Offer for Sale, CAP-Bermuda proposes to seek a listing and quotation of its entire enlarged issued share capital comprising 600,000,000 Shares on the Main Market of Bursa Securities.

(B) PROFORMA II

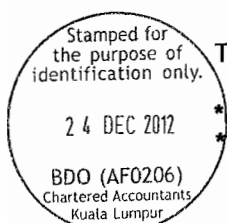
Proforma II is stated after proforma I and after the incorporation of the proposed utilisation of proceeds from the Public Issue.

The gross proceeds arising from the Public Issue amounting to RM61.2 million (approximately RMB125.7 million) are expected to be utilised by CAP Group in the following manner:

	RMB'000	RM'000
Expand production centre	51,366	25,000
Increase production capacity	12,534	6,100
Marketing and branding	12,328	6,000
Working capital*	34,724	16,900
Estimated listing expenses**	14,793	7,200
Total	125,745	61,200

* Subsumed within cash and bank balances.

** The estimated listing expenses of approximately RM2,025,000 (approximately RMB4,160,000) is to be written off against the share premium account and the balance of approximately RM5,175,000 (approximately RMB10,633,000) will be expensed off to the statement of comprehensive income.



10. FINANCIAL INFORMATION (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Proforma Consolidated Financial Information

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (continued)
 3.1 PROFORMA ADJUSTMENTS TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
 (C) SHARE CAPITAL AND RESERVES

The movements in the share capital and reserves of CAP Group are as follows:

	Share capital		Share premium		Statutory surplus reserve		Share-based payment reserve		Translation reserve		Merger deficit		Retained earnings		Total	
	RMB '000	RM '000	RMB '000	RM '000	RMB '000	RM '000	RMB '000	RM '000	RMB '000	RM '000	RMB '000	RM '000	RMB '000	RM '000	RMB '000	RM '000
As at 30 September 2012	320,555*	156,014*	-	-	12,850	6,254	22,847	11,120	2,037	991	(257,134)	(125,147)	244,679	119,085	345,834	168,317
Public issue	56,569	27,532	69,176	33,668	-	-	-	-	-	-	-	-	-	-	125,745	61,200
Proforma I	377,124	183,546	69,176	33,668	12,850	6,254	22,847	11,120	2,037	991	(257,134)	(125,147)	244,679	119,085	471,579	229,517
Proposed utilisation of proceeds	-	-	(4,160)	(2,025)	-	-	-	-	-	-	-	-	(22,961)	(11,175)	(27,121)	(13,200)
Proforma II	377,124	183,546	65,016	31,643	12,850	6,254	22,847	11,120	2,037	991	(257,134)	(125,147)	221,718	107,910	444,458	216,317

* Represents USD51,000,000, equivalent to approximately RMB320,555,000 (at USD1 : RMB6.2854) and approximately RM156,014,000 (at RMB1 : RM0.4867)



10. FINANCIAL INFORMATION (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Proforma Consolidated Financial Information

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (continued)

3.1 PROFORMA ADJUSTMENTS TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

(D) PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment are as follows:

	RMB'000	RM'000
As at 30 September 2012	94,875	46,176
Public Issue	-	-
Proforma I	94,875	46,176
Proposed utilisation of proceeds		
- Expand production centre	51,366	25,000
- Increase production capacity	12,534	6,100
Proforma II	158,775	77,276

(E) CASH AND CASH EQUIVALENTS

The movements of cash and cash equivalents are as follows:

	RMB'000	RM'000
As at 30 September 2012	198,155	96,442
Public Issue	125,745	61,200
Proforma I	323,900	157,642
Proposed utilisation of proceeds		
- Expand production centre	(51,366)	(25,000)
- Increase production capacity	(12,534)	(6,100)
- Marketing and branding	(12,328)	(6,000)
- Estimated listing expenses	(14,793)	(7,200)
Proforma II	232,879	113,342



10. FINANCIAL INFORMATION (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Proforma Consolidated Financial Information*

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (continued)

3.2 NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3.2.1 PROPERTY, PLANT AND EQUIPMENT

	Carrying amounts as per Proforma I		Proposed utilisation of proceeds - Additions		Carrying amounts as per Proforma II	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Carrying amount						
Buildings	87,329	42,503	51,366	25,000	138,695	67,503
Plant and machineries	6,907	3,362	12,534	6,100	19,441	9,462
Office equipment	479	233	-	-	479	233
Motor vehicles	160	78	-	-	160	78
	<u>94,875</u>	<u>46,176</u>	<u>63,900</u>	<u>31,100</u>	<u>158,775</u>	<u>77,276</u>

3.2.2 CASH AND CASH EQUIVALENTS

	30.9.2012 RMB'000	30.9.2012 RM'000
Cash in hand	368	179
Cash at bank	232,511	113,163
	<u>232,879</u>	<u>113,342</u>

3.2.3 SHARE CAPITAL

The details of the changes in the issued and paid-up share capital of the Company since its date of incorporation are as follows:

Date	No. of shares allotted	Cumulative no. of shares allotted	Par value USD	Consideration	Cumulative total issued and paid-up share capital USD'000	Cumulative total issued and paid-up share capital RMB'000	Cumulative total issued and paid-up share capital RM'000
9 April 2012	10	10	0.10	Cash	- [^]	- [^]	- [^]
12 April 2012	449,999,990	450,000,000	0.10	Acquisition of CAP-HK	45,000	283,239	137,852
7 June 2012	60,000,000	510,000,000	0.10	Cash	51,000	320,555	156,014
25 January 2013	90,000,000	600,000,000	0.10	Public issue	60,000	377,124	183,546

[^] Represents USD1, equivalent to RMB6.2854 and RM3.0581

Stamped for the purpose of identification only.

24 DEC 2012

BDO (AF0206)
Chartered Accountants
Kuala Lumpur

10. FINANCIAL INFORMATION (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Proforma Consolidated Financial Information*

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (continued)

3.2 NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

3.2.4 SHARE PREMIUM

The share premium is in respect of the proceeds in excess of the nominal value of shares issued pursuant to the Public Issue after deducting the listing expenses as disclosed in Section 3.1 (B) of this report.

4. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

The Proforma Consolidated Statement of Cash Flows for the FPE 30 September 2012 has been prepared on the assumption that the Group had been in existence throughout the FPE 30 September 2012, adjusted for the proceeds from the Public Issue and proposed utilisation of proceeds.

	FPE 30 September	
	2012 RMB'000	2012 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

Stamped for
the purpose of
identification only.

24 DEC 2012

BDO (AF0206)
Chartered Accountants
Kuala Lumpur

10. FINANCIÁL INFORMATION (Cont'd)

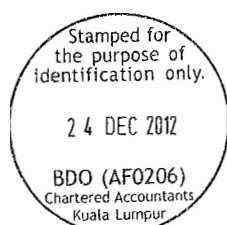
China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Proforma Consolidated Financial Information

4. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012 (continued)

	FPE 30 September	
	2012 RMB'000	2012 RM'000
CASH FLOWS USED IN INVESTING ACTIVITY		
Purchase of property, plant and equipment	(64,901)	(31,678)
Net cash used in investing activity	(64,901)	(31,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares by subsidiary	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
Payments of estimated listing expenses	(14,751)	(7,200)
Drawdown of borrowings	33,000	16,107
Repayments 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 period	27,486	13,836
Exchange differences	98	(698)
Cash and cash equivalents at end of financial period	232,879	113,342

NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS

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.



10. FINANCIAL INFORMATION (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Proforma Consolidated Financial Information*

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 24 December 2012.



TERRY LI
DIRECTOR



11. ACCOUNTANTS' REPORT

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



(Prepared for the purpose of inclusion in this Prospectus)

Our ref: BDO/LKH/LKW/ycw

Date: 24 December 2012

The Board of Directors
China Automobile Parts Holdings Limited
Clarendon House,
2 Church Street,
Hamilton HM11,
Bermuda.

Dear Sirs

CHINA AUTOMOBILE PARTS HOLDINGS LIMITED (Malaysian Foreign Company No. 995377-M)
(Bermuda Company No. 46416) ("CAP-BERMUDA" OR "THE COMPANY") AND ITS SUBSIDIARIES
("CAP GROUP" OR "THE GROUP")

ACCOUNTANTS' REPORT ("THIS REPORT")

1. INTRODUCTION

This Report has been prepared by BDO, an approved company auditor, for inclusion in the Prospectus of CAP-Bermuda in connection with the listing of and quotation for the enlarged issued and paid-up share capital of CAP-Bermuda on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing"), and should not be relied on for any other purposes.

In conjunction with and as an integral part of the Listing, CAP-Bermuda will undertake the initial public offering ("IPO"), details of which are disclosed in Section 2 of this Report.

2. DETAILS OF THE IPO

The IPO will involve the following transactions:

- (a) Public issue of 90,000,000 new ordinary shares with par value of USD0.10 each ("Shares") ("Public Issue") comprising:-
 - (i) 30,000,000 Shares available for application by the Malaysian Public; and
 - (ii) 60,000,000 Shares available for private placement to selected investors;
- (b) Offer for sale of up to 60,000,000 Shares available for private placement to selected investors ("Offer For Sale").

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report

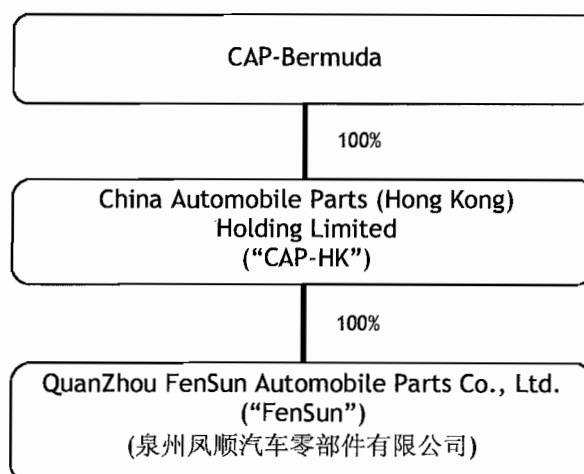


3. GENERAL INFORMATION

CAP-Bermuda (Bermuda Company No. 46416) was incorporated in Bermuda on 4 April 2012 as an exempted company limited by shares under the Companies Act 1981 of Bermuda. On 7 June 2012, the Company was registered with the Companies Commission of Malaysia as a foreign company in Malaysia.

3.1 Group structure

As at the date of this Report, the corporate structure of the Group is as follows:



3.2 Principal activities

The principal activity of CAP-Bermuda is investment holding whilst the details of its subsidiaries as at the date of this Report are as follows:

Subsidiaries	Date and place of incorporation	Issued and paid-up capital	Effective equity interest	Principal activities
<u>Direct</u> CAP-HK	18 November 2011 / Hong Kong	HKD31,010,000	100%	Investment holding
<u>Indirect</u> FenSun	27 September 2004 / PRC	HKD31,000,000	100%	Manufacturing, marketing and trading of automobile chassis components

Based on the corporate structure above, FenSun regards CAP-HK and CAP-Bermuda as immediate holding company and ultimate holding company respectively.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



4. SHARE CAPITAL

As at the date of this Report, the authorised and issued and paid-up share capital of the Company is as follows:

	Number of shares ('000)	USD'000
Ordinary shares of USD0.10 each:		
Authorised	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid	<u>510,000</u>	<u>51,000</u>

CAP-Bermuda was incorporated with an authorised share capital of USD10,000 comprising 100,000 ordinary shares of USD0.10 each. On 12 April 2012, the authorised share capital of CAP-Bermuda increased by USD99,990,000 to USD100,000,000.

The details of the issued and paid up share capital of CAP-Bermuda since its date of incorporation are as follows:

Date of allotment	No. of shares allotted	Cumulative no. of shares allotted	Par value (USD)	Consideration	Cumulative total issued and paid-up share capital (USD)
9 April 2012	10	10	0.10	Cash	1
12 April 2012	449,999,990	450,000,000	0.10	Acquisition of CAP-HK	45,000,000
7 June 2012	60,000,000	510,000,000	0.10	Cash	51,000,000

Upon completion of the Public Issue and Offer For Sale as mentioned in Section 2, the issued and fully paid-up share capital of the Company will be enlarged to USD60,000,000 comprising 600,000,000 Shares.

5. DIVIDEND

No dividend was declared by the Company since the date of its incorporation.

6. FINANCIAL STATEMENTS AND AUDITORS

Set out below are the relevant financial periods/years of audited financial statements presented for the purpose of this Report and the respective auditors (where applicable) of the companies in CAP Group:

Company	Financial periods/years	Auditors
CAP-HK	Period from 18 November 2011 (date of incorporation) to 30 September 2012	Not applicable
FenSun	Years ended 31 December 2009, 2010, 2011 and period ended 30 September 2012	Messrs BDO, Malaysia

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



6. FINANCIAL STATEMENTS AND AUDITORS (continued)

There were no audited financial statements for CAP-HK for the financial period from 18 November 2011 to 30 September 2012 as CAP-HK was only incorporated on 18 November 2011 and the first set of the audited financial statements of CAP-HK shall be covering the financial period from 18 November 2011 to 31 December 2012. Based on Section 111(1) and Section 122(1) of the Hong Kong Companies Ordinance, a newly incorporated company shall prepare the first set of audited financial statements covering not more than 18 months from its incorporation made up to the appropriate financial year end. Hence, the unaudited management accounts for the financial period from 18 November 2011 to 30 September 2012 were presented in this Report.

The financial statements of FenSun for the financial years ended ("FYE") 31 December 2009, 2010, 2011 and financial period ended ("FPE") 30 September 2012 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) and audited by BDO for the purpose of inclusion in the Prospectus in connection with the Listing. None of the above mentioned audited financial statements used in the preparation of this Report for the financial years/period under review were subject to any qualification.

There were no audited financial statements for CAP-Bermuda for the FYE 31 December 2009, 2010 and 2011 as CAP-Bermuda was only incorporated on 4 April 2012.

The Group is regarded as a continuing entity resulting from the reorganisation exercise since the management of all the entities which took part in the reorganisation exercise were controlled by the common shareholder before and immediately after the reorganisation exercise. Consequently, immediately after the reorganisation exercise, there was a continuation of the control over the entities' financial and operating policy decisions as well as risks and benefits to the ultimate shareholder that existed prior to the reorganisation exercise. The reorganisation exercise has been accounted for as a reorganisation under common control in a manner similar to pooling of interests. Accordingly, the Consolidated and Combined Financial Statements for the financial period ended 30 September 2012 have been prepared on the basis of merger accounting.

The consolidated and combined financial statements audited by BDO in accordance with IFRSs were not subject to any qualification.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

7.1 Basis of preparation

The financial information and financial statements of CAP-Bermuda and its subsidiaries as presented in Section 9.1, 9.2 and 9.3 are based on the audited financial statements of CAP-Bermuda, unaudited management accounts of CAP-HK and audited financial statements of FenSun for the purpose of this Report.

The financial statements of the Group are prepared on a basis consistent with the accounting policies adopted by the Group as disclosed in Section 7.2 of this Report in accordance with IFRSs issued by the International Accounting Standard Board ("IASB").

The unaudited management accounts of CAP-HK have been prepared by the management of CAP-HK on a basis consistent with the accounting policies adopted by the Group.

The functional currencies of CAP-Bermuda and its subsidiaries, namely CAP-HK and FenSun are US Dollar ("USD"), Hong Kong Dollar ("HKD") and Renminbi ("RMB") respectively. For the purpose of this Report, the financial information and financial statements are presented in RMB and are translated into Ringgit Malaysia ("RM") for information purposes.

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.1 Basis of preparation (continued)

The exchange rates used for the purpose of this Report are as follows:

Financial years/period ended	Average rate
31 December 2009	RMB1.00: RM0.5157
31 December 2010	RMB1.00: RM0.4748
31 December 2011	RMB1.00: RM0.4743
30 September 2012	RMB1.00: RM0.4881

Financial years/period ended	Closing rate
31 December 2009	RMB1.00: RM0.5019
31 December 2010	RMB1.00: RM0.4674
31 December 2011	RMB1.00: RM0.5034
30 September 2012	RMB1.00: RM0.4867

(Source: Bank Negara Malaysia)

7.2 Significant accounting policies

7.2.1 Basis of accounting

The financial statements of the Group have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Section 7.4 of this Report. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

7.2.2 Basis of consolidation

The consolidated and combined financial statements, where applicable, incorporate the financial statements of CAP-Bermuda and its subsidiaries made up to the end of the financial period.

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated and combined financial statements present the results of the Company and its subsidiaries as if they formed a single entity.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.2 Basis of consolidation (continued)

Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the entity being combined at the combination date.

The consolidated and combined financial statements incorporate the results of business combinations using the merger accounting method. In the consolidated and combined financial statements of the merged enterprise, the cost of the merger should be cancelled against the nominal values of the shares/paid-up capital received. The difference between the cost of the merger and nominal values of the shares/paid-up capital received will remain and continue to be classified as part of equity of the Group and will be adjusted against suitable reserve in future, where appropriate. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.

The accompanying consolidated and combined financial statements present the financial information of the Company and its subsidiaries as if the Group had been in existence as a single economic enterprise throughout the periods presented and as if CAP-HK, together with its wholly-owned Chinese subsidiary, FenSun, were transferred to the Company as of 1 January 2012. Assets, liabilities, revenue and expenses of CAP-Bermuda, CAP-HK and FenSun as shown in their individual financial statements for the period prior to the legal formation of the Company were combined or aggregated and consolidated and combined in preparing the consolidated and combined financial statements.

7.2.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing of the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation rates are as follows:

Buildings	3%
Plant and machineries	10%
Office equipment	20%
Motor vehicles	20%

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.3 Property, plant and equipment and depreciation (continued)

Construction-in-progress represents factory buildings and staff accommodation under construction. The depreciation of construction-in-progress begins when they are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Section 7.2.6 of this Report on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation surplus related to those assets, if any, is transferred directly to retained earnings.

7.2.4 Leases

(a) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(b) Leases of land

Land use rights represent up-front payment to acquire long-term interests in the usage of land and are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged when it is available for use so as to write off the cost of the land use rights, using the straight-line method, over the period of the grant of 50 years, which is the lease term.

7.2.5 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company has power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost. Investments accounted for at cost shall be accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.5 Investments in subsidiaries (continued)

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

7.2.6 Impairment of non-financial assets

The carrying amount of assets, except for financial assets and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

7.2.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average formula. The cost of raw materials and consumables comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.8 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.8 Financial instruments (continued)

(a) Financial assets (continued)

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(i) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.8 Financial instruments (continued)

(b) Financial liabilities (continued)

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of their liabilities. Ordinary shares/Paid-up capital are classified as equity instruments.

Ordinary shares/Paid-up capital are recorded at the nominal value and proceeds in excess of the nominal value of shares/capital issued, if any, are accounted for as share/capital premium. Both ordinary shares/paid-up capital and share/capital premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to equity holders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders/equity holders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the equity holders of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

7.2.9 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.9 Impairment of financial assets (continued)

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

7.2.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost is recognised in profit or loss in the period in which they are incurred.

7.2.11 Taxation

(a) Income taxes

Income taxes include all domestic and foreign taxes on taxable profit.

Taxes in the profit or loss comprise current tax and deferred tax.

(i) Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the end of the reporting period.

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.11 Taxation (continued)

(a) Income taxes (continued)

(ii) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) either the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax will be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting period.

(b) Other taxes

The Group's sale of goods in the PRC are subject to Value Added Tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT together with other taxes, such as land use rights tax, recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the statements of financial position respectively.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.11 Taxation (continued)

(b) Other taxes (continued)

Revenue, expenses and assets are recognised net of the amount of VAT except where:

- (i) VAT incurred on the purchases of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and
- (ii) Receivables and payables are stated with the amount of VAT included.

Withholding taxes, which are payable by the subsidiary in the PRC, FenSun, on distribution of earnings to the immediate holding company incorporated or domiciled outside the PRC, are deducted from the dividends paid and payable to the foreign holding company and are included as part of current tax liabilities in the statements of financial position. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the reporting period.

Land use rights tax and other taxes are not based on taxable profits and are recognised within the administration expenses line in the profit or loss.

7.2.12 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

7.2.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.13 Contingent liabilities and contingent assets (continued)

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest.

7.2.14 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid sick leave and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

Pursuant to the relevant laws and regulations of the PRC, the Group has joined a basic pension insurance for the employees arranged by local Labour and Social Security Bureau, whereby the subsidiary in the PRC makes contributions to the pension insurance at the applicable rates based on the amounts stipulated by the government organisation. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services. When employees retire, the local Labour and Social Security Bureau shall be responsible for the payment of the basic pension benefits to the retired employees.

(c) Share-based payments

Equity-settled share-based payment transactions between the owner and key management personnel of the Group are recognised as staff costs in profit or loss over the vesting periods of the grants with a corresponding increase in equity.

The total amount to be recognised as compensation expense is determined by reference to the fair value of the shares at the date of the grant and the number of shares to be vested by the vesting date.

Any proceeds received net of any directly attributable transaction costs are credited to equity when the shares are granted and vested.

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.15 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of CAP-Bermuda, CAP-HK and Fensun are presented in RMB. The functional currency of CAP-Bermuda, CAP-HK and FenSun are in USD, HKD and RMB respectively.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currencies at rates of exchange ruling at the transaction date. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currencies at the rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

7.2.16 Intangible assets

Intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The costs incurred for the registrations of trademarks are immaterial and written off to the profit or loss in the financial period in which it is incurred.

Research and development expenditure including the design and production of prototypes of new samples are written off to the profit or loss in the financial period in which it is incurred.

7.2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group retains neither continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Interest income

Interest income is recognised as it accrues, using the effective interest method.

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 Significant accounting policies (continued)

7.2.18 Operating segments

Operating segments are defined as components of the Group that:

- (a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) whose operating results are regularly reviewed by the Group's chief operating decision maker (i.e. the Group's Directors) in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the Group's revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:
 - (i) the Group's reported profit of all operating segments that did not report a loss; and
 - (ii) the Group's reported loss of all operating segments that reported a loss.
- (c) Its assets are ten (10) per cent or more of the Group's assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

7.2.19 Earnings per share/paid-up capital

(a) Basic

Basic earnings per share/paid-up capital for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of shares/paid-up capital outstanding during the financial year.

(b) Diluted

Diluted earnings per share/paid-up capital for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of shares/paid-up capital outstanding during the financial year adjusted for the effects of dilutive potential shares/paid-up capital.

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3 Changes in accounting policies

7.3.1 Adoption of new and amended International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), International Financial Reporting Interpretations Committee ("IFRIC") Interpretations and Standing Interpretations Committee ("SIC") Interpretations

The Group has adopted all of the following IFRSs and IFRIC Interpretations that were effective on or before 1 January 2010 for the preparation of the financial statements for the FYE 31 December 2009, 2010, 2011 and FPE 30 September 2012.

IFRSs

IFRS 1	<i>First-time Adoption of International Financial Reporting Standards</i>
IFRS 2	<i>Share-based Payment</i>
IFRS 3	<i>Business Combinations</i>
IFRS 4*	<i>Insurance Contracts</i>
IFRS 5*	<i>Non-current Asset Held for Sale and Discontinuing Operations</i>
IFRS 6*	<i>Exploration for and Evaluation of Mineral Resources</i>
IFRS 7	<i>Financial Instruments: Disclosures</i>
IFRS 8	<i>Operating Segments</i>

IASs

IAS 1	<i>Presentation of Financial Statements</i>
IAS 2	<i>Inventories</i>
IAS 7	<i>Statement of Cash Flows</i>
IAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
IAS 10	<i>Events after the Reporting Period</i>
IAS 11*	<i>Construction Contracts</i>
IAS 12	<i>Income Taxes</i>
IAS 16	<i>Property, Plant and Equipment</i>
IAS 17	<i>Leases</i>
IAS 18	<i>Revenue</i>
IAS 19	<i>Employee Benefits</i>
IAS 20*	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>
IAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>
IAS 23	<i>Borrowing Costs</i>
IAS 24	<i>Related Party Disclosures</i>
IAS 26*	<i>Accounting and Reporting by Retirement Benefit Plans</i>
IAS 27	<i>Consolidated and Separate Financial Statements</i>
IAS 28*	<i>Investment in Associates</i>
IAS 29*	<i>Financial Reporting in Hyperinflationary Economies</i>
IAS 31*	<i>Interests in Joint Venture</i>
IAS 32	<i>Financial Instrument: Presentation</i>
IAS 33	<i>Earnings per Share</i>
IAS 34*	<i>Interim Financial Reporting</i>
IAS 36	<i>Impairment of Assets</i>
IAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>
IAS 38	<i>Intangible Assets</i>
IAS 39	<i>Financial Instruments: Recognition and Measurement</i>
IAS 40*	<i>Investment Property</i>
IAS 41*	<i>Agriculture</i>

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3 Changes in accounting policies (continued)

7.3.1 Adoption of new and amended International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), International Financial Reporting Interpretations Committee ("IFRIC") Interpretations and Standing Interpretations Committee ("SIC") Interpretations (continued)

IFRIC Interpretations

IFRIC 1*	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>
IFRIC 2*	<i>Members' Shares in Co-operative Entities and Similar Instruments</i>
IFRIC 4*	<i>Determining whether an Arrangement contains a Lease</i>
IFRIC 5*	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
IFRIC 6*	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>
IFRIC 7*	<i>Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies</i>
IFRIC 9*	<i>Reassessment of Embedded Derivatives</i>
IFRIC 10*	<i>Interim Financial Reporting and Impairment</i>
IFRIC 12*	<i>Service Concession Arrangements</i>
IFRIC 13*	<i>Customer Loyalty Programmes</i>
IFRIC 14*	<i>IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
IFRIC 15*	<i>Agreements for the Construction of Real Estate</i>
IFRIC 16*	<i>Hedges of a Net Investment in a Foreign Operation</i>
IFRIC 17*	<i>Distributions of Non-cash Assets to Owners</i>
IFRIC 18*	<i>Transfer of Assets from Customers</i>
IFRIC 19*	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

SIC Interpretations

SIC 7*	<i>Introduction of the Euro</i>
SIC 10*	<i>Government Assistance - No Specific Relation to Operating Activities</i>
SIC 12*	<i>Consolidation - Special Purpose Entities</i>
SIC 13*	<i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>
SIC 15*	<i>Operating Leases - Incentives</i>
SIC 21*	<i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>
SIC 25*	<i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>
SIC 27*	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>
SIC 29*	<i>Service Concession Arrangements: Disclosures</i>
SIC 31*	<i>Revenue - Barter Transactions Involving Advertising Services</i>
SIC 32*	<i>Intangible Assets - Web Site Costs</i>

* The abovementioned IFRSs, IASs and IFRIC Interpretations are not relevant to the operations of the Group.

The adoption of the above IFRSs and IFRIC Interpretations did not have material impact on the financial position and results of the Group except for the new disclosure and presentation requirements for the FYE 31 December 2009, 2010, 2011 and FPE 30 September 2012.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3 Changes in accounting policies (continued)

7.3.2 New IFRSs not yet effective

The Group has not adopted the following IFRSs that have been issued but are only effective for annual financial periods as stated below:

Description	Effective for annual periods beginning on or after
Amendments to IAS 1 <i>Presentation of Financial Statements - Presentation of items of other comprehensive income</i>	1 July 2012
IFRS 9 <i>Financial Instruments</i>	1 January 2013
IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
IFRS 11 <i>Joint Arrangements</i>	1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
IFRS 13 <i>Fair Value Measurement</i>	1 January 2013
IAS 19(2011) <i>Employee Benefits</i>	1 January 2013
IAS 27(2011) <i>Separate Financial Statements</i>	1 January 2013
IAS 28(2011) <i>Investments in Associates and Joint Ventures</i>	1 January 2013
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to IFRS 1 <i>Government Grants</i>	1 January 2013
Amendments to IFRS 7 <i>Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Annual Improvements to IFRSs	1 January 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12, <i>Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance</i>	1 January 2013
Amendments to IAS 32 <i>Financial Instruments: Presentation</i>	1 January 2014
IFRS 9 <i>Financial Instruments</i>	1 January 2015

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except that the Group is currently assessing the possible impact of the adoption of IFRS 9 in its financial statements.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report*



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.4 Critical accounting estimates and judgements

7.4.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the view that there have been no changes in estimates at the end of the reporting periods.

7.4.2 Critical judgements made in applying accounting policies

The followings are judgement made by management in the process of applying the Group's accounting policies that has the most significant effect on the amounts recognised in the financial statements.

(a) Withholding tax on dividend

The subsidiary in the PRC, FenSun is subject to withholding tax on dividends in the tax jurisdiction of the PRC. According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations ("DIR"), dividends distributed to a foreign investor by a Foreign Invested Enterprises ("FIE") in the PRC would be subject to withholding tax of 10%. The Chinese tax authorities have granted a special tax concession, which states that dividends distributed to foreign investors out of the earnings from 1 January 2008 of a FIE's profit, arising in year 2008 and beyond, shall be subject to withholding tax of 10%, which is subject to reduction as provided by any applicable double taxation treaty.

According to the Arrangement Between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income and Prevention of Tax Evasion ("Arrangement for Avoidance of Double Taxation"), withholding tax on dividend to a Hong Kong company, which owns directly at least 25% of the capital of the company, is 5%, whereas in any other case, 10% of the dividend. The withholding tax on dividends declared by FenSun was 10% for the financial years under review.

As at 31 December 2009, 2010 and 2011, the withholding tax amounting to RMB4,000,000 (RM2,063,000) on the final dividend of RMB40,000,000 (RM20,628,000) declared and paid on 5 March 2009 for the financial year ended 31 December 2008, RMB8,000,000 (RM3,798,000) on the final dividend of RMB80,000,000 (RM37,984,000) declared and paid on 3 March 2010 for the financial year ended 31 December 2009 and RMB10,000,000 (RM4,743,000) on the final dividend of RMB100,000,000 (RM47,430,000) declared and paid on 28 February 2011 for the financial year ended 31 December 2010, was paid by the recipient of the dividends, i.e. the equity holder of FenSun.

(b) Land use rights

The Group has assessed and classified its leases of land in accordance with IAS 17 *Leases* as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. For clarity purpose, the Group presented its leases of land separately as land use rights.

(c) Share-based transaction

During the current financial period, the Group assessed and recognised the shares transfer arrangement from the ultimate shareholder to a company owned by the Managing Director as an equity-settled share-based payment in accordance with IFRS 2. Details are disclosed in Section 9.1.17(ii) of this Report.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.4 Critical accounting estimates and judgements (continued)

7.4.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. The management of the Group estimates the useful lives of these property, plant and equipment as disclosed in Section 7.2.3 of this Report. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation charge for future period is adjusted if there are significant changes from previous estimates.

(b) Income tax

The Group has exposures to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(d) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



8. FINANCIAL INFORMATION AND LIMITATION

The financial information of CAP-Bermuda, CAP-HK and Fensun as presented in Section 9.1 to Section 9.3, are based on their respective audited financial statements/unaudited management accounts, with appropriate adjustments and reclassifications made for the purpose of this Report.

The scope of work conducted in the preparation of this Report does not, in itself, constitute an audit in accordance with the International Standards on Auditing. Except where otherwise explicitly stated, information contained in this Report had not been independently verified by us. In preparing this Report, we have relied upon information and representations given to us by the directors, officers and employees of the respective companies and sought explanations for apparent discrepancies, if any.

All information is extracted from audited financial statements except those in *italics*, which are prepared based on calculation, management accounts and/or explanation provided by management of the Group.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION

9.1 CAP-Bermuda

9.1.1 Statements of comprehensive income of CAP-Bermuda

The statements of comprehensive income of CAP-Bermuda, which are extracted from the audited financial statements of CAP-Bermuda for the financial period from 1 January 2012 to 30 September 2012, are set out below:

Section	Company		Group		
	FPE 30 September 2012		FPE 30 September 2012		
	RMB'000	RM'000	RMB'000	RM'000	
Revenue	9.1.5	-	-	495,464	241,836
Cost of sales		-	-	(335,208)	(163,615)
Gross profit		-	-	160,256	78,221
Other income	9.1.6	-	-	7,717	3,767
Administrative expenses		(2,638)	(1,287)	(42,636)	(20,810)
Selling & distribution expenses		-	-	(3,999)	(1,952)
Finance cost		(3)	(2)	(1,866)	(911)
(Loss)/Profit before tax	9.1.7	(2,641)	(1,289)	119,472	58,315
Tax expense	9.1.9	-	-	(36,374)	(17,754)
(Loss)/Profit for the financial period		(2,641)	(1,289)	83,098	40,561
Other comprehensive income					
Foreign currency translations		(2,021)	(1,435)	(2,038)	(4,150)
Total comprehensive (loss)/income		(4,662)	(2,724)	81,060	36,411
(Loss)/Earnings before interest, depreciation, tax and amortisation ("EBIDTA")		(2,641)	(1,289)	124,207	60,626
Number of ordinary shares in issue ('000)		510,000	510,000	510,000	510,000
Gross earnings per share (RMB/RM)		-	-	0.23	0.11
Net earnings per share (RMB/RM)	9.1.21	-	-	0.16	0.08
Gross profit ("GP") margin (%)		-	-	32.34	32.34
Profit before tax margin (%)		-	-	24.11	24.11
Profit after tax margin (%)		-	-	16.77	16.77
EBIDTA margin (%)		-	-	25.07	25.07
Effective tax rate (%)		-	-	30.45	30.45

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.2 Statements of financial position of CAP-Bermuda

The statements of financial position of CAP-Bermuda, which are extracted from the audited financial statements of CAP-Bermuda for the financial period from 1 January 2012 to 30 September 2012, are set out below:

Section	Company		Group		
	As at 30 September 2012		As at 30 September 2012		
	RMB'000	RM'000	RMB'000	RM'000	
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment	9.1.10	-	-	94,875	46,176
Investments in subsidiaries	9.1.11	282,843	137,659	-	-
Land use rights	9.1.12	-	-	12,975	6,315
		282,843	137,659	107,850	52,491
<i>Current assets</i>					
Inventories	9.1.13	-	-	13,216	6,432
Trade and other receivables	9.1.14	36,761	17,892	95,862	46,655
Cash and cash equivalents	9.1.15	373	181	198,155	96,442
		37,134	18,073	307,233	149,529
TOTAL ASSETS		319,977	155,732	415,083	202,020
EQUITY AND LIABILITIES					
<i>Equity attributable to owners of the Parent</i>					
Share capital	9.1.16	320,555	156,014	320,555	156,014
Statutory surplus reserve	9.1.17	-	-	12,850	6,254
Share-based payment reserve	9.1.17	-	-	22,847	11,120
Translation reserve	9.1.17	2,037	991	2,037	991
Merger deficit	9.1.17	-	-	(257,134)	(125,147)
(Accumulated losses)/ Retained earnings	9.1.17	(2,624)	(1,277)	244,679	119,085
TOTAL EQUITY		319,968	155,728	345,834	168,317
<i>Current liabilities</i>					
Trade and other payables	9.1.18	9	4	34,089	16,591
Short term borrowings	9.1.19	-	-	23,000	11,194
Current tax liabilities		-	-	12,160	5,918
TOTAL LIABILITIES		9	4	69,249	33,703
TOTAL EQUITY AND LIABILITIES		319,977	155,732	415,083	202,020

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.2 Statements of financial position of CAP-Bermuda (continued)

Section	Company		Group	
	As at 30 September 2012		As at 30 September 2012	
	RMB'000	RM'000	RMB'000	RM'000
Net assets	319,968	155,728	345,834	168,317
Net assets per ordinary share of USD0.10 each (RMB/RM)	0.63	0.31	0.68	0.33
Trade receivables turnover period (days)	N/A	N/A	53	53
Trade payables turnover period (days)	N/A	N/A	7	7
Inventories turnover period (days)	N/A	N/A	11	11
Gearing ratio (times)	N/A	N/A	0.07	0.07

Note: For the purpose of presentation, all the statement of financial position items, which include the equity instruments and reserves were translated using the closing exchange rates applicable for the financial period.

N/A represents not applicable.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.3 Statements of cash flows of CAP-Bermuda

The statements of cash flows of CAP-Bermuda, which are prepared from the audited financial statements of CAP-Bermuda for the financial period from 1 January 2012 to 30 September 2012, are set out below:

Section	Company		Group	
	FPE 30 September 2012		FPE 30 September 2012	
	RMB'000	RM'000	RMB'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax	(2,641)	(1,289)	119,472	58,315
Adjustments for:				
Amortisation of land use rights	-	-	208	102
Depreciation of property, plant and equipment	-	-	3,031	1,479
Interest expense	-	-	1,831	894
Interest income	-	-	(335)	(164)
Share-based payment expense	-	-	22,847	11,152
	9.1.17			
Operating (loss)/profit before working capital changes	(2,641)	(1,289)	147,054	71,778
Increase in inventories	-	-	(2,114)	(1,032)
Decrease in trade and other receivables	-	-	40,007	19,527
Increase/(Decrease) in trade and other payables	9	4	(11,892)	(5,805)
Cash (used in)/generated from operating activities	(2,632)	(1,285)	173,055	84,468
Tax paid	-	-	(37,712)	(18,407)
Interest received	-	-	335	164
Interest paid	-	-	(1,831)	(894)
Net cash (used in)/from operating activities	(2,632)	(1,285)	133,847	65,331
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances to a subsidiary	(36,994)	(18,057)	-	-
Purchase of property, plant and equipment	-	-	(1,185)	(578)
Net cash used in investing activities	(36,994)	(18,057)	(1,185)	(578)

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.3 Statements of cash flows of CAP-Bermuda (continued)

Section	Company		Group	
	FPE 30 September 2012		FPE 30 September 2012	
	RMB'000	RM'000	RMB'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of bank term loan/borrowings	-	-	(35,000)	(17,084)
Drawdown of bank term loan/borrowings	-	-	33,000	16,107
Repayment from a shareholder	-	-	8	4
Proceeds from issuance of ordinary shares	40,001	19,524	40,001	19,524
Net cash from financial activities	40,001	19,524	38,009	18,551
Net increase in cash and cash equivalents	375	182	170,671	83,304
Cash and cash equivalents at beginning of financial period	-	-	27,486	13,836
Exchange differences	(2)	(1)	(2)	(698)
Cash and cash equivalents at end of financial period	373	181	198,155	96,442
	9.1.15			

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.4 Statements of changes in equity of CAP-Bermuda

The statements of changes in equity of CAP-Bermuda, which are prepared from the audited financial statements of CAP-Bermuda for the financial period from 1 January 2012 to 30 September 2012, are set out below:

Section	Group											Total equity RMB'000
	Share capital			Non-distributable				Distributable				
	RMB'000	RMB'000	RMB'000	Statutory surplus reserve RMB'000	Share-based payment reserve RMB'000	Translation reserve RMB'000	Merger deficit RMB'000	Retained earnings RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2012	-	-	12,850	6,469	-	-	-	-	161,581	81,340	174,431	87,809
Profit for the financial period	-	-	-	-	-	-	-	-	83,098	40,561	83,098	40,561
Foreign currency translations	(2,025)	(1,438)	-	(215)	(32)	(13)	(9)	360	-	(2,816)	(2,038)	(4,150)
Total comprehensive income/(loss) for the financial period	(2,025)	(1,438)	-	(215)	(32)	(13)	(9)	360	83,098	37,745	81,060	36,411
Transactions with owners:												
Issuance of ordinary shares	322,580	157,452	-	-	-	2,050	1,000	-	-	-	324,630	158,452
Reserve on business combination under common control	-	-	-	-	-	-	-	(257,134)	(257,134)	-	(257,134)	(125,507)
Recognition of share-based payment	-	-	-	-	11,152	-	-	-	-	-	22,847	11,152
Balance at 30 September 2012	320,555	156,014	12,850	6,254	11,120	2,037	991	(257,134)	244,679	119,085	345,834	168,317

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.4 Statements of changes in equity of CAP-Bermuda (continued)

	Section	Company						
		Share capital		Non-distributable Translation reserve		Accumulated losses		Total equity
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000
Balance at 4 April 2012 (date of incorporation)		-	-	-	-	-	-	-
Loss for the financial period		-	-	-	(1,289)	(2,641)	(1,289)	(1,289)
Foreign currency translations		(2,025)	(1,438)	(13)	(9)	17	12	(2,021)
Total comprehensive loss for the financial period		(2,025)	(1,438)	(13)	(9)	(2,624)	(1,277)	(4,662)
Transactions with owners:								
Issuance of ordinary shares	9.1.16	322,580	157,452	2,050	1,000	-	-	324,630
Balance at 30 September 2012		320,555	156,014	2,037	991	(2,624)	(1,277)	319,968
								155,728

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.5 Revenue

Group	
FPE 30 September 2012	
RMB'000	RM'000
Sales of goods	241,836
	495,464

9.1.6 Other income

Group	
FPE 30 September 2012	
RMB'000	RM'000
Gain on disposal of scrap inventories	3,357
Gain on foreign exchange	246
Interest income	164
	335
	7,717

9.1.7 (Loss)/Profit before tax

	Company		Group	
	FPE 30 September 2012	FPE 30 September 2012	FPE 30 September 2012	FPE 30 September 2012
	RMB'000	RM'000	RMB'000	RM'000
(Loss)/Profit before tax is arrived after charging:				
Auditors' remuneration	-	-	20	10
Depreciation of property, plant and equipment	-	-	3,031	1,479
Amortisation of land use rights	-	-	208	102
Interest expense	-	-	1,831	894
Directors' remuneration	-	-	1,334	651
Share-based payment expense	-	-	22,847	11,152
Land use rights tax	-	-	59	29
Realised loss on foreign exchange	32	15	32	15
And crediting:				
Gain on disposal of scrap inventories	-	-	6,877	3,357
Gain on foreign exchange	-	-	505	246
Interest income	-	-	335	164

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.8 Employee benefits

	Group	
	FPE 30 September 2012	RM'000
	RMB'000	RM'000
Wages, salaries and other benefits	20,590	10,050
Share-based payment expense	22,847	11,152
Compulsory social security contributions	1,587	774
	45,024	21,976

Included in employee benefits is Directors' remuneration of RMB24,181,000 (RM11,803,000) for the financial period ended 30 September 2012.

9.1.9 Tax expense

	Group	
	FPE 30 September 2012	RM'000
	RMB'000	RM'000
Current tax expense based on the profit for the financial period		
- PRC income tax	36,374	17,754

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group are as follows:

	Group	
	FPE 30 September 2012	RM'000
	RMB'000	RM'000
Profit before tax	119,472	58,315
Tax at the PRC statutory tax rate at: -25%	29,868	14,579
Tax effect in respect of:		
Non-deductible expenses	6,506	3,175
	36,374	17,754

The Company was incorporated in Bermuda under the Bermuda Companies Act as an exempted company and is not subject to tax on income under the Bermuda Tax Law. Hence, no tax reconciliation for the Company is prepared.

No deferred tax has been accounted for as the Group did not have any significant temporary differences, which would give rise to a deferred tax asset or liability as at 30 September 2012.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.10 Property, plant and equipment

Carrying amounts	Group 30.9.2012	
	RMB'000	RM'000
Buildings	87,329	42,503
Plant and machineries	6,906	3,361
Office equipment	480	234
Motor vehicles	160	78
	<u>94,875</u>	<u>46,176</u>

(i) All property, plant and equipment held by the Group are located in the PRC.

(ii) As at 30 September 2012, buildings with a carrying amount of RMB87,329,000 (RM42,503,000) were charged as securities for short term loans with financial institutions.

9.1.11 Investments in subsidiaries

	Company 30.9.2012	
	RMB'000	RM'000
Unquoted equity shares, at cost	284,629	138,928
Exchange differences	(1,786)	(1,269)
Balance as at 30 September 2012	<u>282,843</u>	<u>137,659</u>

The details of the subsidiaries as at 30 September 2012 are as follows:-

Name of company	Place of incorporation	Effective equity interest 30.9.2012	Principal activities
CAP-HK	Hong Kong	100%	Investment holding
<u>Subsidiary of CAP-HK</u>			
FenSun	PRC	100%	Manufacturing, marketing and trading of automobile chassis components

During the current financial period, the ultimate common shareholder transferred his entire issued and paid-up share capital in CAP-HK to the Company for USD44,999,999 (equivalent to RMB282,843,000 (RM137,614,000)), which was wholly satisfied by the issuance of 449,999,990 CAP-Bermuda shares credited as fully paid up, at par value of USD0.10 each.

Fensun is audited by BDO, Malaysia for the current financial period ended 30 September 2012 solely for the purpose of expressing an opinion on the Group's consolidated financial statements (which are prepared in accordance with IFRSs) and serve no other purpose.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.12 Land use rights

	Group 30.9.2012	
	RMB'000	RM'000
Carrying amounts	12,975	6,315

As at 30 September 2012, land use rights with a carrying amount of RMB12,975,000 (RM6,315,000) were charged as securities for short term loans with financial institutions.

9.1.13 Inventories

	Group 30.9.2012	
	RMB'000	RM'000
At cost		
Raw materials	4,084	1,987
Work-in-progress	608	296
Finished goods	8,524	4,149
	13,216	6,432

Cost of inventories of the Group recognised as cost of sales during the current financial period amounted to approximately RMB303,643,000 (RM148,208,000).

9.1.14 Trade and other receivables

	Company 30.9.2012		Group 30.9.2012	
	RMB'000	RM'000	RMB'000	RM'000
Trade receivables				
Third parties	-	-	95,791	46,621
Other receivables and prepayments				
Other receivables	-	-	71	34
Amount due from a subsidiary	36,761	17,892	-	-
	36,761	17,892	95,862	46,655

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report*



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.14 Trade and other receivables (continued)

(i) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group are sixty (60) days. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

(ii) The ageing analysis of trade receivables of the Group are as follows:

	Group 30.9.2012	
	RMB'000	RM'000
Neither past due nor impaired	95,791	46,621

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Trade receivables of the Group of more than 43% arise from customers of a subsidiary with more than eight (8) years of business relationship with the Group as at 30 September 2012 and have no records of default in these financial periods.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial period.

(iii) Amount due from a subsidiary is unsecured, interest-free and payable upon demand in cash and cash equivalents.

(iv) All trade and other receivables are denominated in RMB.

(v) Information on the financial risk of trade and other receivables is disclosed in Section 9.1.24 to the financial statements.

9.1.15 Cash and cash equivalents

	Company 30.9.2012		Group 30.9.2012	
	RMB'000	RM'000	RMB'000	RM'000
Cash in hand	315	153	368	179
Cash at bank	58	28	197,787	96,263
	<u>373</u>	<u>181</u>	<u>198,155</u>	<u>96,442</u>

(i) The currency exposure profile of cash and cash equivalents are as follows:

	Company 30.9.2012		Group 30.9.2012	
	RMB'000	RM'000	RMB'000	RM'000
Ringgit Malaysia	52	25	51	25
Hong Kong Dollar	6	3	12	6
Renminbi	-	-	197,777	96,258
United States Dollar	315	153	315	153
	<u>373</u>	<u>181</u>	<u>198,155</u>	<u>96,442</u>

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.15 Cash and cash equivalents (continued)

(ii) Information on the financial risk of cash and cash equivalents is disclosed in Section 9.1.24 to the financial statements.

9.1.16 Share capital

	Group and Company 30.9.2012		
	Number of shares '000	RMB'000	RM'000
Ordinary shares of USD0.10 each:			
Authorised:			
Balance as at 4 April 2012 (date of incorporation)	100	63	31
Creation during the financial period	999,900	628,477	305,779
Balance as at 30 September 2012	<u>1,000,000</u>	<u>628,540</u>	<u>305,810</u>
Issued and fully paid:			
Balance as at 4 April 2012 (date of incorporation)	*-	*-	*-
Issued during the financial period	510,000	322,580	157,452
Exchange differences	-	(2,025)	(1,438)
Balance as at 30 September 2012	<u>510,000</u>	<u>320,555</u>	<u>156,014</u>

* Negligible

CAP-Bermuda was incorporated with an authorised share capital of USD10,000 (equivalent to RMB63,000 (RM31,000)) comprising 100,000 ordinary shares of USD0.10 (equivalent to RMB0.63 (RM0.31)) each. On 12 April 2012, the authorised share capital of CAP-Bermuda increased by USD99,990,000 (equivalent to RMB628,477,000 (RM305,779,000)) to USD100,000,000 (equivalent to RMB628,540,000 (RM305,810,000)).

The issued share capital of CAP-Bermuda as at the date of incorporation was USD1.00 (equivalent to RMB6.30 (RM3.10)), which is divided into 10 ordinary shares of USD0.10 (equivalent to RMB0.63 (RM0.31)) each. On 12 April 2012, the ultimate common shareholder transferred his entire issued and paid-up share capital in CAP-HK to the Company for USD44,999,999 (equivalent to RMB282,843,000 (RM137,614,000)), which was wholly satisfied by the issuance of 449,999,990 new CAP-Bermuda shares credited as fully paid up, at par value of USD0.10 each.

Subsequently on 7 June 2012, the issued and fully paid-up ordinary share capital of the Company was increased from USD45,000,000 (equivalent to RMB282,843,000 (RM137,614,000)) to USD51,000,000 (equivalent to RMB320,555,000 (RM156,014,000)) by way of issuance of 60,000,000 new ordinary shares of USD0.10 each at par for cash to the pre-IPO investors of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by CAP-Bermuda and are entitled to one vote per share at meetings of CAP-Bermuda. All ordinary shares rank par passu with regards to CAP-Bermuda's residual assets.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.17 Reserves

	Company		Group	
	30.9.2012		30.9.2012	
	RMB'000	RM'000	RMB'000	RM'000
Non-distributable:				
Statutory surplus reserve	-	-	12,850	6,254
Share-based payment reserve	-	-	22,847	11,120
Translation reserve	2,037	991	2,037	991
Merger deficit	-	-	(257,134)	(125,147)
Distributable:				
(Accumulated losses)/Retained earnings	(2,624)	(1,277)	244,679	119,085
	<u>(587)</u>	<u>(286)</u>	<u>25,279</u>	<u>12,303</u>

(i) Statutory surplus reserve

Pursuant to applicable PRC regulations, CAP-Bermuda's subsidiary, FenSun is required to allocate 10% of its net profit for the financial year (after offsetting prior year losses, if any) to the statutory surplus reserve until it reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to equity holders. The statutory surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(ii) Share-based payment reserve

On 25 April 2012, 33,750,000 Shares of CAP-Bermuda were received by GuoTai International Holding Limited ("GuoTai"), a company owned by Li Guo Qing from Ong Juan Tee and dealt with as an equity settled share-based payment in accordance with IFRS 2 *Share-based Payment*. The fair value of the subject shares on the grant date of RMB22,847,279 (RM11,151,157) has been recognised in profit or loss, with a corresponding increase in equity as there are no vesting conditions attached to the subject shares to GuoTai.

There was no term and vesting condition attached to this share-based payment transaction.

(iii) Translation reserve

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(iv) Merger deficit

Merger deficit from the combined entity is arising from the differences between the cost of investments in subsidiaries and the equity of respective subsidiaries.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.18 Trade and other payables

	Company 30.9.2012		Group 30.9.2012	
	RMB'000	RM'000	RMB'000	RM'000
Trade payables				
Third parties	-	-	26,200	12,751
Other payables and accruals				
Other payables	9	4	5,182	2,522
Accruals	-	-	2,707	1,318
	<u>9</u>	<u>4</u>	<u>7,889</u>	<u>3,840</u>
	<u>9</u>	<u>4</u>	<u>34,089</u>	<u>16,591</u>

- (i) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group are sixty (60) days.
- (ii) All trade and other payables are denominated in RMB.
- (iii) Information on financial risk of trade and other payables is disclosed in Section 9.1.24 to the financial statements.

9.1.19 Short term borrowings

	Group 30.9.2012	
	RMB'000	RM'000
Secured		
Short term loans	13,000	6,327
Unsecured		
Short term loans	<u>10,000</u>	<u>4,867</u>
Total short term borrowings	<u>23,000</u>	<u>11,194</u>

- (i) All borrowings are denominated in RMB.
- (ii) Details of the securities of the secured short term loans are as follows:

	Group 30.9.2012	
	RMB'000	RM'000
Short term loans		
Secured by:		
Land use rights	12,975	6,315
Buildings	<u>87,329</u>	<u>42,503</u>
	<u>100,304</u>	<u>48,818</u>

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report*



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.19 Short term borrowings (continued)

(iii) Details of the unsecured short term loans are as follows:

	Group 30.9.2012	
	RMB'000	RM'000
Jointly guaranteed by:		
- Director and third party corporation	10,000	4,867

(iv) Information on financial risk of short term borrowings is disclosed in Section 9.1.24 to the financial statements.

9.1.20 Related party disclosures

(a) Identities of related parties

Parties are considered to be related to the Group and the Company if the Group and the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The Group and the Company have controlling related party relationship with the Directors and equity holders. In addition, the Company also had related party relationships with the following parties:

Identity of the related party	Relationship with the Company
CAP-HK	Subsidiary
FenSun	Subsidiary

(b) Significant related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the FPE 30 September 2012:

	Group FPE 30 September 2012	
	RMB'000	RM'000
Joint guarantee given by Terry Li, a Director of FenSun and a third party corporation for credit facilities granted to FenSun	10,000	4,867

The related party transactions described above have been carried out on negotiated and mutually agreed terms and conditions.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly.

11. ACCOUNTANTS' REPORT (Cont'd)

*China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report*



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.20 Related party disclosures (continued)

(c) Compensation of key management personnel (continued)

The remuneration of the key management personnel during the financial period was as follows:

	Group	
	FPE 30 September 2012 RMB'000	RM'000
Short term employee benefits including share-based payment:		
Managing Director	23,930	11,681
Executive Director	453	221

9.1.21 Earnings per share

	Group	
	FPE 30 September 2012 RMB'000	RM'000
Net profit attributable to equity holders of CAP-Bermuda	83,098	40,561
Number of ordinary shares in issue ('000)*	510,000	510,000
Basic earnings per ordinary shares (RMB/RM)	0.16	0.08

* As the consolidated and combined financial statements have been prepared on the basis of merger accounting, where the financial statements of the Company and its subsidiaries have been included in the consolidated and combined financial statements as if they have been in effect since the beginning of the current financial period, i.e. 1 January 2012, the computation of basic earnings per share is based on the number of ordinary shares in issue of 510,000,000 shares.

As there are no convertible securities which will potentially dilute the Group's earnings per share, diluted earnings per share equals to the basic earnings per share.

9.1.22 Operating segments

The Group has two reportable segments:

- Manufacturing division - this division is involved in the manufacture and sales of u-bolts, wheel axles, wheel-hub bolts and steel pins, and;
- Trading division - this division is involved in the procurement and sales of torque-rod bushings.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of gross profit as reported in the statement of comprehensive income not including non-recurring losses, if any, and also excluding the effects of retirement benefit obligations.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.22 Operating segments (continued)

	Manufacturing		Group Trading		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Financial period ended 30 September 2012						
Revenue from external customers	405,045	197,703	90,419	44,133	495,464	241,836
Gross profit	131,526	64,198	28,730	14,023	160,256	78,221

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other material items:

	Group FPE 30 September 2012	
	RMB'000	RM'000
Revenue		
Total revenue for reportable segments	495,464	241,836
Group's revenue per statements of comprehensive income	495,464	241,836
Profit for the financial period		
Gross profit for reportable segments	160,256	78,221
Unallocated amounts	(40,784)	(19,906)
Profit before tax	119,472	58,315
Tax expense	(36,374)	(17,754)
Profit for the financial period	83,098	40,561
Assets		
Unallocated amounts	415,083	202,020
Group's assets	415,083	202,020
Liabilities		
Unallocated amounts	69,249	33,703
Group's liabilities	69,249	33,703

The Group's assets and liabilities are managed on a group basis and are not allocated to any of the operating segments.

The Group's business is entirely operated within the PRC, and no segment revenue and segment assets based on geographical location of customers and assets are presented.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.22 Operating segments (continued)

Revenue from five (5) customers in the manufacturing and trading segment represent approximately RMB127,477,000 (RM62,222,000) or 25.7% of the Group's revenue.

Major customers

The following are major customers with revenue approximate or more than 5 percent of the Group's revenue individually:

	Group		Segment
	FPE 30 September 2012 RMB'000	RM'000	
Customer A	28,920	14,116	Manufacturing and trading
Customer B	28,469	13,896	Manufacturing and trading
Customer C	23,589	11,514	Manufacturing and trading
Customer D	23,519	11,479	Manufacturing and trading
Customer E	22,980	11,217	Manufacturing and trading

9.1.23 Financial instruments

(a) Capital management

The primary objective of CAP-Bermuda's capital management is to ensure that CAP-Bermuda would be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance.

CAP-Bermuda manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, CAP-Bermuda may adjust the dividend payment to equity holders, return capital to equity holders or issue new shares.

CAP-Bermuda is not subject to any externally imposed capital requirements.

CAP-Bermuda monitors capital using a debt-to-equity ratio, which is net debt divided by total capital. CAP-Bermuda has a target gearing ratio of 0.05 times to 0.15 times determined as the proportion of net debt to equity. CAP-Bermuda includes within net debt, short term borrowings. Capital represents equity attributable to the owners of CAP-Bermuda.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.23 Financial instruments

(a) Capital management (continued)

	Group 30.9.2012	
	RMB'000	RM'000
Short term borrowings	23,000	11,194
Net debt	23,000	11,194
Equity attributable to owners of CAP-Bermuda	345,834	168,317
Debt-to-equity ratio (times)	0.07	0.07

(b) Financial instruments

(i) Categories of financial instruments

	Company 30.9.2012		Group 30.9.2012	
	RMB'000	RM'000	RMB'000	RM'000
Financial assets				
Loan and receivables				
Trade and other receivables	36,761	17,892	95,862	46,655
Cash and cash equivalents	373	181	198,155	96,442
	<u>37,134</u>	<u>18,073</u>	<u>294,017</u>	<u>143,097</u>
Financial liabilities				
Other financial liabilities				
Trade and other payables	9	4	34,089	16,591
Short term borrowings	-	-	23,000	11,194
	<u>9</u>	<u>4</u>	<u>57,089</u>	<u>27,785</u>

(c) Determination of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and short term borrowings, are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.24 Financial risk management objectives and policies

The Group's financial risk management objective is to ascertain that adequate financial resources are available for the development of the Group's business whilst managing its exposure to liquidity and cash flow risks, credit risk and interest rate risk. Information on the management of the related exposures is detailed below.

(i) Liquidity and cash flow risks

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within 1 year		Total	
	RMB'000	RM'000	RMB'000	RM'000
Group				
30 September 2012				
Trade and other payables	34,089	16,591	34,089	16,591
Short term borrowings	23,000	11,194	23,000	11,194
	<u>57,089</u>	<u>27,785</u>	<u>57,089</u>	<u>27,785</u>
Company				
30 September 2012				
Trade and other payables	<u>9</u>	<u>4</u>	<u>9</u>	<u>4</u>

(ii) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are trading houses and authorised distributors located in the PRC. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are on credit. The credit period is generally for a period of 60 days. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via its finance department to minimise credit risk.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.1 CAP-Bermuda (continued)

9.1.24 Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring its trade receivables on an ongoing basis.

As at 30 September 2012, approximately 49% of the Group's trade receivables were due from 10 customers located in the PRC respectively.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Section 9.1.14 of this Report.

Deposits with banks are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its short term borrowings and cash at banks.

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

Group	Section	Weighted average effective interest rate %	Within 1 year		Total	
			RMB'000	RM'000	RMB'000	RM'000
At 30 September 2012						
Fixed rates						
Cash at banks	9.1.15	0.35%	197,787	96,263	197,787	96,263
Short term borrowings	9.1.19	8.33%	(23,000)	(11,194)	(23,000)	(11,194)

Sensitivity analysis for interest rate risk

At the end of the reporting period of FPE 30 September 2012, if the interest rates had been 10% higher or lower, with all other variables held constant, the post-tax profit would have been approximately RMB9,750 (RM4,759) higher or lower, arising as a result of higher or lower interest income on cash at banks. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.2 CAP-HK

9.2.1 Statement of comprehensive income of CAP-HK

The statement of comprehensive income of CAP-HK, which is extracted from the unaudited management accounts of CAP-HK for the financial period from 18 November 2011 (date of incorporation) to 30 September 2012, is set out below:

Section	18 November 2011 to 30 September 2012	
	RMB'000	RM'000
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Finance cost	(2)	(1)
Loss before tax	(2)	(1)
Tax expense	-	-
Loss for the financial period	(2)	(1)
Other comprehensive income		
Foreign currency translations	(151)	(109)
Total comprehensive loss	(153)	(110)

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.2 CAP-HK (continued)

9.2.2 Statement of financial position of CAP-HK

The statement of financial position of CAP-HK, which is extracted from the unaudited management accounts of CAP-HK for the financial period from 18 November 2011 (date of incorporation) to 30 September 2012, is set out below:

Section	As at 30 September 2012	
	RMB'000	RM'000
ASSETS		
<i>Non-current asset</i>		
<i>Investment in a subsidiary</i> 9.2.5	25,123	12,226
<i>Current asset</i>		
<i>Cash and cash equivalents</i> 9.2.6	6	3
TOTAL ASSETS	25,129	12,229
EQUITY		
<i>Equity attributable to owner of the Company</i>		
<i>Share capital</i> 9.2.7	25,131	12,230
<i>Accumulated losses</i>	(2)	(1)
TOTAL EQUITY	25,129	12,229
<i>Net assets</i>	25,129	12,229
<i>Net assets per ordinary share of HKD1.00 each (RMB/RM)</i>	0.81	0.39
<i>Trade receivables turnover period (days)</i>	N/A	N/A
<i>Trade payables turnover period (days)</i>	N/A	N/A
<i>Inventories turnover period (days)</i>	N/A	N/A
<i>Gearing ratio (times)</i>	N/A	N/A

Note: For the purpose of presentation, all the statement of financial position items, which include the equity instruments and reserves were translated using the closing exchange rates applicable for the financial period.

N/A represents not applicable.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.2 CAP-HK (continued)

9.2.3 Statement of cash flows of CAP-HK

The statement of cash flows of CAP-HK, which is prepared from the unaudited management accounts of CAP-HK for the financial period from 18 November 2011 (date of incorporation) to 30 September 2012, is set out below:

Section	18 November 2011 to 30 September 2012	
	RMB'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITY		
Loss before tax/Operating loss before working capital changes	(2)	(1)
Net cash used in operating activity	(2)	(1)
CASH FLOWS FROM INVESTING ACTIVITY		
Investment in a subsidiary/Net cash used in investing activity	(25,274)	(12,335)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issuance of ordinary shares/ Net cash from financial activity 9.2.7	25,282	12,339
Net increase in cash and cash equivalents	6	3
Exchange differences	*-	*-
Cash and cash equivalents at end of financial period 9.2.6	6	3

* Negligible

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.2 CAP-HK (continued)

9.2.4 Statement of changes in equity of CAP-HK

The statement of changes in equity of CAP-HK, which is prepared from the unaudited management accounts of CAP-HK for the financial period from 18 November 2011 (date of incorporation) to 30 September 2012, is set out below:

Section	Share capital		Accumulated losses		Total equity	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Balance at 18 November 2011	8	4	-	-	8	4
Loss for the financial period	-	-	(2)	(1)	(2)	(1)
Foreign currency translations	(151)	(109)	-	*-	(151)	(109)
Total comprehensive loss for the financial period	(151)	(109)	(2)	(1)	(153)	(110)
Transactions with owner:						
Issuance of ordinary shares	25,274	12,335	-	-	25,274	12,335
Balance at 30 September 2012	25,131	12,230	(2)	(1)	25,129	12,229

* Negligible

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.2 CAP-HK (continued)

9.2.5 Investment in a subsidiary

	30.9.2012	
	RMB'000	RM'000
<i>Unquoted equity shares, at cost</i>		
<i>Balance as at 18 November 2011 (date of incorporation)</i>	-	-
<i>Increase during the financial period</i>	25,274	12,335
<i>Exchange differences</i>	(151)	(109)
<i>Balance as at 30 September 2012</i>	25,123	12,226

9.2.6 Cash and cash equivalents

	30.9.2012	
	RMB'000	RM'000
<i>Cash at bank</i>	6	3

All the cash and bank balances are denominated in HKD.

9.2.7 Share capital

	30.9.2012	
	RMB'000	RM'000
<i>Ordinary shares of HKD1.00 each:</i>		
<i>Authorised:</i>		
<i>Balance as at 18 November 2011 (date of incorporation)</i>	8	4
<i>Creation during the financial period</i>	28,354	13,800
<i>Balance as at 30 September 2012</i>	28,362	13,804
<i>Issued and fully paid:</i>		
<i>Balance as at 18 November 2011 (date of incorporation)</i>	8	4
<i>Issued during the financial period</i>	25,274	12,335
<i>Exchange differences</i>	(151)	(109)
<i>Balance as at 30 September 2012</i>	25,131	12,230

CAP-HK was incorporated on 18 November 2011 with the authorised and issued share capital of HKD10,000 (equivalent to RMB8,000 (RM4,000)), which is divided into 10,000 ordinary shares of HKD1.00 each. During the FPE 30 September 2012, the issued and fully paid-up ordinary share capital of CAP-HK was increased from HKD10,000 (equivalent to RMB8,000 (RM4,000)) to HKD31,010,000 (equivalent to RMB25,131,000 (RM12,230,000)) via conversion of debt.

The holder of ordinary shares is entitled to receive dividends as and when declared by CAP-HK and is entitled to one vote per share at meetings of CAP-HK. All ordinary shares rank pari passu with regards to CAP-HK's residual assets.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.2 CAP-HK (continued)

9.2.8 Financial risk management objectives and policies

CAP-HK's financial risk management objective is to ascertain that adequate financial resources are available for the development of CAP-HK's business whilst managing its exposure to liquidity risk. Information on the management of the related exposures is detailed below.

(i) Liquidity risk

CAP-HK manages its operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, CAP-HK measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance CAP-HK's activities.

9.2.9 Comparative figures

No comparative figures are presented as this is the first set of financial statements of CAP-HK since its incorporation on 18 November 2011.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun

9.3.1 Statements of comprehensive income of FenSun

The statements of comprehensive income of FenSun, which are extracted from the audited financial statements of FenSun for the past three (3) financial years, and unaudited and audited financial statements for the 9-month period ended 30 September 2011 and 30 September 2012 respectively, are set out below:

Section	Financial years ended 31 December						9-month period ended 30 September					
	2009 RMB'000	2009 RM'000	2010 RMB'000	2010 RM'000	2011 RMB'000	2011 RM'000	2011 RMB'000	2011 RM'000	2012 RMB'000	2012 RM'000	2012 RMB'000	2012 RM'000
9.3.5	373,138	192,427	452,094	214,654	605,327	287,107	416,539	194,691	495,464	241,836		
Revenue	(266,917)	(137,649)	(315,546)	(149,821)	(410,558)	(194,728)	(282,847)	(132,203)	(335,208)	(163,615)		
Cost of sales	106,221	54,778	136,548	64,833	194,769	92,379	133,692	62,488	160,256	78,221		
Gross profit	4,819	2,485	5,788	2,748	8,930	4,235	6,318	2,953	7,717	3,767		
9.3.6	(6,197)	(3,196)	(7,714)	(3,663)	(17,292)	(8,201)	(9,557)	(4,467)	(39,998)	(19,523)		
Administration expenses	(5,104)	(2,632)	(6,435)	(3,055)	(7,886)	(3,741)	(5,659)	(2,645)	(3,999)	(1,952)		
Selling & distribution expenses	(771)	(139)	(680)	(323)	(997)	(473)	(623)	(291)	(1,861)	(908)		
Finance cost	99,468	51,296	127,507	60,540	177,524	84,199	124,171	58,038	122,115	59,605		
Profit before tax	(12,538)	(6,466)	(32,219)	(15,298)	(44,810)	(21,253)	(31,094)	(14,534)	(36,374)	(17,754)		
9.3.9	86,930	44,830	95,288	45,242	132,714	62,946	93,077	43,504	85,741	41,851		
Tax expense	-	(1,175)	-	(4,529)	-	6,813	-	780	-	(3,495)		
Profit for the financial year	86,930	43,655	95,288	40,713	132,714	69,759	93,077	44,284	85,741	38,356		
Other comprehensive income												
Foreign currency translations												
Total comprehensive income	100,736	51,950	129,404	61,441	180,714	85,712	125,944	58,866	126,850	61,916		
Earnings before interest, depreciation, tax and amortisation ("EBIDTA")	1,592	799	1,592	744	7,022	3,535	3,555	1,776	25,700	12,508		
Weighted average issued and paid-up capital	62.48	64.20	80.09	81.37	25.28	23.82	34.93	32.68	4.75	4.77		
Gross earnings per paid-up capital (RMB/RM)	54.60	56.11	59.85	60.81	18.90	17.81	26.18	24.50	3.34	3.35		
Net earnings per paid-up capital (RMB/RM)	28.47	28.47	30.20	30.20	32.18	32.18	32.10	32.10	32.34	32.34		
Gross profit ("GP") margin (%)	26.66	26.66	28.20	28.20	29.33	29.33	29.81	29.81	24.65	24.65		
Profit before tax margin (%)	23.30	23.30	21.08	21.08	21.92	21.92	22.35	22.35	17.31	17.31		
Profit after tax margin (%)	27.00	27.00	28.62	28.62	29.85	29.85	30.24	30.24	25.60	25.60		
EBIDTA margin (%)	12.61	12.61	25.27	25.27	25.24	25.24	25.04	25.04	29.79	29.79		
Effective tax rate (%)												

Note: For the purpose of presentation, all the statements of comprehensive income items were translated using the average exchange rates applicable for the respective financial years/period.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.2 Statements of financial position of FenSun

The statements of financial position of FenSun, which are extracted from the audited financial statements of FenSun for the past three (3) financial years, and for the 9-month period ended 30 September 2012, are set out below:

Section	As at 31 December						As at 30 September		
	2009 RMB'000	2009 RM'000	2010 RMB'000	2010 RM'000	2011 RMB'000	2011 RM'000	2012 RMB'000	2012 RM'000	
ASSETS									
Non-current assets									
Property, plant and equipment	9.3.10	7,407	3,718	32,703	15,285	96,721	48,689	94,875	46,176
Land use rights	9.3.11	13,733	6,892	13,458	6,291	13,183	6,636	12,975	6,315
		21,140	10,610	46,161	21,576	109,904	55,325	107,850	52,491
Current assets									
Inventories	9.3.12	6,057	3,040	10,090	4,716	11,102	5,589	13,216	6,432
Trade and other receivables	9.3.13	139,457	69,994	133,178	62,247	135,869	68,397	95,862	46,655
Cash and cash equivalents	9.3.14	7,793	3,911	7,432	3,474	27,486	13,836	197,776	96,258
		153,307	76,945	150,700	70,437	174,457	87,822	306,854	149,345
TOTAL ASSETS		174,447	87,555	196,861	92,013	284,361	143,147	414,704	201,836
EQUITY AND LIABILITIES									
Equity attributable to owner of the Company									
Capital	9.3.15	1,592	799	1,592	744	25,700	12,938	25,700	12,508
Reserves	9.3.16	126,413	63,447	141,701	66,231	174,415	87,800	283,003	137,738
Total equity		128,005	64,246	143,293	66,975	200,115	100,738	308,703	150,246
Current liabilities									
Trade and other payables	9.3.18	30,636	15,376	34,278	16,022	45,748	23,029	70,841	34,478
Short term borrowings	9.3.19	11,900	5,973	9,900	4,627	25,000	12,585	23,000	11,194
Current tax liabilities		3,906	1,960	9,390	4,389	13,498	6,795	12,160	5,918
Total liabilities		46,442	23,309	53,568	25,038	84,246	42,409	106,001	51,590
TOTAL EQUITY AND LIABILITIES		174,447	87,555	196,861	92,013	284,361	143,147	414,704	201,836
Weighted average issued and paid-up capital		1,592	799	1,592	744	7,022	3,535	25,700	12,508
Net assets		128,005	64,246	143,293	66,975	200,115	100,738	308,703	150,246
Net assets per paid-up capital (times)		80.41	80.41	90.01	90.01	28.50	28.50	12.01	12.01
Trade receivables turnover period (days)		52.51	52.51	56.22	56.22	58.14	58.14	54.74	54.74
Trade payables turnover period (days)		33.25	33.25	30.01	30.01	26.90	26.90	23.47	23.47
Inventories turnover period (days)		8.15	8.15	9.34	9.34	9.42	9.42	9.94	9.94
Gearing ratio (times)		0.09	0.09	0.07	0.07	0.12	0.12	0.07	0.07

Note: 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 for the respective financial years/period.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)



Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.3 Statements of cash flows of FenSun

The statements of cash flows of FenSun, which are prepared from the audited financial statements of FenSun for the past three (3) financial years, and for the 9-month period ended 30 September 2012, are set out below:

Section	Financial years ended 31 December						9-month period ended 30 September	
	2009 RMB'000	2009 RM'000	2010 RMB'000	2010 RM'000	2011 RMB'000	2011 RM'000	2012 RMB'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES								
Profit before tax	99,468	51,296	127,507	60,540	177,524	84,199	122,115	59,605
Adjustments for:								
Depreciation of property, plant and equipment	977	504	980	465	1,982	940	3,031	1,479
Amortisation of land use rights	46	24	275	131	275	130	208	102
Interest expense	264	136	668	317	973	462	1,831	894
Interest income	(19)	(10)	(26)	(12)	(40)	(19)	(335)	(164)
Share-based payment expense	-	-	-	-	-	-	22,847	11,152
Loss on disposal of property, plant and equipment	-	-	-	-	49	23	-	-
Operating profit before changes in working capital	100,736	51,950	129,404	61,441	180,763	85,735	149,697	73,068
Changes in working capital								
Inventories	(188)	(97)	(4,033)	(1,915)	(1,012)	(480)	(2,114)	(1,032)
Trade and other receivables	(45,636)	(23,534)	6,279	2,981	(2,691)	(1,276)	40,007	19,527
Trade and other payables	2,393	1,234	3,642	1,729	11,470	5,441	(11,668)	(5,695)
Cash generated from operations	57,305	29,553	135,292	64,236	188,530	89,420	175,922	85,868
Interest received	19	10	26	12	40	19	335	164
Interest paid	(264)	(136)	(668)	(317)	(973)	(462)	(1,831)	(894)
Tax paid	(11,398)	(5,878)	(26,735)	(12,693)	(40,702)	(19,305)	(37,712)	(18,407)
Net cash from operating activities	45,662	23,549	107,915	51,238	146,895	69,672	136,714	66,731

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.3 Statements of cash flows of FenSun (continued)

Section	Financial years ended 31 December						9-month period ended 30 September	
	2009 RMB'000	2009 RM'000	2010 RMB'000	2010 RM'000	2011 RMB'000	2011 RM'000	2012 RMB'000	2012 RM'000
CASH FLOWS USED IN INVESTING ACTIVITIES								
Purchase of property, plant and equipment	(114)	(59)	(26,276)	(12,476)	(66,523)	(31,552)	(1,185)	(578)
Advances from ultimate holding company	-	-	-	-	-	-	36,761	17,943
Purchase of land use rights	(13,779)	(7,106)	-	-	-	-	-	-
Proceeds from disposal of property, plant and equipment	-	-	-	-	474	225	-	-
Net cash (used in)/from investing activities	(13,893)	(7,165)	(26,276)	(12,476)	(66,049)	(31,327)	35,576	17,365
CASH FLOWS USED IN FINANCING ACTIVITIES								
Dividends paid	9.3.17 (40,000)	(20,628)	(80,000)	(37,984)	(100,000)	(47,430)	-	-
Proceeds from additional capital	9.3.15 -	-	-	-	24,108	11,434	-	-
Drawdown of borrowings	11,900	6,137	14,900	7,075	25,000	11,858	33,000	16,107
Repayment of borrowings	(2,000)	(1,031)	(16,900)	(8,024)	(9,900)	(4,696)	(35,000)	(17,083)
Net cash used in financing activities	(30,100)	(15,522)	(82,000)	(38,933)	(60,792)	(28,834)	(2,000)	(876)
Net increase/(decrease) in cash and cash equivalents	1,669	862	(361)	(171)	20,054	9,511	170,290	83,120
Cash and cash equivalents at beginning of financial year/period	6,124	3,113	7,793	3,911	7,432	3,474	27,486	13,836
Exchange differences	-	(64)	-	(266)	-	851	-	(698)
Cash and cash equivalents at end of financial year/period	9.3.14 7,793	3,911	7,432	3,474	27,486	13,836	197,776	96,258

11. ACCOUNTANTS' REPORT (Cont'd)

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.4 Statements of changes in equity of FenSun

The statements of changes in equity of FenSun, which are prepared from the audited financial statements of FenSun for the past three (3) financial years, are set out below:

Section	Capital		Non-distributable			Distributable		Total equity		
	RMB'000	RM'000	Statutory surplus reserve	Share-based payment reserve		Retained earnings	RMB'000	RM'000	RMB'000	RM'000
				RMB'000	RM'000					
Balance as at 1 January 2009	1,592	809	796	405	-	78,687	40,005	81,075	41,219	
Foreign currency translations	-	(10)	-	(6)	-	-	(1,159)	-	(1,175)	
Profit for the financial year	-	-	-	-	-	86,930	44,830	86,930	44,830	
Total comprehensive income for the financial year	-	(10)	-	(6)	-	86,930	43,671	86,930	43,655	
Transaction with owner: Dividends paid	-	-	-	-	-	(40,000)	(20,628)	(40,000)	(20,628)	
Balance at 31 December 2009	1,592	799	796	399	-	125,617	63,048	128,005	64,246	
Foreign currency translations	-	(55)	-	(27)	-	-	(4,447)	-	(4,529)	
Profit for the financial year	-	-	-	-	-	95,288	45,242	95,288	45,242	
Total comprehensive income for the financial year	-	(55)	-	(27)	-	95,288	40,795	95,288	40,713	
Transaction with owner: Dividends paid	-	-	-	-	-	(80,000)	(37,984)	(80,000)	(37,984)	
Balance at 31 December 2010	1,592	744	796	372	-	140,905	65,859	143,293	66,975	

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.4 Statements of changes in equity of FenSun (continued)

	Section	Capital		Non-distributable			Distributable			Total equity	
		RMB'000		Statutory surplus reserve		Share-based payment reserve		Retained earnings		RMB'000	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Balance at 31 December 2010 (continued)		1,592	744	796	372	-	-	140,905	65,859	143,293	66,975
Foreign currency translations		-	760	-	380	-	-	-	5,673	-	6,813
Profit for the financial year		-	-	-	-	-	-	132,714	62,946	132,714	62,946
Total comprehensive income for the financial year		-	760	-	380	-	-	132,714	68,619	132,714	69,759
Transactions with owner:											
Issue of capital	9.3.15	24,108	11,434	-	-	-	-	-	-	24,108	11,434
Transfer of reserves	9.3.16	-	-	12,054	5,717	-	-	(12,054)	(5,717)	-	-
Dividend paid	9.3.17	-	-	-	-	-	-	(100,000)	(47,430)	(100,000)	(47,430)
Balance at 31 December 2011		25,700	12,938	12,850	6,469	-	-	161,565	81,331	200,115	100,738
Foreign currency translations		-	(430)	-	(215)	-	(32)	-	(2,818)	-	(3,495)
Profit for the financial period		-	-	-	-	-	-	85,741	41,851	85,741	41,851
Total comprehensive income for the financial period		-	(430)	-	(215)	-	(32)	85,741	39,033	85,741	38,356
Transaction with owner:											
Recognition of share-based payment expenses	9.3.16	-	-	-	-	22,847	11,152	-	-	22,847	11,152
Balance at 30 September 2012		25,700	12,508	12,850	6,254	22,847	11,120	247,306	120,364	308,703	150,246

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.5 Revenue

	FYE 31 December				FPE 30 September			
	2009	2010	2011	2012	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods	192,427	452,094	214,654	605,327	287,107	416,539	194,691	495,464
	373,138							241,836

9.3.6 Other income

	FYE 31 December				FPE 30 September			
	2009	2010	2011	2012	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gain on foreign exchange	-	26	14	7	-	-	-	505
Interest income	19	10	40	19	25	12	335	164
Gain on disposal of scrap inventories	4,800	2,475	5,762	8,876	4,209	6,293	2,941	6,877
	4,819	2,485	5,788	8,930	4,235	6,318	2,953	7,717
								3,767

9.3.7 Profit before tax

	FYE 31 December				FPE 30 September			
	2009	2010	2011	2012	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before tax is arrived at after charging:								
Auditors' remuneration	11	14	7	16	8	16	8	20
Depreciation of property, plant and equipment	977	980	465	1,982	940	989	462	3,031
Amortisation of land use rights	46	24	131	275	130	208	97	208
Interest expense	264	136	668	973	462	601	281	1,831
Share-based payment expense (Section 9.3.16)	-	-	-	-	-	-	-	22,847
Directors' remuneration	478	542	257	3,666	1,739	496	232	1,334
Land use rights tax	-	79	38	79	37	59	28	59
Loss on disposal of property, plant, equipment	-	-	-	49	23	-	-	-
Rental expense	600	600	285	400	190	400	187	-

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
 (Malaysian Foreign Company Registration No. 9953777-M)
 Accountants' Report



11. ACCOUNTANTS' REPORT (Cont'd)

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.9 Tax expense (continued)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of FenSun are as follows:

	←-----FYE 31 December----->			←-----FPE 30 September----->		
	2009	2010	2011	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before tax	99,468	51,296	127,507	60,540	177,524	84,199
				124,171	58,038	122,115
						59,605
Tax at the PRC statutory tax rate at:	12,434	6,412	31,877	15,135	44,381	21,050
- 25% (applicable to 50% reduction)	-	-	-	-	-	-
- 25%	-	-	-	-	-	-
Tax effect in respect of:						
Non-deductible expenses	104	54	342	163	429	203
						51
						24
						5,845
						2,853
						14,510
						31,043
						30,529
						14,901
						17,754
						17,754

In accordance with the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, FenSun is entitled to a full exemption from both the PRC state and local corporate income tax for the first two (2) profitable calendar years of its operations and thereafter a 50% relief from the PRC state corporate income tax for three consecutive calendar years.

FenSun had elected the financial year ended 31 December 2005 as its first profit-making year for the purposes of tax exemption. Therefore, FenSun was exempted from the corporate income tax in financial years ended 31 December 2005 and 31 December 2006 and was entitled to a 50% income tax reduction in financial years ended 31 December 2007, 31 December 2008 and 31 December 2009.

No deferred tax has been accounted for as FenSun did not have any significant temporary differences, which would give rise to a deferred tax asset or liability as at 31 December 2009, 2010, 2011 and 30 September 2012.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.10 Property, plant and equipment

	<-----As at 31 December----->						As at 30 September	
	2009	2009	2010	2010	2011	2011	2012	2012
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Carrying amount								
Buildings	-	-	-	-	89,477	45,043	87,329	42,503
Plant and machineries	7,190	3,609	6,248	2,920	6,663	3,354	6,906	3,361
Office equipment	137	69	99	46	498	250	480	234
Motor vehicles	-	-	-	-	83	42	160	78
Construction work-in-progress	80	40	26,356	12,319	-	-	-	-
	<u>7,407</u>	<u>3,718</u>	<u>32,703</u>	<u>15,285</u>	<u>96,721</u>	<u>48,689</u>	<u>94,875</u>	<u>46,176</u>

- (i) All property, plant and equipment held by FenSun are located in the PRC.
- (ii) The construction-in-progress with a cost of approximately RMB90,431,000 (RM45,523,000) was completed in August 2011 and since then it was reclassified as buildings.
- (iii) As at 30 September 2012, buildings with carrying amount of approximately RMB87,329,000 (RM42,503,000) were charged as securities for short term loans with financial institutions.

9.3.11 Land use rights

	<-----As at 31 December----->						As at 30 September	
	2009	2009	2010	2010	2011	2011	2012	2012
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Carrying amount								
Land use rights	13,733	6,892	13,458	6,291	13,183	6,636	12,975	6,315

On 12 October 2009, FenSun purchased land use rights for a piece of land located at Neikeng Industrial Area, Shangfang Village Neikeng Town, Jinjiang City, Fujian Province, People's Republic of China, for a total cash consideration of RMB13,779,150 (RM6,915,755) from a related party corporation as disclosed in Section 9.3.20 of this Report.

The land use rights were transferred and registered in FenSun's name on 9 December 2011.

As at 31 December 2009, 2010 and 30 September 2012, land use rights with a carrying amount of approximately RMB13,733,000 (RM6,892,000), RMB13,458,000 (RM6,291,000) and RMB12,975,000 (RM6,315,000) respectively were charged as securities for short term loans with financial institutions.

9.3.12 Inventories

	<-----As at 31 December----->						As at 30 September	
	2009	2009	2010	2010	2011	2011	2012	2012
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
At cost								
Raw materials	1,405	705	2,191	1,024	4,022	2,025	4,084	1,987
Work-in-progress	264	133	454	212	250	126	608	296
Finished goods	4,388	2,202	7,445	3,480	6,830	3,438	8,524	4,149
	<u>6,057</u>	<u>3,040</u>	<u>10,090</u>	<u>4,716</u>	<u>11,102</u>	<u>5,589</u>	<u>13,216</u>	<u>6,432</u>

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.12 Inventories (continued)

Cost of inventories of FenSun recognised as cost of sales amounted to approximately RMB239,939,000 (RM123,737,000), RMB284,838,000 (RM135,241,000), RMB373,079,000 (RM176,951,000) and RMB303,643,000 (RM148,208,000) for the financial years ended 31 December 2009, 2010, 2011 and for the financial period ended 30 September 2012 respectively.

9.3.13 Trade and other receivables

	←-----As at 31 December----->						As at 30 September	
	2009 RMB'000	2009 RM'000	2010 RMB'000	2010 RM'000	2011 RMB'000	2011 RM'000	2012 RMB'000	2012 RM'000
Trade receivables								
Third parties	73,118	36,698	89,830	41,986	135,812	68,368	95,791	46,621
Other receivables and prepayments								
Other receivables	65,939	33,095	42,948	20,074	57	29	71	34
Prepayments	400	201	400	187	-	-	-	-
	<u>66,339</u>	<u>33,296</u>	<u>43,348</u>	<u>20,261</u>	<u>57</u>	<u>29</u>	<u>71</u>	<u>34</u>
	<u>139,457</u>	<u>69,994</u>	<u>133,178</u>	<u>62,247</u>	<u>135,869</u>	<u>68,397</u>	<u>95,862</u>	<u>46,655</u>

- (i) Trade receivables are non-interest bearing and the normal trade credit terms granted by FenSun are sixty (60) days. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.
- (ii) Trade receivables amounted to approximately RMB5,842,000 (RM2,932,000), RMB6,001,000 (RM2,805,000) and RMB20,605,000 (RM10,373,000) as at 31 December 2009, 2010 and 2011 respectively were charged as securities for factoring arrangements with financial institutions.
- (iii) Included in other receivables of FenSun is an amount owing from the equity holder, amounting to approximately RMB65,900,000 (RM33,075,000) and RMB42,900,000 (RM20,051,000) as at 31 December 2009 and 2010 respectively, which are unsecured, interest free and repayable on demand in cash and cash equivalents.
- (iv) All trade and other receivables are denominated in RMB.
- (v) The ageing analysis of trade receivables of FenSun are as follows:

	←-----As at 31 December----->						As at 30 September	
	2009 RMB'000	2009 RM'000	2010 RMB'000	2010 RM'000	2011 RMB'000	2011 RM'000	2012 RMB'000	2012 RM'000
Neither past due nor impaired	73,118	36,698	89,830	41,986	135,812	68,368	95,791	46,621

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.13 Trade and other receivables (continued)

(v) The ageing analysis of trade receivables of FenSun are as follows (continued):

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with FenSun. Trade receivables of FenSun of more than 55%, 53%, 50% and 43% as at 31 December 2009, 2010, 2011 and 30 September 2012 respectively arise from customers with more than eight (8) years of business relationship with FenSun as at 30 September 2012, and have no records of default in these three (3) financial years and in the 9-month financial period ended 30 September 2012.

None of the trade receivables of FenSun that are neither past due nor impaired have been renegotiated during the financial period.

(vi) Information on the financial risk of trade and other receivables is disclosed in Section 9.3.25 of this Report.

9.3.14 Cash and cash equivalents

	<-----As at 31 December----->						As at 30 September	
	2009 RMB'000	2009 RM'000	2010 RMB'000	2010 RM'000	2011 RMB'000	2011 RM'000	2012 RMB'000	2012 RM'000
Cash in hand	47	23	44	21	18	9	54	26
Cash at bank	7,746	3,888	7,388	3,453	27,468	13,827	197,722	96,232
	7,793	3,911	7,432	3,474	27,486	13,836	197,776	96,258

(i) All cash and cash equivalents are denominated in RMB.

(ii) Information on financial risk of cash and cash equivalents is disclosed in Section 9.3.25 of this Report.

9.3.15 Capital

	<-----As at 31 December----->						As at 30 September	
	2009 RMB'000	2009 RM'000	2010 RMB'000	2010 RM'000	2011 RMB'000	2011 RM'000	2012 RMB'000	2012 RM'000
Registered	4,536	2,277	4,536	2,120	25,700	12,938	25,700	12,508
Issued and fully paid:								
Balance as at 1 January	1,592	809	1,592	799	1,592	744	25,700	12,938
Exchange differences	-	(10)	-	(55)	-	760	-	(430)
Issued during the financial year/period	-	-	-	-	24,108	11,434	-	-
Balance as at 31 December/30 September	1,592	799	1,592	744	25,700	12,938	25,700	12,508

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.15 Capital (continued)

FenSun was incorporated in the PRC on 27 September 2004 with the registered capital of HKD5,000,000 (equivalent to RMB4,536,444 (RM2,277,000)). During the financial year ended 31 December 2011, the registered capital of FenSun was increased to HKD31,000,000 (equivalent to RMB25,700,255 (RM12,938,000)).

In the financial year ended 31 December 2011, the issued and fully paid-up capital of FenSun was increased from RMB1,592,000 (RM744,000) to RMB25,700,000 (RM12,938,000) for cash and for working capital purposes.

The equity holder of FenSun is entitled to receive dividends as and when declared by FenSun. All capital ranks pari passu with regard to FenSun's residual assets.

9.3.16 Reserves

	-----As at 31 December----->						As at 30 September	
	2009 RMB'000	2009 RM'000	2010 RMB'000	2010 RM'000	2011 RMB'000	2011 RM'000	2012 RMB'000	2012 RM'000
Non-distributable:								
Statutory surplus reserves								
Balance as at 1 January	796	405	796	399	796	372	12,850	6,469
Exchange differences	-	(6)	-	(27)	-	380	-	(215)
Transferred from retained earnings during the financial year	-	-	-	-	12,054	5,717	-	-
Balance as at 31 December/30 September	796	399	796	372	12,850	6,469	12,850	6,254
Share-based payment reserves								
Balance as at 1 January	-	-	-	-	-	-	-	-
Recognition of share-based payment	-	-	-	-	-	-	22,847	11,152
Exchange differences	-	-	-	-	-	-	-	(32)
Balance as at 31 December/30 September	-	-	-	-	-	-	22,847	11,120
Distributable:								
Retained earnings	125,617	63,048	140,905	65,859	161,565	81,331	247,306	120,364
	126,413	63,447	141,701	66,231	174,415	87,800	283,003	137,738

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.16 Reserves (continued)

(i) Statutory surplus reserves

Pursuant to applicable PRC regulations, FenSun is required to allocate 10% of its net profit for the financial year (after offsetting prior year losses, if any) to the statutory surplus reserve until it reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to equity holders. The statutory surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase the registered capital of FenSun, provided that the balance after such issue is not less than 25% of its registered capital.

During the financial year ended 31 December 2011, RMB12,054,000 (RM5,717,000) was transferred from retained earnings to statutory surplus reserve of FenSun to achieve 50% of the paid-up capital.

(ii) Share-based payment reserves

On 25 April 2012, 33,750,000 Shares of CAP-Bermuda were received by GuoTai International Holding Limited ("GuoTai"), a company owned by Li Guo Qing from Ong Juan Tee and dealt with as an equity settled share-based payment in accordance with IFRS 2 *Share-based Payment*. The fair value of the subject shares on the grant date of RMB22,847,279 (RM11,151,757) has been recognised in profit or loss, with a corresponding increase in equity as there are no vesting conditions attached to the subject shares to GuoTai.

There was no term and vesting condition attached to this share-based payment transaction.

(iii) Retained earnings

FenSun is able to frank the payment of net dividends out of its entire distributable retained earnings as at 30 September 2012. Retained earnings represent cumulative net gains and losses recognised in the statements of comprehensive income.

9.3.17 Dividends

	<-----FYE 31 December----->						FPE 30 September	
	2009	2009	2010	2010	2011	2011	2012	2012
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Final dividend								
In respect of the FYE 31 December 2008 and approved by equity holder in year 2009	40,000	20,628	-	-	-	-	-	-
In respect of the FYE 31 December 2009 and approved by equity holder in year 2010	-	-	80,000	37,984	-	-	-	-
In respect of the FYE 31 December 2010 and approved by equity holder in year 2011	-	-	-	-	100,000	47,430	-	-
	<u>40,000</u>	<u>20,628</u>	<u>80,000</u>	<u>37,984</u>	<u>100,000</u>	<u>47,430</u>	-	-

No dividends had been paid, declared or proposed in respect of the FPE 30 September 2012.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.18 Trade and other payables

	<-----As at 31 December----->						As at 30 September	
	2009 RMB'000	2009 RM'000	2010 RMB'000	2010 RM'000	2011 RMB'000	2011 RM'000	2012 RMB'000	2012 RM'000
Trade payables								
Third parties	26,148	13,124	29,432	13,757	35,086	17,662	26,200	12,751
Other payables and accruals								
Amount owing to ultimate holding company	-	-	-	-	-	-	36,761	17,891
Other payables	2,761	1,386	2,968	1,387	8,632	4,345	5,173	2,518
Accruals	1,727	866	1,878	878	2,030	1,022	2,707	1,318
	<u>4,488</u>	<u>2,252</u>	<u>4,846</u>	<u>2,265</u>	<u>10,662</u>	<u>5,367</u>	<u>44,641</u>	<u>21,727</u>
	<u>30,636</u>	<u>15,376</u>	<u>34,278</u>	<u>16,022</u>	<u>45,748</u>	<u>23,029</u>	<u>70,841</u>	<u>34,478</u>

- (i) Trade payables are non-interest bearing and the normal trade credit terms granted to FenSun are sixty (60) days.
- (ii) All trade and other payables are denominated in RMB.
- (iii) Amount owing to ultimate holding company, which is non-trade in nature, is unsecured, interest free and repayable on demand in cash and cash equivalents.
- (iv) Information on financial risk of trade and other payables is disclosed in Section 9.3.25 of this Report.

9.3.19 Short term borrowings

	<-----As at 31 December----->						As at 30 September	
	2009 RMB'000	2009 RM'000	2010 RMB'000	2010 RM'000	2011 RMB'000	2011 RM'000	2012 RMB'000	2012 RM'000
Secured								
Short term loans	4,900	2,459	4,900	2,290	-	-	13,000	6,327
Factoring arrangements	5,000	2,510	5,000	2,337	15,000	7,551	-	-
	<u>9,900</u>	<u>4,969</u>	<u>9,900</u>	<u>4,627</u>	<u>15,000</u>	<u>7,551</u>	<u>13,000</u>	<u>6,327</u>
Unsecured								
Short term loans	2,000	1,004	-	-	10,000	5,034	10,000	4,867
	<u>11,900</u>	<u>5,973</u>	<u>9,900</u>	<u>4,627</u>	<u>25,000</u>	<u>12,585</u>	<u>23,000</u>	<u>11,194</u>

- (i) All borrowings are denominated in RMB.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.19 Short term borrowings (continued)

(ii) Details of the securities of the secured short term loans and factoring arrangements are as follows:

	<-----As at 31 December----->						As at 30 September	
	2009	2009	2010	2010	2011	2011	2012	2012
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Short term loans								
Secured by:								
Land use right	13,733	6,892	13,458	6,291	-	-	12,975	6,315
Buildings	-	-	-	-	-	-	87,329	42,503
Factoring arrangements								
Secured by:								
Trade receivables	5,842	2,932	6,001	2,805	20,605	10,373	-	-
	<u>19,575</u>	<u>9,824</u>	<u>19,459</u>	<u>9,096</u>	<u>20,605</u>	<u>10,373</u>	<u>100,304</u>	<u>48,818</u>

The secured factoring arrangements amounted to RMB15,000,000 (RM7,551,000) as at 31 December 2011 were guaranteed by a related party corporation. These factoring arrangements were repaid in April 2012.

(iii) Details of the unsecured short term loans are as follows:

	<-----As at 31 December----->						As at 30 September	
	2009	2009	2010	2010	2011	2011	2012	2012
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Jointly guaranteed by:								
Director and third party corporation	-	-	-	-	5,000	2,517	10,000	4,867
Director, related party and related party corporation	<u>2,000</u>	<u>1,004</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>2,517</u>	<u>-</u>	<u>-</u>
	<u>2,000</u>	<u>1,004</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>5,034</u>	<u>10,000</u>	<u>4,867</u>

The unsecured short term loans jointly guaranteed by the Director, related party and related party corporation amounted to RMB5,000,000 (RM2,517,000) as at 31 December 2011 were repaid in January 2012.

(iv) Information on financial risk of borrowings is disclosed in Section 9.3.25 of this Report.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.20 Related party disclosures

(a) Identities of related parties

Parties are considered to be related to FenSun if FenSun has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where FenSun and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

FenSun had controlling related party relationship with its Directors and equity holder. In addition, FenSun also had related party relationships with the following party:

Identity of the related party	Relationship with the Company
Quanzhou Yongshun Automobile Parts Co., Ltd. ("Yongshun")	Li PeiYuan (李培元), a shareholder of Yongshun which became effective on 16 March 2012), is a Director of FenSun until his resignation on 21 December 2010. He is the father of Terry Li, also a Director of FenSun.

(b) Significant related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, FenSun had the following transactions with related parties during the FYE 31 December 2009, 2010, 2011 and FPE 30 September 2011 and 2012:

	FYE 31 December		FPE 30 September	
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantee given by Yongshun for credit facilities granted to FenSun	-	-	15,000	7,496
Joint guarantee given by Terry Li, a Director of FenSun and a third party corporation for credit facilities granted to FenSun	-	-	5,000	2,517
Joint guarantee given by Terry Li, a Director of FenSun, Li PeiYuan, a Director of FenSun until his resignation on 21 December 2010 and Yongshun for credit facilities granted to FenSun	2,000	1,004	5,000	2,517
Purchase of land from Yongshun	(13,779)	(6,916)	-	-
			5,000	2,517
			15,000	7,496
			2,517	10,000
			-	4,867

The guarantee given by Yongshun for credit facilities granted to FenSun of RMB15,000,000 (RM7,551,000) and the joint guarantee given by Terry Li, Li PeiYuan and Yongshun for credit facilities granted to FenSun of RMB5,000,000 (RM2,517,000) were repaid in April 2012 and January 2012 respectively.

The related party transactions described above have been carried out on negotiated and mutually agreed terms and conditions.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.22 Commitments

(a) Operating lease commitments

At the end of the reporting periods, FenSun was committed to making the following rental payments in respect of non-cancellable operating leases of factory with an original term of more than one year.

	FYE 31 December			FPE 30 September		
	2009	2010	2011	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year	600	309	400	190	-	-
Later than one year and not later than five years	400	-	-	-	-	-
	1,000	515	400	190	-	-

The leases on FenSun's factory premises on which rental was payable expired on 31 August 2011 and the rent payable was RMB50,000 (RM24,000) per month.

(b) Capital commitments

	FYE 31 December			FPE 30 September		
	2009	2010	2011	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of purchase of property, plant and equipment:						
Contracted but not provided for	-	59,644	28,319	-	-	-

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.23 Operating segments

FenSun has two segments:

- (a) Manufacturing division - this division is involved in the manufacture and sales of u-bolts, wheel axles, wheel-hub bolts and steel pins, and;
- (b) Trading division - this division is involved in the procurement and sales of torque-rod bushings.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

FenSun evaluates performance on the basis of gross profit as reported in statements of comprehensive income not including non-recurring losses, if any, and also excluding the effects of retirement benefit obligations.

	Manufacturing		Trading		Total	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Financial year ended 31 December 2009						
Revenue from external customers	301,135	155,295	72,003	37,132	373,138	192,427
Gross profit	87,689	45,221	18,532	9,557	106,221	54,778
Financial year ended 31 December 2010						
Revenue from external customers	360,014	170,935	92,080	43,719	452,094	214,654
Gross profit	111,288	52,840	25,260	11,993	136,548	64,833
Financial year ended 31 December 2011						
Revenue from external customers	496,062	235,282	109,265	51,825	605,327	287,107
Gross profit	163,326	77,466	31,443	14,913	194,769	92,379
Financial period ended 30 September 2011						
Revenue from external customers	345,279	161,384	71,260	33,307	416,539	194,691
Gross profit	113,189	52,905	20,503	9,583	133,692	62,488
Financial period ended 30 September 2012						
Revenue from external customers	405,045	197,703	90,419	44,133	495,464	241,836
Gross profit	131,526	64,198	28,730	14,023	160,256	78,221

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
(Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.2.3 Operating segments (continued)

Reconciliations of segment revenues, profit or loss, assets and liabilities, and other material items:

	<-----FYE 31 December----->			<-----FPE 30 September----->		
	2009	2010	2011	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RM'000
Revenue	373,138	452,094	214,654	605,327	287,107	416,539
Total revenue for segments	373,138	452,094	214,654	605,327	287,107	416,539
Company's revenue per statements of comprehensive income	373,138	452,094	214,654	605,327	287,107	416,539
Profit for the financial year/period	106,221	54,778	136,548	64,833	194,769	92,379
Gross profit for segments	(6,753)	(3,482)	(9,041)	(4,293)	(17,245)	(8,180)
Unallocated amounts	99,468	51,296	127,507	60,540	177,524	84,199
Profit before tax	(12,538)	(6,466)	(32,219)	(15,298)	(44,810)	(21,253)
Tax expense	86,930	44,830	95,288	45,242	132,714	62,946
Profit for the financial year/period	86,930	44,830	95,288	45,242	132,714	62,946
Assets						
Unallocated amounts	174,447	87,555	196,861	92,013	284,361	143,147
Company's assets	174,447	87,555	196,861	92,013	284,361	143,147
Liabilities						
Unallocated amounts	46,442	23,309	53,568	25,038	84,246	42,409
Company's liabilities	46,442	23,309	53,568	25,038	84,246	42,409
FenSun's assets and liabilities are managed on a company basis and are not allocated to any of the operating segments.						
FenSun's business is entirely operated within the PRC, and no segment revenue and segment asset based on geographical location of customers and assets are presented.						

	<-----As at 31 December----->			<-----As at 30 September----->		
	2009	2010	2011	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RM'000
Assets	174,447	87,555	196,861	92,013	284,361	143,147
Company's assets	174,447	87,555	196,861	92,013	284,361	143,147
Liabilities	46,442	23,309	53,568	25,038	84,246	42,409
Company's liabilities	46,442	23,309	53,568	25,038	84,246	42,409

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No. 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.2.3 Operating segments (continued)

Revenue from five (5) customers in the manufacturing and trading segment represent approximately RMB136,324,000 (RM70,302,000) or 36.5%, RMB144,434,000 (RM68,577,000) or 31.9%, RMB166,210,000 (RM78,833,000) or 27.5% and RMB127,477,000 (RM62,222,000) or 25.7% of the Company's revenue for the FYE 2009 to 2011 and FPE 2012.

Major customers

The following are major customers with revenue equal or more than 5 percent of the Company's revenue:

	2009		2010		2011		2011		2012		Segment
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	
Revenue											
Customer A	36,741	18,948	33,223	15,774	45,148	21,414	38,177	17,844	28,920	14,116	Manufacturing and trading
Customer B	27,613	14,240	33,204	15,765	31,261	14,827	22,135	10,346	28,469	13,896	Manufacturing and trading
Customer C	26,792	13,816	26,453	12,560	30,858	14,636	21,374	9,990	23,589	11,514	Manufacturing and trading
Customer D	22,630	11,670	25,870	12,283	29,638	14,057	20,745	9,696	23,519	11,479	Manufacturing and trading
Customer E	22,548	11,628	25,684	12,195	29,305	13,899	19,854	9,280	22,980	11,217	Manufacturing and trading

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.24 Financial instruments

(a) Capital management

The primary objective of FenSun's capital management is to ensure that FenSun would be able to continue as a going concern while maximising the return to equity holder through the optimisation of the debt and equity balance. The overall strategy of FenSun remains unchanged from that in the financial years ended 31 December 2009, 2010, 2011 and financial period ended 30 September 2012.

FenSun manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, FenSun may adjust the dividend payment to equity holder, return capital to equity holder or issue new capital. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2009, 2010, 2011 and financial period ended 30 September 2012.

FenSun is not subject to any externally imposed capital requirements.

FenSun monitors capital using a debt-to-equity ratio, which is net debt divided by total capital. FenSun has a target gearing ratio of 0.05 times to 0.15 times determined as the proportion of net debt to equity. FenSun includes within net debt, short term borrowings. Capital represents equity attributable to the owner of FenSun.

	<-----As at 31 December----->						As at 30 September	
	2009	2009	2010	2010	2011	2011	2012	2012
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Short term borrowings	11,900	5,973	9,900	4,627	25,000	12,585	23,000	11,194
Net debt	11,900	5,973	9,900	4,627	25,000	12,585	23,000	11,194
Equity attributable to equity holder of FenSun	128,005	64,246	143,293	66,975	200,115	100,738	308,703	150,246
Debt-to-equity ratio (times)	0.09	0.09	0.07	0.07	0.12	0.12	0.07	0.07

(b) Financial instruments

(i) Categories of financial instruments

	<-----As at 31 December----->						As at 30 September	
	2009	2009	2010	2010	2011	2011	2012	2012
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Financial assets								
Loan and receivables								
Trade and other receivables	139,457	69,994	133,178	62,247	135,869	68,397	95,862	46,655
Cash and cash equivalents	7,793	3,911	7,432	3,474	27,486	13,836	197,776	96,258
	147,250	73,905	140,610	65,721	163,355	82,233	293,638	142,913

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.24 Financial instruments (continued)

(b) Financial instruments (continued)

(i) Categories of financial instruments (continued)

	<-----As at 31 December----->						As at 30 September	
	2009	2009	2010	2010	2011	2011	2012	2012
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Financial liabilities								
Other financial liabilities								
Trade and other payables	30,636	15,376	34,278	16,022	45,748	23,029	70,841	34,478
Short term borrowings	11,900	5,973	9,900	4,627	25,000	12,585	23,000	11,194
	<u>42,536</u>	<u>21,349</u>	<u>44,178</u>	<u>20,649</u>	<u>70,748</u>	<u>35,614</u>	<u>93,841</u>	<u>45,672</u>

(c) Determination of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and short term borrowings, are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

9.3.25 Financial risk management objectives and policies

FenSun's financial risk management objective is to ascertain that adequate financial resources are available for the development of FenSun's business whilst managing its exposure to liquidity and cash flow risks, credit risk and interest rate risk. Information on the management of the related exposures is detailed below.

(i) Liquidity and cash flow risks

FenSun actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, FenSun measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance FenSun's activities.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.25 Financial risk management objectives and policies (continued)

(i) Liquidity and cash flow risks (continued)

The table below summarises the maturity profile of FenSun's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within 1 year		Total	
	RMB'000	RM'000	RMB'000	RM'000
31 December 2009				
Trade and other payables	30,636	15,376	30,636	15,376
Short term borrowings	11,900	5,973	11,900	5,973
	42,536	21,349	42,536	21,349
31 December 2010				
Trade and other payables	34,278	16,022	34,278	16,022
Short term borrowings	9,900	4,627	9,900	4,627
	44,178	20,649	44,178	20,649
31 December 2011				
Trade and other payables	45,748	23,029	45,748	23,029
Short term borrowings	25,000	12,585	25,000	12,585
	70,748	35,614	70,748	35,614
30 September 2012				
Trade and other payables	70,841	34,478	70,841	34,478
Short term borrowings	23,000	11,194	23,000	11,194
	93,841	45,672	93,841	45,672

(ii) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are trading houses and authorised distributors located in the PRC. It is FenSun's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that FenSun is exposed to minimal credit risk.

FenSun's primary exposure to credit risk arises through its trade receivables. FenSun's trading terms with its customers are on credit. The credit period is generally for a period of 60 days. Each customer has a maximum credit limit and FenSun seeks to maintain strict control over its outstanding receivables via its finance department to minimise credit risk.

Exposure to credit risk

At the end of the reporting period, FenSun's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
 (Malaysian Foreign Company Registration No. 995377-M)
 Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.25 Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

Credit risk concentration profile

FenSun determines concentration of credit risk by monitoring its trade receivables on an ongoing basis.

As at 31 December 2009, 2010, 2011 and 30 September 2012, approximately 53%, 56%, 54% and 49% of FenSun's trade receivables were due from 9, 10, 10 and 10 customers located in the PRC respectively.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Section 9.3.13 of this Report.

Deposits with banks are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of FenSun's financial instrument will fluctuate because of changes in market interest rates.

FenSun's exposure to interest rate risk arises primarily from its short term borrowings and cash at banks.

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of FenSun's financial instruments that are exposed to interest rate risk:

	Section	Weighted average effective interest rate %	Within 1 year		Total	
			RMB'000	RM'000	RMB'000	RM'000
At 31 December 2009						
Fixed rates						
Cash at banks	9.3.14	0.36%	7,746	3,888	7,746	3,888
Short term borrowings	9.3.19	5.90%	(11,900)	(5,973)	(11,900)	(5,973)
At 31 December 2010						
Fixed rates						
Cash at banks	9.3.14	0.36%	7,388	3,453	7,388	3,453
Short term borrowings	9.3.19	5.56%	(9,900)	(4,627)	(9,900)	(4,627)
At 31 December 2011						
Fixed rates						
Cash at banks	9.3.14	0.50%	27,468	13,827	27,468	13,827
Short term borrowings	9.3.19	6.91%	(25,000)	(12,585)	(25,000)	(12,585)
At 30 September 2012						
Fixed rates						
Cash at banks	9.3.14	0.35%	197,722	96,232	197,722	96,232
Short term borrowings	9.3.19	8.33%	(23,000)	(11,194)	(23,000)	(11,194)

11. ACCOUNTANTS' REPORT (Cont'd)

China Automobile Parts Holdings Limited (Bermuda Company No.: 46416)
(Malaysian Foreign Company Registration No. 995377-M)
Accountants' Report



9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 FenSun (continued)

9.3.25 Financial risk management objectives and policies (continued)

(iii) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

At the end of the reporting period of FYE 31 December 2009, 2010 and 2011, if the interest rates had been 10% higher or lower, with all other variables held constant, the post-tax profit would have been approximately RMB4,375, RMB3,750 and RMB11,250 (RM2,256, RM1,781 and RM5,336) lower or higher, arising as a result of higher or lower interest expense on variable borrowings.

At the end of the reporting period of FPE 30 September 2012, if the interest rates had been 10% higher or lower, with all other variables held constant, the post-tax profit would have been approximately RMB9,750 (RM4,759) higher or lower, arising as a result of higher or lower interest income on cash at banks. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

10. SUBSEQUENT EVENTS

Other than as disclosed elsewhere in the Report, there was no significant event between the date of the last financial statements used in the preparation of this Report and the date of this Report which will materially affect the content of this Report.

11. AUDITED FINANCIAL STATEMENTS

As at the date of this Report, no audited financial statements have been prepared in respect of any period subsequent to 30 September 2012 for CAP-Bermuda, CAP-HK and FenSun.

Yours faithfully

BDO
AF : 0206
Chartered Accountants

Law Kian Huat
2855/06/14 (J)
Chartered Accountant

24 December 2012

11. ACCOUNTANTS' REPORT (Cont'd)

Appendix 1

11. ACCOUNTANTS' REPORT (Cont'd)

Bermuda Company No: 46416
(Malaysia Foreign Company Registration No: 995377-M)

2



Tel: +603 2616 2888
Fax: +603 2616 3190, 2616 3191
www.bdo.my

12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF
CHINA AUTOMOBILE PARTS HOLDINGS LIMITED
(INCORPORATED IN BERMUDA)**

Report on the Financial Statements

We have audited the financial statements of China Automobile Parts Holdings Limited, which comprise the statements of financial position as at 30 September 2012 of the Group and of the Company and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period from 1 January 2012 to 30 September 2012 and for the financial period from 4 April 2012 (date of incorporation) to 30 September 2012 respectively, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 47.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11. **ACCOUNTANTS' REPORT (Cont'd)**

Bermuda Company No: 46416
(Malaysia Foreign Company Registration No: 995377-M)

3



Tel: +603 2616 2888
Fax: +603 2616 3190, 2616 3191
www.bdo.my

12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF
CHINA AUTOMOBILE PARTS HOLDINGS LIMITED
(INCORPORATED IN BERMUDA)
(continued)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with IFRSs so as to give a true and fair view of the financial position of the Group and of the Company as of 30 September 2012, and of their financial performance and cash flows of the Group and of the Company for the financial period from 1 January 2012 to 30 September 2012 and for the financial period from 4 April 2012 (date of incorporation) to 30 September 2012 respectively.

Other Matters

The abovementioned financial statements of the Group and of the Company are prepared solely for the Board of Directors of the Company for the purpose of submission to Bursa Malaysia Securities Berhad ("BMSB") and Securities Commission ("SC") and the preparation of the prospectus in relation to a proposed initial public offering exercise in Malaysia involving the Company and are not be used in whole or in part for any other purposes. This report is made solely to the Board of Directors of the Company and we do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to be 'BDO' or similar, written in a cursive style.

BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
24 December 2012

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
350500400050241

2



Tel: +603 2616 2888
Fax: +603 2616 3190, 2616 3191
www.bdo.my

12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF
QUANZHOU FENSUN AUTOMOBILE PARTS CO., LTD.
(INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA)**

Report on the Financial Statements

We have audited the financial statements of QuanZhou FenSun Automobile Parts Co., Ltd., which comprise the statements of financial position as at 31 December 2009, 2010 and 2011 and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Company for the financial years then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 50.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
350500400050241

3



**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF
QUANZHOU FENSUN AUTOMOBILE PARTS CO., LTD.
(INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA)
(continued)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with IFRSs so as to give a true and fair view of the financial position of the Company as of 31 December 2009, 2010 and 2011, and of their financial performance and cash flows of the Company for the respective financial years then ended.

Other Matters

- (a) The financial statements of the Company for the financial years ended 31 December 2009 and 2010, were audited by another auditor who expressed an unmodified opinion on those statements based on China Registered Accountants' Auditing Standards on 22 March 2010 and 18 March 2011 respectively.
- (b) The abovementioned financial statements of the Company are prepared solely for the Board of Directors of the Company for the purpose of submission to Bursa Malaysia Securities Berhad ("BMSB") and Securities Commission ("SC") and the preparation of the prospectus in relation to a proposed initial public offering exercise in Malaysia involving the Company and are not be used in whole or in part for any other purposes. This report is made solely to the Board of Directors of the Company and we do not assume responsibility to any other person for the content of this report.

BDO

BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
12 May 2012

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
350500400050241

2



Tel: +603 2616 2888
Fax: +603 2616 3190, 2616 3191
www.bdo.my

12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTOR OF
QUANZHOU FENSUN AUTOMOBILE PARTS CO., LTD.
(INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA)**

Report on the Financial Statements

We have audited the financial statements of QuanZhou FenSun Automobile Parts Co., Ltd., which comprise the statement of financial position as at 30 September 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period from 1 January 2012 to 30 September 2012, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 45.

Director's Responsibility for the Financial Statements

The Director of the Company is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), and for such internal control as the Director determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11. ACCOUNTANTS' REPORT (Cont'd)

Company No:
350500400050241

3



Tel: +603 2616 2888
Fax: +603 2616 3190, 2616 3191
www.bdo.my

12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTOR OF
QUANZHOU FENSUN AUTOMOBILE PARTS CO., LTD.
(INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA)
(continued)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with IFRSs so as to give a true and fair view of the financial position of the Company as of 30 September 2012, and of its financial performance and cash flows of the Company for the financial period from 1 January 2012 to 30 September 2012.

Other Matters

The abovementioned financial statements of the Company are prepared solely for the Board of Director of the Company for the purpose of submission to Bursa Malaysia Securities Berhad ("BMSB") and Securities Commission ("SC") and the preparation of the prospectus in relation to a proposed initial public offering exercise in Malaysia involving the Company and are not be used in whole or in part for any other purposes. This report is made solely to the Board of Director of the Company and we do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to be 'BMO'.

BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
24 DEC 2012

12. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



CHINA AUTOMOBILE PARTS HOLDINGS LIMITED

(Bermuda Company No. 46416)

Bermuda Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda
Tel : +1 (441) 295 5950
Fax : +1 (441) 292 4720

Head Office

Neikeng Industrial Area
Shangfang Village, Neikeng Town
Jinjiang City, Fujian Province
People's Republic of China
Tel : +86 (595) 6858 5555
Fax : +86 (595) 6858 9555

Malaysia Registered Office

Suite 13.03, 13th Floor,
Menara Tan & Tan
207, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Tel : +6 (03) 2164 0206 / 2164 0118
Fax : +6 (03) 2164 0207

Date: 31 DEC 2012

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

Dear Sir / Madam

On behalf of the Board of Directors of China Automobile Parts Holdings Limited ("**CAP-Bermuda**"), I wish to report after due enquiry by the Board of Directors of CAP-Bermuda, that between the period from 30 September 2012 (being the date to which the last audited financial statements of CAP-Bermuda and its subsidiaries ("**Group**") have been made up) to the date of this letter (being a date not earlier than 14 days before the issuance of this Prospectus), that:-

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Group, which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in this Prospectus, there are no contingent liabilities by reason of any guarantee or indemnity given by the Company or any of its subsidiaries;
- (e) there have been, since the last audited financial statements of the Group, no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowings by the Company or any of its subsidiaries; and
- (f) save as disclosed in this Prospectus, there have been no material changes in the published reserves or any unusual factor affecting the profits of the Group since the last audited financial statements of the Group.

Yours faithfully

For and on behalf of the Board of Directors

CHINA AUTOMOBILE PARTS HOLDINGS LIMITED

TERRY LI
Managing Director

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION

13.1 SHARE CAPITAL

- (i) No shares will be allocated or issued on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (ii) Neither our Company nor our subsidiaries have any capital that is under option, or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.
- (iii) As at the date of this Prospectus, there is one (1) class of shares in our Company, namely ordinary shares of US\$0.10 each, the details of which are outlined in Section 2.1.1 of this Prospectus.
- (iv) Saved as disclosed in Sections 2.3, 4.3 and 4.4, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Company and our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) years preceding from the date of this Prospectus.
- (v) As at the date of this Prospectus:-
 - (a) no person or Director or employee of our Company has been or is entitled to be given an option to purchase or subscribe for any Shares, stocks or debentures of our Company or our subsidiaries; and
 - (b) there is currently no scheme for or involving our Directors or employees in the capital of our Company or any of our subsidiaries.
- (vi) Neither our Company nor our subsidiaries have any outstanding convertible debt securities, options, warrants or uncalled capital as at the date of this Prospectus.

13.2 SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED BYE-LAWS OF OUR COMPANY

For so long as our Company is listed on the Official List and is registered with the Companies Commission of Malaysia as a foreign corporation, our Bye-laws require us to keep at our registered office in Malaysia copies of our Memorandum of Association and Bye-laws, which shall be open for inspection by our members thereat without charge. Further, we shall, upon written request by a member, send him a copy of our Memorandum of Association and Bye-laws within 14 days of our receipt of such member's request, subject to payment by the member of the reasonable cost thereof.

The following provides information about certain provisions of our Memorandum of Association and Bye-laws and Bermuda company law. The description below is only a summary and is qualified in its entirety by reference to our Memorandum of Association and Bye-laws and the Bermuda Companies Act:-

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

(i) Registration number and Memorandum of Association

The registration number with which the Company was incorporated is 46416.

Our Memorandum of Association states, *inter alia*, that the liability of the members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that our Company is to be an exempted company as defined by the Bermuda Companies Act. Paragraph 6 of our Memorandum of Association states that the objects for which our Company was formed and incorporated are unrestricted. Paragraph 7 of our Memorandum of Association provides, *inter alia*, that our Company may do all such things as are incidental or conducive to the attainment of its objects and shall have the capacity, rights, powers and privileges of a natural person.

In accordance with and subject to sections 42A and 42B of the Bermuda Companies Act, the Memorandum of Association of our Company empowers it to purchase its own shares for cancellation and also to purchase its own shares to be held as treasury shares and these powers are exercisable by the Board of Directors upon such terms and subject to such conditions as it thinks fit in accordance with the Bye-laws.

(ii) Directors

(a) Ability of interested directors to vote (Bye-laws 101 and 102)

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote on any resolution of the Board in respect of any contract or arrangement or proposed contract or arrangement in which he has directly or indirectly an interest. However, the interested Director need not be excluded from being counted in the quorum for the meeting at which such contract or arrangement or proposed contract or arrangement is considered.

A Director, whose remuneration (including pension or other benefits) for himself is the subject of a resolution tabled at a meeting of the Board, shall not be entitled to vote on the resolution as he shall be taken to have a personal material interest in the matter. Other Directors of the Company will not be prohibited by the Bye-laws from voting on that resolution so long as they do not have any direct or indirect interest in the subject matter of the said resolution.

(b) Remuneration (Bye-laws 90, 95, 97(1), 97A and 98)

The fees of the Directors shall from time to time be determined by the Company in general meeting, shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting, and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director, but he shall not in any circumstances be remunerated by a commission on or a percentage of turnover.

Payments to any Director or past Director of the Company or of a subsidiary of the Company of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting. Similarly, the approval of the Company in general meeting must be obtained before making any payment to any Director of the Company in connection with the transfer of the whole or any part of the undertaking or property of the Company.

The Company shall not pay a Director remuneration (whether as Director or otherwise) free of income tax, or otherwise calculated by reference to or varying with the amount of his income tax, or the rate of income tax.

(c) Borrowing powers (Bye-law 109)

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Bermuda Companies Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

These powers conferred on the Board may be varied by amending the relevant Bye-laws of the Company.

(d) Retirement age limit (Bye-law 86(2))

There are no provisions relating to retirement of Directors upon reaching any age limit. However, a Director who is over the age of seventy (70) shall retire from office in every year but he may be re-elected by way of a special resolution in general meeting.

(e) Shareholding qualification (Bye-law 85(3))

Neither a Director nor an alternate Director is required to hold any shares of the Company by way of qualification.

(iii) Share rights and restrictions

The Company currently has only one class of shares, namely ordinary shares.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (a) Dividends and distributions (Bye-laws 15A(2), 17(2), 135, 136, 137, 138, 139, 141 and 142)

Notwithstanding any provision in the Bye-laws to the contrary, a Depositor (as defined in the Bye-laws) whose name appears in the Register of Members of the Company (which includes, where applicable, any branch register of members of the Company kept pursuant to the Bermuda Companies Act) (the "Register") shall be entitled to all rights (including voting and other rights), benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such deposited security (as defined in the Bye-laws) registered in the Depositor's name (whether conferred or imposed by the Bermuda Companies Act, the memorandum of association of the Company or the Bye-laws, or otherwise) as if such Depositor is the sole holder of such deposited security. Notwithstanding that the Depository (as defined in the Bye-laws) is named in the Register as the joint holder of any deposited security, the Depository shall not be entitled to any rights (including voting and other rights), benefits, powers and privileges in respect of, or arising from, such deposited security and nor shall the Depository be subject to any liabilities, duties and obligations in respect of, or arising from, such deposited security.

Where a share stands in the names of two or more persons, the person first named in the Register shall as regards service of notices and, subject to the provisions of the Bye-laws, all or any other matters connected with the Company, except the transfer of the shares, be deemed the sole holder thereof, save that in respect of any deposited security which is jointly held by the Depository and a Depositor, the Depositor named in the Register as the joint holder of the deposited security shall as regards service of notices and, subject to the provisions of the Bye-laws, all or any other matters connected with the Company, be deemed to be the sole holder thereof.

Holders of shares (other than the Depository) shall be entitled to share in the Company's profits by way of dividends declared or distributions approved by the Board or the Company in general meeting in accordance with the Bye-laws and the Bermuda Companies Act.

Subject to the Bermuda Companies Act and the Bye-laws, the Board may from time to time declare a dividend or other distribution in any currency to be paid to the members and such dividend or distribution may be in cash or wholly or partly in specie. Subject to the Bermuda Companies Act and the Bye-laws, the Company in general meeting may also from time to time declare dividends or other distributions to be paid to the members but no dividend or distribution shall be declared in excess of the amount recommended by the Board.

If at any time the share capital of the Company is divided into different classes, the Board may pay such dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividends.

No dividend shall be paid or distribution made if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (*Cont'd*)

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; and (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other moneys payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Subject to Bye-law 141(2) of the Bye-laws, any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant made payable to the holder of shares and sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his address as appearing in the Register or addressed to such person and at such address as the holder or joint holders may in writing direct or, by way of telegraphic transfer or electronic transfer or remittance or other methods of funds transfer or remittance to such bank account of the holder or the senior joint holder, as the case may be, as provided to the Depository by such holder or the person entitled to such payment. Subject to Bye-law 141(2), every such cheque, warrant or telegraphic transfer or electronic transfer or remittance shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque, warrant or telegraphic transfer or electronic transfer or remittance by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Bye-law 141(2) of the Bye-laws provides that any dividend, interest or other sum payable in cash to the holder of any deposited security which is jointly held by the Depository and a Depositor may be paid by cheque or warrant sent through the post addressed to the Depositor at his address as appearing in the Register or, by way of telegraphic transfer or electronic transfer or remittance or other methods of funds transfer or remittance to such bank account of the holder or the senior joint holder, as the case may be, as provided to the Depository by such holder or the person entitled to such payment, in respect of such deposited security. Every such cheque, warrant or telegraphic transfer or electronic transfer or remittance shall, unless the Depositor otherwise directs, be made payable to the Depositor and shall be sent at his or their risk and payment of the cheque, warrant or telegraphic transfer or electronic transfer or remittance by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. A Depositor may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the deposited security held by such Depositor.

All dividends or bonuses unclaimed for one year after having been declared may be disposed in accordance with the provisions of the Unclaimed Moneys Act 1965 of Malaysia, which shall apply, *mutatis mutandis*, to the Company.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

(b) Voting rights (Bye-laws 15A(2), 58(5), 65, 73, 77(1) and 85(6))

Bye-law 15A(2) of the Bye-laws provides that notwithstanding any provision in the Bye-laws to the contrary, a Depositor whose name appears in the Register shall be entitled to all rights (including voting and other rights), benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such deposited security registered in the Depositor's name (whether conferred or imposed by the Bermuda Companies Act, the memorandum of association of the Company or the Bye-laws, or otherwise) as if such Depositor is the sole holder of such deposited security. Notwithstanding that the Depository is named in the Register as the joint holder of any deposited security, the Depository shall not be entitled to any rights (including voting and other rights), benefits, powers and privileges in respect of, or arising from, such deposited security and nor shall the Depository be subject to any liabilities, duties and obligations in respect of, or arising from, such deposited security.

Bye-law 58(5) of the Bye-laws provides, *inter alia*, that in respect of each general meeting, the Company shall request the Depository in accordance with the rules of the Depository, to issue a Record of Depositors (as defined in the Bye-laws) as at the latest date which is reasonably practicable which shall in any event be not less than three (3) clear market days before that general meeting ("General Meeting Record of Depositors"). Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 of Malaysia as amended from time to time, notwithstanding any other provision of the Bye-laws, a Depositor shall not be entitled to attend any general meeting and to speak and vote thereat unless his name appears in the relevant General Meeting Record of Depositors.

Subject to Bye-law 15A(2), Bye-law 58(5) and Bye-law 73(2) and any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting (i) on a show of hands every member present in person (or being a corporation, is present by a representative duly authorised under section 78 of the Bermuda Companies Act) or by proxy shall have one vote and the chairman of the meeting shall determine which proxy shall be entitled to vote where a member (other than the Depository) is represented by two proxies, and (ii) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder or which he represents and in respect of which all calls due to the Company have been paid, but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

Subject to Bye-law 73(2) of the Bye-laws, where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.

Bye-law 73(2) of the Bye-laws provides that where the Depository is a joint holder of any deposited security with a Depositor, only the Depositor may vote, either in person or by proxy, in respect of such deposited security as if he or it were the sole holder thereof.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Any member entitled to attend and vote at a meeting of the Company (or at a meeting of any class of members of the Company) who is the holder of two or more shares shall be entitled to appoint not more than two proxies to attend and vote instead of him at the same general meeting, provided that if the member is an exempt authorised nominee (defined under the Securities Industry (Central Depositories) Act 1991 of Malaysia as amended from time to time (the "Central Depositories Act") as being an authorised nominee which is exempted from compliance with the provisions of sub-section 25A(1) of the Central Depositories Act) and who holds ordinary shares in the Company for multiple beneficial owners in one securities account (the "omnibus account"), there is no limit to the number of proxies which such exempt authorised nominee may appoint in respect of each omnibus account it holds.

The Bye-laws provide that the appointment of each Director shall be voted on individually, unless a resolution that the appointment of two (2) or more persons as Directors be appointed by a single resolution shall first have been passed by the members present at the meeting without any vote being given against it.

(c) Share in surplus upon liquidation (Bye-laws 15A(2) and 163)

Bye-law 15A(2) of the Bye-laws provides that notwithstanding any provision in the Bye-laws to the contrary, a Depositor whose name appears in the Register shall be entitled to all rights (including voting and other rights), benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such deposited security registered in the Depositor's name (whether conferred or imposed by the Bermuda Companies Act, the memorandum of association of the Company or the Bye-laws, or otherwise) as if such Depositor is the sole holder of such deposited security. Notwithstanding that the Depository is named in the Register as the joint holder of any deposited security, the Depository shall not be entitled to any rights (including voting and other rights), benefits, powers and privileges in respect of, or arising from, such deposited security and nor shall the Depository be subject to any liabilities, duties and obligations in respect of, or arising from, such deposited security.

Shareholders (other than the Depository) are entitled to the surplus assets of the Company in the event that it is wound up. If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Bermuda Companies Act, divide among the members (other than the Depository) in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members (other than the Depository) or different classes of members (other than the Depository). The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the members (other than the Depository) as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Subject to the Bermuda Companies Act, on the voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it has been approved by the members in general meeting. The amount of such payment shall be notified to all members (other than the Depository) at least seven (7) days prior to the meeting at which the commission or fee is to be considered.

(d) Redemption provisions

The shares do not have redemption rights.

(e) Sinking fund

The Bye-laws do not contain sinking fund provisions.

(f) Calls on shares (Bye-laws 25, 26, 28, 33 and 33A)

Subject to the Bye-laws and to the terms of allotment, the Board may from time to time make calls upon the members (other than the Depository) in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board may determine, but the Board may in its absolute discretion waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him and upon all or any of the moneys so advanced (until the same would, but for such advance, become presently payable) pay interest at such rate (if any) as the Board may decide.

The Company may by special resolution determine that any portion of its share capital which has not been already called up shall not be capable of being called up except in the event and for the purposes of the Company being wound up, and thereupon that portion of its share capital shall not be capable of being called up except in the event and for the purposes of the Company being wound up, but no such resolution shall prejudice the rights of any person acquired before the passing of the resolution.

The Memorandum of Association states that the liability of the members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them.

(g) Discriminatory provisions against substantial shareholder (Bye-law 167)

The Bye-laws do not contain any provisions discriminating against any existing or prospective holder of shares as a result of such shareholder owning a substantial number of shares save that for so long as the Company is listed on the Official List, a substantial shareholder (having the meaning ascribed to it in the Malaysian Companies Act as amended from time to time) has to disclose and, where applicable, has to procure its relevant beneficial owners having an interest in the Company within the meaning of Section 6A of the Malaysian Companies Act to disclose, particulars of their interest in the Company and of any change in such interest. Such requirement to disclose does not apply to the Depository. See also paragraph (vii) below for details on shareholding disclosure requirement.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

(iv) Variation of rights of existing shares or classes of shares (Bye-law 10)

Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes (as defined in the Bye-laws to mean the Bermuda Companies Act and every other act of the Legislature of Bermuda for the time being in force applying to or affecting the Company, its Memorandum and the Bye-laws), preference capital other than redeemable preference capital may be repaid and the rights attached to any class of shares may only be varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting and all adjournments thereof all the provisions of the Bye-laws relating to general meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum (other than at an adjourned meeting) shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class and at any adjourned meeting of such holders, two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him provided always that where the necessary majority for such special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters in nominal value of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting.

(v) General meetings (Bye-laws 15A(2), 29, 55, 56, 57, 73(2), 75, 79 and 126)

Under Bermuda law, an annual general meeting of members must be convened every calendar year. All general meetings other than the annual general meeting shall be called special general meetings.

Notwithstanding the provisions of the Bermuda Companies Act entitling Members of the Company to elect to dispense with the holding of annual general meetings, an annual general meeting of the Company shall be held in each year (within a period of not more than eighteen (18) months from the date of incorporation and thereafter within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting unless a longer period would not infringe the listing rules or regulations of the Designated Stock Exchange, if applicable). In addition, for so long as the Company is listed on the Official List, the interval between the close of the Company's financial year and the date of the Company's annual general meeting shall not exceed six (6) months or such other period as may be prescribed or permitted by the Designated Stock Exchange.

The Directors may, whenever they think fit, convene a general meeting. However, the Directors shall call a special general meeting for the purpose of tabling any amendments to the Bye-laws as may be required arising from any changes to the Listing Requirements, such general meeting to be held no later than the next annual general meeting of the Company.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (*Cont'd*)

In addition, subject to section 74 of the Bermuda Companies Act, in certain circumstances, members of the Company may requisition a special general meeting. Under that section, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the rights of voting at general meetings of the Company shall at all times have the right, by written requisition to the Company deposited at the registered office of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may do so but any meeting so convened shall not be held after the expiration of three months from the said date.

General meetings may be held in any part of the world as may be determined by the Board of Directors, provided always that for so long as the Company is listed on the Official List, all general meetings of the Company shall be held in Malaysia. The Company may hold a general meeting within Malaysia at more than one venue using any technology that allows all Members a reasonable opportunity to participate.

Bye-law 15A(2) of the Bye-laws provides that notwithstanding any provision in the Bye-laws to the contrary, a Depositor whose name appears in the Register shall be entitled to all rights (including voting and other rights), benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such deposited security registered in the Depositor's name (whether conferred or imposed by the Bermuda Companies Act, the memorandum of association of the Company or the Bye-laws, or otherwise) as if such Depositor is the sole holder of such deposited security. Notwithstanding that the Depository is named in the Register as the joint holder of any deposited security, the Depository shall not be entitled to any rights (including voting and other rights), benefits, powers and privileges in respect of, or arising from, such deposited security and nor shall the Depository be subject to any liabilities, duties and obligations in respect of, or arising from, such deposited security.

Bye-law 73(2) of the Bye-laws provides that where the Depository is a joint holder of any deposited security with a Depositor, only the Depositor may vote, either in person or by proxy, in respect of such deposited security as if he were the sole holder thereof.

Subject to Bye-law 15A(2) and Bye-law 73, no member shall, unless the Directors otherwise determine, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid. Further, Bye-law 126 (in accordance with the Bermuda Companies Act) provides that the resident representative is also entitled to attend and be heard at all general meetings of the Company. The Bermuda Companies Act does not contain provisions as to any documentary evidence to be produced by proxies and corporate representatives. However, such provisions may be contained in the Bye-laws. Where, for example, it is stated that the instrument of proxies must be deposited a specified number of hours before the meeting (see Bye-law 79), proxies deposited after that time cannot be admitted.

Corporate representatives are different from proxies and unless specifically required by the Bye-laws, a letter of appointment does not need to be lodged before the meeting. There are currently no such provisions in the Bye-laws.

(vi) Limitations on non-Bermuda shareholders

There are no limitations, either under Bermuda law or the Bye-laws, on the rights of owners of shares in the Company to hold or vote their shares solely by reason that they are non-Bermudians.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

(vii) Shareholding disclosure requirement (Bye-law 167)

The Bermuda Companies Act does not require disclosure of shareholder ownership beyond any specified threshold. However, Bye-law 167(1) contains provisions to the effect that for so long as the Company is listed on the Official List, each Director shall, upon his appointment to the Board, give an undertaking to the Company that, for so long as he remains a Director, he shall forthwith notify the secretary of the Company of the particulars of the following matters as at the time of his appointment and of any change in such particulars: (a) particulars relating to shares, debentures, participatory interests, rights, options and contracts as are necessary for the purposes of compliance by the Company with Bye-law 167A of the Bye-laws; (b) particulars of any change in respect of the particulars referred to in foregoing sub-paragraph (a) of which notice has been given to the Company including the consideration, if any, received as a result of the event giving rise to the change; (c) of such events and matters affecting or relating to himself as are necessary for the purposes of compliance by the Company with the requirements of the Bye-laws and the Listing Requirements; and (d) the date on which he attains or will attain the age of seventy.

Further, for so long as the Company is listed on the Official List, each member shall, (a) upon becoming a substantial shareholder of the Company, (b) for so long as he remains a substantial shareholder of the Company, upon a change in the percentage level of his interest or interests in the Company and (c) upon ceasing to be a substantial shareholder of the Company, give and, where applicable, shall procure its relevant beneficial owners having an interest in the Company within the meaning of Section 6A of the Malaysian Companies Act, give to the Company (through its Secretary) pursuant to the provisions of Division 3A of Part IV of the Malaysian Companies Act, and to the Securities Commission of Malaysia pursuant to the provisions of the Securities Industry (Reporting of Substantial Shareholding) Regulations 1998 of Malaysia (as amended or substituted from time to time), a notice in writing of (i) the particulars of the shares beneficially owned by him, or (ii) the particulars of the change in interests (including the date of change and the circumstances by reason of which that change has occurred), or (iii) the particulars of the date and circumstances of the cessation of substantial shareholding, as the case may be, within seven (7) days after (aa) becoming a substantial shareholder, (bb) the date of change in the percentage level of his interests, or (cc) the date of cessation, as the case may be. For the purposes of Bye-law 167(2), the term "substantial shareholder" shall have the same meaning ascribed to it in Section 69D of the Malaysian Companies Act, the term "interest" or "interests" shall have the same meaning ascribed to it in Section 6A of the Malaysian Companies Act. The requirement to give notice under this Bye-law 167 does not apply to the Depository.

For so long as the Company is listed on the Official List, the provisions of Section 69O of the Malaysian Companies Act, giving the Company power to require disclosure of beneficial interest in its shares, shall apply.

(viii) Changes in capital (Bye-laws 2, 4 and 6)

Under the Bermuda Companies Act, changes in the capital structure of the Company require shareholder approval at general meetings.

The Bye-laws contain a distinction between a "special resolution" and an "ordinary resolution", a distinction which is not made in the Bermuda Companies Act. Under Bye-law 4, an ordinary resolution is required for certain changes to the Company's share capital such as an increase, consolidation or sub-division. An ordinary resolution is passed by a simple majority of votes cast by members, being entitled so to do, at general meetings.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

With regard to a reduction of share capital or share premium account, Bye-law 6 requires a special resolution. A special resolution is one which has been passed by a majority of not less than 75 per cent (75%) of votes cast by members, being entitled so to do, present and voting at a general meeting.

(ix) Take-overs (Bye-law 168)

For so long as the Company is listed on the Official List, the provisions of Division 2 of Part VI of the CMSA and the Malaysian Code on Take-Over and Mergers 2010 (or their respective statutory modification or re-enactment or successor for the time being in force) shall apply, *mutatis mutandis*, to all take-over offers for the Company. The provisions of Division 2 of Part VI of the CMSA and the Malaysian Code on Take-overs and Mergers 2010 (or their respective statutory modification or re-enactment or successor for the time being in force) shall not apply to the Depository.

(x) Transfer of shares (Bye-laws 46 to 51)

The transfer of any listed securities or class of listed securities of the Company shall be made by way of book entry by the Depository in accordance with the rules of the Depository for the time being (the "Rules"), and, notwithstanding Sections 103 and 104 of the Malaysian Companies Act but subject to sub-section 107(C)(2) of the Malaysian Companies Act and any exemption that may be made from compliance with sub-section 107(C)(1) of the Malaysian Companies Act, the Company shall be precluded from effecting any transfer of listed securities other than through the Depository in accordance with the Rules. Instruments of transfer of any deposited security may be in the form of electronic records of the Depository relating to such transfers. For so long as the Company is listed on the Official List, the Company shall procure from the 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 the Company's register of members and branch register upon receipt of the same.

Subject to the Bye-laws, a member may transfer all or any of his shares (other than deposited securities) by an instrument of transfer in the form acceptable to the Board of Directors provided always that the Company shall accept for registration an instrument of transfer in a form approved by the Board of Directors.

Save as provided in the Bye-laws, there shall be no restriction on the transfer of fully paid up shares (except where required by law or the Listing Requirements (as defined in the Bye-laws)). The Bye-laws provide that no transfer shall be made to an infant or to a person of unsound mind or under other legal disability. The Bye-laws also provide that no transfer shall be made to a subsidiary of the Company (subject to Bye-law 12(1B) of the Bye-laws which shall apply *mutatis mutandis* hereto).

In addition, save in respect of any deposited securities, the Board of Directors may, in its absolute discretion and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share (not being a fully paid up share) on which the Company has a lien or, except in the case of a transfer to executors, administrators or trustees of the estate of a deceased member, a transfer of any share to more than three (3) joint holders. Further, the Board of Directors may decline to recognise any instrument of transfer (in respect of shares other than deposited securities) unless:-

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (a) a fee of such sum (not exceeding three Ringgit (RM3.00) or such other maximum sum as the Designated Stock Exchange may determine to be payable) as the Board may from time to time require is paid to the Company in respect thereof;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is lodged at the Office (as defined in the Bye-laws) or such other place in Bermuda at which the register of members is kept in accordance with the Bermuda Companies Act or the Registration Office (as defined in the Bye-laws), as the case may be, accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
- (d) if applicable, the instrument of transfer is duly and properly stamped.

If the Board of Directors refuses to register a transfer of any share (other than deposited securities), it shall, within one (1) month after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee notice of the refusal.

The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in an appointed newspaper and in accordance with the requirements of the Designated Stock Exchange (as defined in the Bye-laws and which includes the Bursa Malaysia) be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine.

(xi) Untraceable members (Bye-law 172)

In the event there is any member who is untraceable, Bye-law 172 of the Bye-laws permits the Company to sell, in such manner as the Directors thinks fit, any shares of such member who is untraceable. However, no such sale shall be made unless:-

- (a) all cheques or warrants in respect of dividends of the shares in question for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Bye-laws have remained uncashed;
- (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and
- (c) the Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers circulating in the place shown in the Register of Member as the address of the Member and in accordance with the requirements of, the Designated Stock Exchange to be made of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of one (1) month or other period as may be permitted by the Designated Stock Exchange has elapsed since the date of such advertisement.

For this purpose, "relevant period" means the period commencing ten (10) years before the date of publication of the advertisement referred to in sub-paragraph (c) above and ending at the expiry of the period referred to in that paragraph.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

To give effect to any such sale the Directors may authorise some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former Member for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Bye-law shall be valid and effective notwithstanding that the Member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

13.3 DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- (i) The names, addresses and occupations of the Directors of our Company are set out in the "Corporate Directory" Section of this Prospectus.
- (ii) A Director is not required under the Bermuda Companies Act and our Bye-laws to hold any qualification share in our Company.
- (iii) Save as disclosed in Sections 2.7 and 2.9 of this Prospectus, no commission, discounts, brokerages or other special terms have been paid, granted or are payable by our Company or our subsidiaries within the two (2) years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of our Company or our subsidiaries or in connection with the issue or sale of any capital of our Company or any of our subsidiaries and none of our Directors, Promoters or experts is or are entitled to receive any such payment.
- (iv) Other than salary and employment-related benefits as disclosed in Section 6.3.4 of this Prospectus, no amount or benefit has been paid or given within the two (2) years immediately preceding the date of this Prospectus, nor is it intended to be so paid or given, to any of our Directors.

Save and except for the dividends as detailed in Section 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.
- (v) Except as disclosed in Sections 6.1 and 6.2 of this Prospectus, our Directors and substantial Shareholders are not aware of any persons who are able, directly or indirectly, jointly or severally, to exercise control over our Company and our subsidiaries.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

13.4 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any material contracts (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business within two (2) years preceding the date of this Prospectus:-

- (i) Equity transfer agreement dated 31 March 2012 between Ong Juan Tee and CAP-HK for the transfer of 100% equity interest in FenSun to CAP-HK for a total disposal consideration of HK\$31,000,000;
- (ii) Sale and purchase agreement dated 12 April 2012 between CAP-BVI and CAP-Bermuda for the acquisition by CAP-Bermuda of the entire issued and paid-up share capital of CAP-HK for US\$44,999,999, to be wholly satisfied via the issuance of 449,999,990 Shares;
- (iii) Investment agreement dated 30 May 2012 (as amended and varied by a supplemental investment agreement dated 24 September 2012) between CAP-Bermuda, Wisdom Delight Limited and CAP-BVI for the subscription of 9,100,000 new Shares in CAP-Bermuda at an investment sum of RM3,033,333;
- (iv) Investment agreement dated 30 May 2012 (as amended and varied by a supplemental investment agreement dated 24 September 2012) between CAP-Bermuda, Xiangfeng International Holdings Limited and CAP-BVI for the subscription of 25,450,000 new Shares in CAP-Bermuda at an investment sum of RM8,483,333;
- (v) Investment agreement dated 30 May 2012 (as amended and varied by a supplemental investment agreement dated 24 September 2012) between CAP-Bermuda, Huateng International Holdings Limited and CAP-BVI for the subscription of 25,450,000 new Shares in CAP-Bermuda at an investment sum of RM8,483,333; and
- (vi) Underwriting agreement dated 26 December 2012 between the Company, AmInvestment Bank and M&A Securities Sdn Bhd as the Joint Underwriters for the underwriting of 30,000,000 Public Issue Shares ("**Underwritten Shares**") at an underwriting commission of 3.5% of the value of the total Underwritten Shares and upon the terms and conditions contained therein.

13.5 MATERIAL LITIGATION / ARBITRATION

As at the LPD, neither our Company nor any of our subsidiaries is engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of our Group, and our Directors have no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

13.6 GENERAL INFORMATION

During the last financial year and the current financial year to date, there were no:-

- (i) public take-over offers by third parties in respect of our Company's Shares; and
- (ii) public take-over offers by our Company in respect of other companies' shares.

13.7 CONSENTS

The respective written consent of the Principal Adviser, Lead Placement Agent, Managing Underwriter, Joint Placement Agents, Joint Underwriter, Joint Company Secretaries, Company Agent in Malaysia, Principal Bankers, Solicitors for the Listing and Legal Advisers to the Company on Malaysian Law, Share Registrar in Malaysia, Share Registrar in Bermuda, and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Reporting Accountants and Auditors to the inclusion in this Prospectus of their names, Accountants' Report and letters relating to the proforma consolidated financial information in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Independent Market Research Consultants to the inclusion in this Prospectus of their names and the Executive Summary of the Independent Market Research Report in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Legal Advisers to the Company on Bermuda Law to the inclusion in this Prospectus of their name, Comparison of Bermuda Company Law and Malaysian Company Law and Summary of Bermuda Company Law has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Legal Advisers to the Company on Hong Kong Law to the inclusion in this Prospectus of their name and Summary of Hong Kong Law has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Legal Advisers to the Company on PRC Law to the inclusion in this Prospectus of their name and Summary of PRC Law has been given before the issue of this Prospectus and has not subsequently been withdrawn.

13.8 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office in Malaysia during normal business hours for a period of twelve (12) months from the date of issue of this Prospectus:-

- (i) the Memorandum of Association and Bye-laws of our Company;
- (ii) the Directors' Report referred to in Section 12 of this Prospectus;
- (iii) the Accountants' Report as included in Section 11 of this Prospectus;
- (iv) the Reporting Accountants' letters relating to the proforma consolidated financial information as set out in Section 10.7 of this Prospectus;

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (v) the audited financial statements of our Company and our subsidiaries for the past three (3) FYEs 2009, 2010 and 2011 as well as FPE 2012;
- (vi) the Executive Summary of the Independent Market Research Report as set out in Section 5 of this Prospectus and the full Independent Market Research Report;
- (vii) the material contracts referred to in Section 13.4 of this Prospectus; and
- (viii) the letters of consent referred to in Section 13.7 of this Prospectus.

In addition, our registered office in Malaysia shall maintain records of all constituent documents (originals / certified true copies, as the case may be) of our Company, including, but not limited to the following:-

- (i) the Memorandum of Association and Bye-laws of our Company;
- (ii) the certificate of incorporation of our Company;
- (iii) licenses of our Company, if any;
- (iv) the register of Shareholders of our Company;
- (v) transfers of Shares of our Company; and
- (vi) secretarial filings and returns made to the Registrar of Companies in Bermuda.

13.9 RESPONSIBILITY STATEMENTS

This Prospectus has been seen and approved by our Directors, Promoters and Offeror of our Company and they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm that, after having made all reasonable enquiries, to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

AmInvestment Bank acknowledges that, based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW

14.1 SUMMARY OF BERMUDA COMPANY LAW

Our Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. We have been designated by the Bermuda Monetary Authority as non-resident for Bermuda exchange control purposes. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:-

14.1.1 Share capital

The Bermuda Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares must be transferred to an account, to be called the "share premium account", to which the provisions of the Bermuda Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:-

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:-
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares, the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Bermuda Companies Act permits a company to issue preference shares and, subject to the conditions stipulated therein, to convert those preference shares into redeemable preference shares.

The Bermuda Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws of a company authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required. The holders of not less in the aggregate than ten per cent (10%) of the issued shares of that class may apply to a Bermuda court to have the variation cancelled and, where such application is made, the variation shall not have effect unless and until it is confirmed by the court. Where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the rights attached to any class of shares may, unless otherwise provided by the terms of issue of that class, be varied with the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid.

14. SUMMARY OF LAW (Cont'd)

14.1.2 Membership

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. A Bermuda company is also not bound to see to the execution of any trust, whether express, implied or constructive, to which any of its shares are subject and whether or not the company had notice of such trust. Accordingly, persons holding shares through a trustee, nominee or depository will not be recognised as members of a Bermuda company under Bermuda law and may only have the benefit of rights attaching to the shares or remedies conferred by law on members through or with the assistance of the trustee, nominee or depository.

14.1.3 Financial assistance to purchase shares of a company or its holding company

Pursuant to the Companies Amendment (No. 2) Act, 2011, Section 39 of the Bermuda Companies Act (section 39 provided that no company may give financial assistance for the purchase of, or subscription for, shares in itself), has been repealed. The related Sections 39A, 39B and 39C of the Bermuda Companies Act have also been repealed. The Companies Amendment (No. 2) Act, 2011 became operative on 18 December 2011.

14.1.4 Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Shares repurchased may be cancelled or held as treasury shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. 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 the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled (in which event, the company's issued, but not its 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.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

14. SUMMARY OF LAW (Cont'd)

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Bermuda Companies Act.

14.1.5 Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Bermuda Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

14.1.6 Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the Bermuda court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the Bermuda court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of loss or damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

14. SUMMARY OF LAW (Cont'd)

The Bermuda Companies Act also provides that the Minister of Finance of Bermuda may at any time appoint one or more inspectors to investigate the affairs of an exempted company and to report on them in such manner as the Minister may direct. The inspector shall, on the completion of his investigation, report to the Minister and shall send copies of such reports to the company. However, no other person shall be informed of the nature or contents of the report save at the request of the company or on the direction of the Minister. Upon receiving the inspector's report, the Minister may require the company to take such measures as he may consider necessary in relation to its affairs or direct the Registrar of Companies in Bermuda to petition the Bermuda court for the winding up of the company.

14.1.7 Management

The Bermuda Companies Act contains no specific restriction on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties, must act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Bermuda Companies Act requires that every officer should comply with the Bermuda Companies Act, regulations passed pursuant to the Bermuda Companies Act and the bye-laws of the company.

The Bermuda Companies Act contains no specific provision in respect of the establishment or composition of audit committees or similar committees of the board of directors of a company.

As a result of the amendments made to the Bermuda Companies Act pursuant to the Companies Amendment (No. 2) Act, 2011, which came into operation on 18 December 2011, sole directors and corporate directors are now permitted in respect of Bermuda exempted companies.

14.1.8 Accounting and auditing requirements

The Bermuda Companies Act requires a company to cause proper records of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records must at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there must be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three-month period, except that where the company is listed on an appointed stock exchange (as defined in the Bermuda Companies Act), there must be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six-month period.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (Cont'd)

The Bermuda Companies Act requires that the company make available to members the financial statements for the relevant accounting period signed on the balance sheet page by a director. This requirement may be waived if all of the members and all of the directors, either in writing or at a general meeting, agree that in respect of a particular interval, no financial statements or auditor's report thereon need be laid before a general meeting. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Similarly, this requirement may be waived by all members and all directors. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Bermuda Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor must identify the generally accepted auditing standards used. Subject to certain exceptions provided in the Bermuda Companies Act, the company must send to every member a copy of financial statements, prepared in accordance with generally accepted accounting principles and containing all such information and documents as required by the Bermuda Companies Act ("**Financial Statements**"), at least five (5) days before the general meeting of the company at which the Financial Statements are to be tabled.

Where a company does not convene an annual general meeting, financial statements must be made available to every member of the company within twelve (12) months of the end of the year in which the annual general meeting was not held and any member may require the company to convene a general meeting to be held within six (6) months of the failure to make available financial statements for the purpose of the laying before the company of such financial statements.

A company listed on an appointed stock exchange may send to its members summarised financial statements derived from the Financial Statements for the relevant period instead of the Financial Statements. The summarised financial statements must include a summarised report of the Financial Statements and be accompanied by the auditor's report. The summarised financial statements must be sent to members not less than 21 days before the general meeting at which the Financial Statements are to be tabled, and a copy of the summarised financial statements must be made available for inspection by the public at the company's registered office in Bermuda. The company must also make a copy of the full Financial Statements available for inspection by the public at the company's registered office in Bermuda. Summarised financial statements must be accompanied by a notice informing members how they may elect to receive the company's Financial Statements.

14.1.9 Auditors

Unless waived by all of the members and all of the directors, either in writing or at a general meeting, a company must appoint an auditor.

A person, other than an incumbent auditor, is not capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company, waive the foregoing requirements.

14. SUMMARY OF LAW (Cont'd)

An auditor appointed to replace another auditor must, before accepting the appointment or consenting to be appointed, seek from the former auditor a written statement as to the circumstances of the latter's replacement. If the former auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the former auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned or been removed, or whose term of office has expired or is about to expire, or who has vacated office, is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

14.1.10 Exchange control

Exchange control is operated under the Exchange Control Act 1972 of Bermuda (and the regulations made thereunder) and is administered by the Bermuda Monetary Authority. Generally, any payment by a person resident in Bermuda to or for the credit of a person resident outside Bermuda will require prior approval from the Bermuda Monetary Authority.

Exempted companies are normally designated non-resident for exchange control purposes and are able to conduct their day-to-day operations free of exchange control formalities. Such companies are able to pay dividends, distribute capital, open and maintain bank accounts in any foreign currency and to acquire assets and meet all liabilities without reference to the Bermuda Monetary Authority.

Issues and transfers of securities in exempted companies involving non-residents for exchange control purposes must receive prior approval from the Bermuda Monetary Authority. However, the Bermuda Monetary Authority has granted to all Bermuda companies with voting shares listed on an appointed stock exchange, a general permission for the issue and subsequent transfer of any securities of such companies from and/or to a non-resident of Bermuda for so long as any voting shares of such companies remain so listed.

14.1.11 Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, or any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, and there is no Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable to it or any of its operations until 31 March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (Cont'd)

14.1.12 Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

14.1.13 Repatriation of capital and profits

There are no exchange control restrictions presently in effect in Bermuda that would, in the ordinary circumstances, prevent the repatriation of funds (regardless of whether they are profits or capital in nature) in a foreign currency from Bermuda to any country by a Bermuda exempted company designated as a non-Bermuda resident for exchange control purposes (the "**Bermuda Company**").

Under the Bermuda Companies Act, a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. For this purpose, contributed surplus is defined in the Bermuda Companies Act to include proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

There is neither any Bermuda regulatory or legal restrictions against repatriation of capital paid on shares of a Bermuda Company in a foreign currency or remittance of profits by way of dividends in a foreign currency, by or to a Bermuda Company to Malaysia nor any legislation in Bermuda which would affect the timing of such repatriation.

14.1.14 Loans to directors

Bermuda law prohibits a company from (i) making loans to any of its directors (or any directors of its holding company) or to their spouse or children or to companies (other than a company which is a holding company or a subsidiary of the company making the loan, or as the case may be, of the company entering into guarantee or providing security in connection with a loan made to such director his spouse or children by any other person) in which they own or control directly or indirectly more than a twenty per cent (20%) interest, or (ii) entering into any guarantee or providing any security in connection with a loan made to such persons as aforesaid by any other person, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan, guarantee or security is made or given on condition that it will be repaid or discharged, as the case may be, within six (6) months from the conclusion of the next following annual general meeting if the loan, guarantee or security is not approved at or before such meeting. If the approval of the company is not given for the loan, guarantee or security as aforesaid, the directors who authorised it will be jointly and severally liable to indemnify the company for any loss arising therefrom. Where the company has waived the requirement to hold an annual general meeting in accordance with the Bermuda Companies Act and a loan is made to a director, the Board must convene a general meeting of members within the prescribed period to disclose the loan and obtain consent.

14. SUMMARY OF LAW (Cont'd)

14.1.15 Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be laid before a general meeting of the company. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day.

Except when the register of members is closed under the provisions of the Bermuda Companies Act, the register of members of a company shall during business hours (subject to such reasonable restrictions as the company may impose so that not less than two (2) hours in each day be allowed for inspection) be open for inspection by members of the general public without charge. A company may on giving notice by advertisement in an appointed newspaper, close the register of members for any time or times not exceeding in the whole, 30 days in a year. A company is required to maintain its register of members in Bermuda but may, subject to the provisions of the Bermuda Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any member of the public may require a copy of the register of members or any part thereof which must be provided within 14 days of a request on payment of the appropriate fee prescribed in the Bermuda Companies Act. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office in Bermuda and such register must during business hours (subject to such reasonable restrictions as the company may impose, so that not less than two (2) hours in each day be allowed for inspection) be open for inspection by members of the public without charge. Any member of the public may require a copy of the register of directors and officers, or any part of it, on payment of the appropriate fee prescribed in the Bermuda Companies Act.

Where a company, the shares of which are listed on an appointed stock exchange, sends its summarised financial statements to its members pursuant to section 87A of the Bermuda Companies Act, a copy of the full Financial Statements (as well as the summarised financial statements) must be made available for inspection by the public at the company's registered office in Bermuda.

14.1.16 Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributories. The Bermuda court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable to do so.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (Cont'd)

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one (1) or more liquidators within the period prescribed by the Bermuda Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full in the period stated in the directors' declaration of solvency, he is obliged to summon a meeting of creditors and lay before the meeting a statement of the assets and liabilities of the company.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one (1) month's notice published in an appointed newspaper in Bermuda. The Registrar of Companies in Bermuda shall from time to time publish a list of newspapers appointed for the purposes of the Bermuda Companies Act.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned for the day, or the next day following the day, on which the meeting of the members at which the resolution for voluntary winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two (2) occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors and the members nominate different persons, the person nominated by the creditors shall be the liquidator. If no person is nominated by the creditors, the person (if any) nominated by the company shall be liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five (5) persons.

If a creditors' winding up continues for more than one (1) year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year and must lay before such meetings, an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purpose of laying the account before such meetings and giving an explanation thereof. This meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

14. SUMMARY OF LAW (Cont'd)

Within one (1) week after the date of the meetings, or if the meetings are not held on the same date, after the date of the later meeting, the liquidator is required to send to the Registrar of Companies in Bermuda a copy of the account and make a return in accordance with the Bermuda Companies Act. The company will be deemed to be dissolved on the expiration of three (3) months from the registration by the Registrar of Companies in Bermuda of the account and the return. However, a Bermuda court may, on the application of the liquidator or of some other person who appears to the court to be interested, make an order deferring the date at which the dissolution of the company is to take effect for such time as the court thinks fit.

14.2 SUMMARY OF PRC LAW

14.2.1 PRC legal system

The PRC legal system is based on the PRC's Constitution (中华人民共和国宪法) and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents. The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC's Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC. The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders introduced by the State Council and its ministries and commissions must not be in conflict with the PRC's Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders enacted by the State Council. The State Council also has the power to annul such directives, orders and regulations issued by its ministries and commissions.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may introduce administrative rules and directives applicable to their own administrative area. These local laws and regulations shall not be in conflict with the PRC's Constitution, any national laws or any administrative rules and regulations introduced by the State Council. Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC's Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全国人民代表大会常务委员会关于加强法律解释工作的决议) passed on 10 June 1981, the Supreme People's Court has the power to give general interpretation on application of laws in judicial proceedings apart from its power to issue specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to interpret the rules and regulations which they introduced. At the regional level, the power to interpret regional laws is vested in the regional legislative and administration organs which introduce such laws. All such interpretations carry legal effect.

14. SUMMARY OF LAW (Cont'd)

14.2.2 Judicial system

The People's Courts are the judicial organs of the PRC. Under the PRC's Constitution and the Law of Organisation of the People's Courts of the People's Republic of China (《中华人民共和国人民法院组织法》), the People's Courts comprise the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The basic people's courts are divided into civil, criminal, administrative and economic divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of People's Courts at lower levels are subject to supervision of People's Courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the proceedings of People's Courts of the same and lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the People's Courts of all levels.

The People's Courts adopt a two-tier final appeal system. A party may, before the taking effect of a judgment or order, appeal against the judgment or order of the first instance of a local people's court to the People's Court at the next higher level. Judgments or orders of the second instance at the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a People's Court at a higher level finds an error in a final and binding judgment which has taken effect in any People's Court at a lower level, or the presiding judge of a People's Court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

The PRC civil procedures are governed by the Civil Procedure Law of the People's Republic of China (《中华人民共和国民事诉讼法》) (the "**Civil Procedure Law**") adopted on 9 April 1991 and amended on 28 October 2007. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the People's Courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement by the parties to a contract provided that the jurisdiction of the People's Court so selected has some actual connection with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or implemented in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. A foreign national or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a People's Court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the People's Court to enforce the judgment, order or award. There are time limits on the right to apply for such enforcement. Where at least one of the parties to the dispute is an individual, the time limit is one (1) year. If both parties to the dispute are legal persons or other entities, the time limit is six (6) months. According to the amendment dated 28 October 2007, the time limit for application of enforcement by both individuals and entities will be unified to two (2) years with effect from 1 April 2008.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (*Cont'd*)

A party seeking to enforce a judgment or order of a People's Court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the People's Courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the People's Court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

14.2.3 Arbitration and enforcement of arbitral awards

The Arbitration Law of the PRC (中华人民共和国仲裁法) (the "**Arbitration Law**") was introduced by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee is constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC's Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC's Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a People's Court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the People's Court for enforcement. A People's Court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee. A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC's courts in accordance with the principles of reciprocity or any international treaty or bilateral treaty concluded or acceded to by the PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC's law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award ("**New York Convention**") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC's laws to be arising from contractual and non-contractual mercantile legal relations.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (Cont'd)

14.2.4 Company law

On 29 December 1993, the Standing Committee of the Eighth National People's Congress adopted the Company Law, which came into effect on 1 July 1994 and was amended for the first time on 25 December 1999, the second time on 28 August 2004 and the third time on 27 October 2005. The newly amended Company Law of PRC (hereinafter referred to as the "**Company Law**") has been introduced and became effective from 1 January 2006.

"**Company**" is a corporate legal person, which possesses the status of a legal person in the PRC and be liable for its debts to the extent of all its assets. The term "company" as mentioned in the PRC's Company Law refers to a limited liability company (the "**LLC**") or a joint stock limited company (the "**JSLC**"). For a LLC, the shareholders bear the responsibility to the company within their capital contributions. For a JSLC, whose registered capital is divided into shares of equal par value, the shareholders bear responsibility to the shares held by them.

(i) Incorporation

The minimum registered capital for a LLC is RMB30,000 while the registered capital threshold for setting up a JSLC is RMB5 million. However, if any specific laws or regulations other than the Company Law prescribe a relatively higher amount of minimum registered capital, such provisions shall prevail.

The amount of the initial capital contributions made by all shareholders shall be no less than 20% of the registered capital (provided that the first capital contribution for a LLC cannot be less than the required minimum registered capital (i.e. RMB30,000)) and the rest shall be paid off by the shareholders within two (2) years as of the incorporation day; as for an investment company, it may be paid off within five (5) years.

A shareholder may make capital contributions in currency, in kind or intellectual property right, land use right or other "non-cash assets" that are transferable and can be monetarily valued. The amount of the capital contributions in currency shall be no less than 30% of the registered capital of the LLC.

(ii) Corporate governance

The shareholders' meeting, which comprises all the shareholders, is the meeting of the company's shareholders to elect the company's directors and supervisors, or review reports on the company's business results, prospects, and plans. Generally, shareholders exercise their voting rights at the shareholders' meeting based on the shares held by them. Shareholders' meeting represents the highest authority of the company and all members are bound by the decision made in a shareholders' meeting.

The Board of Directors is a body of elected or appointed persons who jointly oversee the activities of a company and is responsible for the shareholders' meeting. As for a LLC with relatively few shareholders or is relatively small, it may have an executive director assuming the duties of the board to replace the Board of Directors. The executive director may concurrently hold the post of the company's manager.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (Cont'd)

The Board of Supervisors is a body of elected or appointed persons who jointly check the financial affairs of the company and supervise the acts of the directors and senior managers. No director or senior manager is permitted to concurrently hold the post as a supervisor. The board of supervisors shall include representatives of shareholders and representatives of the employees. A LLC, which has relatively few shareholders or is relatively small, may have one (1) or two (2) supervisors, and does not have to establish a Board of Supervisors.

Directors, supervisors and senior managers shall owe the company a duty of care and loyalty. Directors and senior managers shall not, by taking advantage of their powers, accept bribes or other unlawful incomes, or misappropriate the company's property. Further, directors, supervisors and senior managers would be liable for compensation, if they violate PRC's laws and regulations or the company's articles of association in performance of their duties and thus cause a loss to the company.

(iii) Financial allocations

Pursuant to the Company Law, the company's profit, after paying enterprise income tax and allocating 10% of the after-tax profits to the statutory reserve, are available for profit distribution. The allocation may cease when the statutory reserve exceeds 50% of the registered capital. The profit distribution shall not be carried out unless the losses of previous fiscal years have been made up.

(iv) Protection of shareholders

The Company Law aims to enhance the protection of shareholders, especially minority shareholders. A brief summary of certain provisions with regard to the rights and remedies of shareholders is set out below.

(a) Company's books and records

Shareholders are entitled to check and copy the company's articles of association, financial reports, minutes of the shareholders' meetings, and resolutions of the board of directors and the supervisory board. Shareholders of a LLC are also entitled to inspect the company's accounting books and records.

(b) Shareholders' meetings and resolutions

Shareholders holding at least 10% of the voting rights of the company are entitled to convene a shareholders' meeting themselves if both the board of directors and the board of supervisors are unable to convene such a meeting or if they fail to do so. The Company Law also grants shareholders the right to revoke any shareholders' or board resolution by an application to the court if either (i) the convening procedures or voting methods adopted in the relevant meeting violate the law or the company's articles of association; or (ii) the resolution itself runs counter to the company's articles of association.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (Cont'd)

(c) Exit right of LLC shareholders

The Company Law makes it much easier for a shareholder of a LLC to transfer his or her share to an external party. Such shareholder is only required to obtain consent from 50% of the existing shareholders. Other shareholders who do not respond within 30 days are deemed to have agreed on the share transfer. If over 50% of the rest of the shareholders disagree with the share transfer, those disagreeing shareholders would need to purchase the shares. If the disagreeing shareholders refuse the share purchase, they will be deemed to have agreed on the transfer.

On the other hand, shareholders of LLC are entitled to ask the company to repurchase their shares at a reasonable price if they oppose to: (i) the company's decision not to distribute dividends for five (5) consecutive profit-making years; (ii) any merger or spin-off of the company or the disposition of the company's major assets; or (iii) the renewal of the company's term of operation upon its expiration or the amendment to the company's articles of association upon the occurrence of any reason for dissolution as specified in the articles.

(d) Right to dissolve a company

When a company meets serious difficulty during its operation, if the continued existence of the difficulty will cause heavy loss to shareholder's interest, and such difficulty cannot be solved by other means, the shareholders holding at least 10% of the voting rights of the company are entitled to plead to the People's Court for dissolution of the company.

(e) Derivative suits

Any shareholder of a LLC or shareholders of a JSLC holding more than 1% of the shares for more than 180 consecutive days may bring legal proceedings in their own name on behalf of the company against (i) directors, supervisors, or senior managers who fail to comply with the laws and regulations or the company's articles of association in the course of performing their duties, causing loss to the company; or (ii) third parties infringing the company's rights and interests, causing loss to the company.

14.2.5 Taxation

The following is a summary of material taxes that apply to FIEs.

(i) Income tax

According to the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises, together with its Implementation Rules which came into effect on 1 July 1994 (collectively the "**Applicable Foreign Enterprises Tax Law**"), before 1 January 2008, FIEs were required to pay a national income tax at a rate of 30% of their taxable income and a local income tax at a rate of 3% of their taxable income.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (Cont'd)

A FIE engaged in production line and having a period of operation of not less than ten (10) years shall be exempted from national income tax for the first two (2) profit-making years and a 50% reduction in the national income tax payable for the next three (3) years ("**Two-years Exemption and Three-years 50% Reduction**"). The income tax concession for FIE engaged in the exploitation of resources such as petroleum, natural gas, rare metals and precious metals are regulated separately by the State Council. FIEs engaged in production line and which are established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located, may pay national income taxes at a reduced rate of 24%. A reduced national income tax rate of 15%, may apply to an enterprise located in such regions which is engaged in energy, communication, harbour, wharf or other projects encouraged by the State. FIEs established in special economic zones, foreign enterprises having an establishment in special economic zones and engaged in production or business operations and FIEs engaged in production line in economic and technological zones may pay national income tax at a reduced rate of 15%. The people's governments of provinces, autonomous regions and municipalities directly under the central government may grant tax exemptions or reduce the 3% local income tax for FIEs engaged in an industry or a project encouraged by the State.

Pursuant to the PRC's Enterprise Income Tax Law (中华人民共和国企业所得税法) introduced by the NPC on 16 March 2007, together with the Implementation Regulations that came into force on 1 January 2008 (collectively the "**New Income Tax Law**"), FIEs are required to pay income tax at a rate of 25% of their taxable income. Enterprises set up with approval prior to the promulgation of this New Income Tax Law that enjoy low preferential tax rate in accordance with the tax laws and administrative regulations at the current period may, pursuant to the provisions of the State Council, gradually transit to the tax rate provided herein within five (5) years of the implementation of this law. Where such enterprises enjoy regular tax exemption and reduction, the treatment continues to apply until expiry after the implementation of this law. However, for those that fail to be entitled to this treatment by reason of not making any profits, the preferential period shall be calculated from the year this law is implemented.

On 26 December 2007, the State Council introduced the Circular concerning Implementation of Preferential Policy of Enterprise Income Tax in Transition Period (国务院关于实施企业所得税过渡优惠政策的通知) ("**Circular**"). Pursuant to the Circular, an enterprise which enjoyed preferential treatment shall gradually transit to the rate of 25%, i.e. an enterprise that used to enjoy the preferential enterprise income tax of 24% shall be subject to the enterprise income tax of 25% from 1 January 2008 onwards whilst an enterprise that used to enjoy the preferential enterprise income tax of 15% shall be subject to the enterprise income tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 respectively. For an enterprise enjoying preferential policy of Two-years Exemption and Three-years 50% Reduction, it will continue such enjoyment until its preferential period is completed according to the original PRC laws, administrative regulations and provisions. However, those enterprises that have not enjoyed the aforesaid preferential policy due to them not being profit-making, the preferential period shall commence from 1 January 2008.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (Cont'd)

According to Notice of the Ministry of Finance and State Administration of Taxation on Several Preferential Policies in Respect of Enterprise Income Tax (财政部、国家税务总局关于企业所得税若干优惠政策的通知) (“**FM&SAT Notice**”) announced on 22 February 2008, other than the preferential policies provided by the New Income Tax Law, the Circular, the Notice of State Council concerning the Transitional Preferential Tax on the High-tech Enterprises Newly Incorporated in Special Economic Zones and Shanghai Pudong New District (国务院关于经济特区和上海浦东新区新设立高新技术企业实行过渡性税收优惠的通知) and the FM&SAT Notice, all the preferential policies on enterprise income tax implemented before 1 January 2008 are annulled. None of the various governments of regions or departments shall exceed the power to issue preferential policies on enterprise income tax.

(ii) Value added tax

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中华人民共和国增值税暂行条例) adopted by the State Council on 13 December 1993 and revised on 10 November 2008. Under these regulations and the newly amended Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中华人民共和国增值税暂行条例实施细则), value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

The value-added tax rates shall be as follows:-

- a. The tax rate for goods sold or imported by taxpayers other than the goods set forth in Items b and c below shall be 17.0%.
- b. The tax rate for sale or import of the following goods by taxpayers shall be 13.0%:-
 - (i) grain, edible vegetable oil;
 - (ii) tap water, central heating, air-conditioning, hot water, coal gas, liquid petroleum gas, natural gas, methane, and coal products for use by residents;
 - (iii) books, newspapers, magazines;
 - (iv) feed, chemical fertiliser, agrochemicals, agricultural machinery, agricultural film; and
 - (v) other goods specified by the State Council.
- c. The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the State Council.
- d. The tax rate for processing and repair and replacement services provided by taxpayers shall be 17.0%.
- e. The tax rate for small-scale taxpayers shall be 3.0%.

(iii) Business tax

The Provisional Regulations of the People's Republic of China Concerning Business Tax (中华人民共和国营业税暂行条例) adopted by the State Council on 13 December 1993 and revised on 5 November 2008. Under these regulations and the newly amended Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Business Tax (中华人民共和国营业税暂行条例实施细则), businesses that provide services (including entertainment business), assign intangible assets or sell immovable property are subject to business tax at a rate ranging from 3.0% to 20.0% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

14. SUMMARY OF LAW (Cont'd)

(iv) **Tax on dividends from PRC enterprise derived by a non-resident enterprise**

According to the New Income Tax Law, income such as dividends, rental, interest and royalty from the PRC derived by a Non-Resident enterprise which has no establishment in the PRC or has establishment but its income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Applicable Foreign Enterprises Tax Law.

The PRC's National Taxation Bureau and the Government of Hong Kong signed an Arrangement between the Mainland and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (内地与香港特别行政区关于对所得税避免双重征税和防止偷漏税的安排) on 21 August 2006 (the "Arrangement"). According to the Arrangement and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Arrangement and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a PRC company may be reduced to 5%. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued on 20 February 2009 by the State Administration of Taxation (the "SAT") (关于执行税收协定股息条款有关问题的通知), or Circular 81, if the relevant PRC tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Circular on How to Interpret and Recognize the "Beneficial Owner" in Tax Treaties (关于如何理解和认定税收协定中"受益所有人"的通知), or Circular 601, issued on 27 October 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Arrangement.

(v) **Tax on income from the non-resident enterprises' equity transfer**

Capital gains realized by shareholders from sales of shares in the PRC are subject to PRC income tax. On 1 January 2009, the SAT introduced the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises (非居民企业所得税源泉扣缴管理暂行办法), or the Non-resident Enterprises Measures, pursuant to which, the entities which have the direct obligation to make certain payments to a non-resident enterprise shall be the relevant tax withholders for such non-resident enterprise.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (Cont'd)

Further, the Non-resident Enterprises Measures provides that in case of an equity transfer between two non-resident enterprises which occurs outside China, the non-resident enterprise which receives the equity transfer payment shall, by itself or engage an agent to, file tax declaration with the PRC tax authority located at the place of the PRC company whose equity has been transferred, and the PRC company whose equity has been transferred shall assist the tax authorities to collect taxes from the relevant non-resident enterprise. On 30 April 2009, the SAT and Ministry of Finance of PRC (the "MOF") jointly issued the Circular of the State Administration of Taxation on Strengthening Administration of Enterprise Income Tax on Non-Resident Enterprises' Equity Transfer Income (关于加强非居民企业股权转让所得企业所得税管理的通知) ("Circular 698"). On 10 December 2009, the SAT and the MOF issued the Circular on Several Issues regarding Corporate Income Tax Treatment of Corporate Restructuring Transactions (财政部、国家税务总局关于企业重组业务企业所得税处理若干问题的通知) ("Circular 59"). Both Circular 698 and Circular 59 became effective retroactively as of January 1 2008. By promulgating and implementing the above Circulars, the PRC tax authorities have enhanced their scrutiny over the direct and/or indirect transfer of equity interest in a PRC resident enterprise by a non-resident enterprise. Pursuant to Circular 698, when a foreign investor (the actual controlling party) transfers a Chinese resident enterprise equity indirectly, if the actual tax rate is lower than 12.5% in the country (region) where the transferred offshore holding company is located or the country (region) does not levy income tax to its resident on overseas income, then the enterprise shall provide the documents in accordance with Circular 698 to the local tax authority where the Chinese resident enterprise is registered with, within 30 days after the signing of the equity transfer contract. The local tax authority may disregard the existence of the offshore holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC tax at a rate of up to 10%.

Pursuant to Circular 59, enterprises engaged in cross-border equity transfer may benefit from the special tax treatment provided that they satisfy the criteria set forth in Circular 59.

14.2.6 Foreign exchange control

Major reforms have been introduced on the foreign exchange control system of the PRC since 1993.

The People's Bank of China ("PBOC"), with the authorities granted by the State Council, issued on 28 December 1993, the Notice on the Further Reform of the Foreign Exchange Control System (中国人民银行关于进一步改革外汇管理体制的通知) and on 26 March 1994 the Provisional Regulations on the Settlement, Sale and Payment of Foreign Exchange (结汇、售汇及付汇管理暂行规定) which came into effect on 1 April 1994. On 29 January 1996, the State Council introduced the PRC's Foreign Exchange Administration Regulations (中华人民共和国外汇管理条例), which took effect on 1 April 1996 and was revised on 14 January 1997 and 1 August 2008. On 20 June 1996, the PBOC issued the Administration Regulations on the Settlement, Sale and Payment of Foreign Exchange (结汇、售汇及付汇管理规定) which took effect on 1 July 1996, instead of the above Provisional Regulations. On 25 October 1998, the PBOC and SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, all foreign exchange transactions for FIEs may only be conducted through authorised banks.

14. SUMMARY OF LAW (Cont'd)

These regulations contain detailed provision regulating the holding, sale and purchase of foreign currency by individuals, enterprises, economic bodies and social organisations in the PRC.

On 21 July 2005, the Public Announcement of the PBOC on Reforming the RMB Exchange Rate Regime ("**Announcement**") (完善人民币汇率形成机制改革有关事宜公告) was introduced by PBOC. In accordance with the Announcement, the PRC government has reformed the RMB exchange rate regime into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies, giving more flexibility as compared to the former system in which the RMB was pegged to the US\$. Under such reformed system, the PBOC announces the closing price of a foreign currency traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day. PRC banks licensed to engage in foreign exchange transactions use the closing price announced by the PBOC as a basis and decide a rate of their own to enter into foreign exchange sale and purchase transactions with customers. Such rate shall be within a specified floating band around the central parity which may be adjusted by the PBOC from time to time according to the economic and financial condition in the PRC.

In accordance with the new Foreign Exchange Administration Regulations of PRC introduced on 5 August 2008, all organisations and individuals, including FIEs, within the PRC can remit their foreign exchange earnings back to the PRC or deposit them abroad. The terms and conditions for such remittance / deposit are prescribed by SAFE (or its delegated authorities) in accordance with the PRC's international balance of payments and foreign exchange management needs. In relation to PRC enterprises, their foreign exchange earnings under current account can be retained or exchanged through financial institutions that have foreign exchange settlement, sale and payment operations. Before retaining the foreign exchange income under capital account or selling it to any designated financial institution, the approval of SAFE (or its delegated authorities) shall be obtained, unless it is otherwise provided by the state.

At present, control on the purchase of foreign currency is more relaxed as compared to the past. Enterprises which require foreign exchange for their current activities such as trading activities and payment of staff remuneration may purchase foreign exchange from foreign exchange settlement and sales operations of financial institutions, subject to the production of relevant supporting documents without the need for any prior approvals of SAFE.

In addition, where an enterprise requires any foreign currency for the payment of dividends that are payable in foreign currencies under applicable regulations, such as the distribution of profits by a FIE to its foreign investment party, then subject to the due payment of tax on such dividends, the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks, and where the amount of the funds in foreign currency is insufficient, the enterprise may purchase additional foreign currency from financial institutions that have foreign exchange settlement, sale and payment operations upon the presentation of the resolutions of the board of directors on the profit distribution plan of the enterprise.

Despite the relaxation of foreign exchange control over current account transaction, the approval or registration procedure of SAFE (or its designated authorities) is still required before a PRC enterprise may borrow a loan in foreign currency or provide any foreign exchange guarantee. To make any direct investment outside of the PRC or engage in business of distribution and trading for securities and derivative products outside PRC, registration is required from SAFE (or its designated authorities). Further, the approval from the relevant authorities may be required before registration can be made effective with SAFE (or its designated authorities).

14. SUMMARY OF LAW (Cont'd)

When conducting actual foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

The China Foreign Exchange Trading Centre (中国外汇交易中心) ("CFETC") was formally established and came into operation in April 1994. CFETC has set up a computerised network with sub-centres in several major cities, thereby forming an interbank market in which designated PRC banks can trade in foreign currency and settle their foreign currency obligations. Prior to 1 December 1998, enterprises with foreign investment may at their own choice enter into exchange transactions through swap centre or through designated PRC banks. From 1 December 1998 onwards, enterprises with foreign investment can only conduct exchange transactions through designated banks. Swap centres became restricted to conducting foreign exchange transaction between authorised banks and inter-bank lending between PRC banks.

14.2.7 WFOE

WFOEs are governed by the Law of the People's Republic of China Concerning Enterprises with Sole Foreign Investments which was introduced and amended on 12 April 1986 and 31 October 2000 respectively, and its Implementation Regulations which was introduced and amended on 12 December 1990 and 12 April 2001 respectively (collectively the "Foreign Enterprises Law").

(i) Procedures for establishment of a WFOE

The establishment of a WFOE will have to be approved by the MOFCOM (or its delegated authorities). If two (2) or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to MOFCOM (or its delegated authorities) for its approval and record. A WFOE must also obtain a business licence from the SAIC (or its delegated authorities) before it can commence business.

(ii) Nature

A WFOE is a limited liability company under the Foreign Enterprises Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by foreign investor(s). The liability of the foreign investor(s) is/are limited to the amount of registered capital contributed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by MOFCOM (or its delegated authorities) in accordance with the relevant regulations.

(iii) Profits distribution

The Foreign Enterprises Law provides that after payment of taxes, a WFOE must make contributions to a reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. At least 10.0% of the after tax profits must be allocated to the reserve fund. If the cumulative total of allocated reserve funds reaches 50.0% of an enterprise's registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

Subject to compliance with the relevant exchange rules and regulations, WFOE may remit out of the PRC profits that are lawfully earned in the PRC.

14. SUMMARY OF LAW (Cont'd)

14.2.8 Labour law

Pursuant to Labour Law of the PRC (中华人民共和国劳动法), companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, prevent work-related accidents and reduce occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is the PRC's Employment Contracts Law (中华人民共和国劳动合同法) (the "**Employment Contracts Law**"), which was introduced by the Standing Committee of the NPC on 29 June 2007 and came into effect on 1 January 2008. Pursuant to the Employment Contracts Law, employers shall sign written employment contract with employees on the date when they start employing employees, or at least, within one (1) month thereafter, otherwise from the second month to the twelfth month, the employer shall pay the employee twice the salary every month until a written employment contract is signed. The labour contract may be of a fixed term, indefinite term, or a term until completion of certain work. Unless otherwise stated by the employee, an indefinite labour contract should be established between the employer and the employee i) who has worked for the employer for more than ten (10) consecutive years; ii) who has worked for the employer for more than ten (10) consecutive years and is less than ten (10) years from the statutory retirement age, in case of an employer implementing the labour contract system for the first time or immediately reshuffled from a state-owned enterprises; iii) who has consecutively entered into the labour contract of fixed term twice; and iv) with whom the employer signs no written contract within one (1) year after commencement of employment. An employer who should have entered into a labour contract of indefinite term but failed to do so shall pay the employee twice the salary every month from the date when the employer should have done so. No damages payable by the employee to the employer under a labour contract should be valid unless such damages: i) is stipulated as compensation for expenses on certain technical training in a written agreement under which the employer finances the employee for such training while the employee promises to work for the employer for a particular term; and ii) is stipulated in the labour contract or a separated confidentiality agreement under which the employee is obliged to keep confidential the trade secrets and intellectual property-related secrets, and to observe the non-competition clause, while the employer should compensate the employee on a monthly basis within such non-competition period. Furthermore, the probation period and liquidated damages are restricted by the law to safeguard employees' rights and interests.

According to the applicable PRC laws and regulations prior to 1 July 2011, where a company has not made full contributions to social insurance for all its employees, the administrative department of labour security or the tax authority of the PRC may order such company to pay up outstanding contributions within a prescribed time limit and if such company still fails to pay the outstanding contributions within the prescribed time limit, a surcharge for overdue payment of 0.2% per day will be imposed on the overdue contributions from the date of the expiration of the prescribed time limit, in addition to the unpaid social insurance contributions. According to the new Social Insurance Law which came into effect on 1 July 2011, where a company has not made full contributions to social insurance for all its employees, a surcharge for overdue payment of 0.05% per day will be imposed on the overdue contributions since the date of overdue payment.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (Cont'd)

14.2.9 Environmental protection regulations

The Ministry of Environmental Protection (环境保护部) is responsible for the overall supervision and control of environmental protection in the PRC. It formulates national standards for the discharging of waste materials, environmental protection and monitors the PRC's environmental protection system. Environmental protection bureaus at the county level and above are responsible for environmental protection within their respective areas of jurisdiction.

Pursuant to the Environmental Protection Law of the PRC (中华人民共和国环境保护法) adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event the national guidelines are inadequate.

Any company or enterprise which causes environmental pollution and discharges polluting materials that endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fees imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will either be penalised or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate for any losses or damages caused as a result of such environmental pollution.

14.3 SUMMARY OF HONG KONG LAW

14.3.1 Policies on foreign investments

In general, there is no restriction on foreign investments in Hong Kong. Foreign investors are allowed to freely invest in Hong Kong and may own 100% equity in Hong Kong companies without any restrictions or approvals from any government authorities.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

14. SUMMARY OF LAW (Cont'd)

However, companies operating in certain specific sectors are required to obtain prior approval from the relevant regulators when foreign or local shareholders invest in the regulated sector directly or indirectly. Those specific sectors include, but are not limited to public broadcasting, banking, insurance and any of the business regulated under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

14.3.2 Taxation

(i) Profits tax

For the year of assessment 2012/2013, assessable profits of a Hong Kong company arising in or derived from Hong Kong from its business are subject to a profits tax rate of 16.5%. Profits tax is charged according to the nature of its origin and is on a territorial basis. Foreign source income is not taxable in Hong Kong and dividends from overseas investments are generally not subject to profits tax as they do not arise in or are not derived from Hong Kong. Dividends paid by Hong Kong companies are not subject to profits tax in Hong Kong nor is any tax required to be withheld from it.

(ii) Other major taxes

Other major taxes in Hong Kong affecting CAP-HK are:-

- (a) Stamp duty is payable in respect of instruments of transfers for sale of shares in CAP-HK at the rate of HKD5.00 and contract notes for sale of shares in CAP-HK of the rate of 0.2% of the consideration or net asset value, whichever is higher. Stamp duty is payable in respect of sale or transfer of immovable property or lease of immovable property in Hong Kong at varying rates.
- (b) Capital duty of HKD1.00 is chargeable for every HKD1,000.00 or part thereof of the authorised share capital subject to a maximum of HKD30,000.00 upon incorporation of a company with share capital in Hong Kong and any subsequent increase of the authorised share capital.
- (c) Hong Kong does not impose capital gains tax.
- (d) For the year of assessment 2012/2013, property tax is payable at the rate of 15% of the net assessable value of the property from which rental income is received.
- (e) Duties are levied on liquor, tobacco, hydrocarbon oil and methyl alcohol.

14.3.3 Exchange control, repatriation of profits and capital and expected timeframe for repatriation of profits and capital

There are currently no foreign exchange controls in Hong Kong. Hence, there is no restriction on the repatriation of profits, whether in the form of dividends or interest, or capital (meaning funds in general, instead of share capital of CAP-HK) by a Hong Kong incorporated company to its shareholder or holding company incorporated outside of Hong Kong. Repatriation of profits is entirely dependent on the ability of such companies to pay dividends to shareholders.

14. SUMMARY OF LAW (Cont'd)

In 2002, the Legislative Council approved anti-money laundering and enacted a new anti-terrorism law allowing Secretary for Security to freeze funds and financial assets reasonably believed to belong to terrorists, as required by Security Council of United Nations in its Resolution 1373. On 10 September 2002, following passage of the new laws, the Hong Kong Monetary Authority issued a circular to banks and ordered banks to submit reports outlining the approach they had adopted in the fight against terrorist financing. On 1 April 2012, Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong) came into operation to enhance the anti-money laundering regulatory regime.

The timeframe required would depend on a variety of factors, including but not limited to the operations of a particular bank.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW

The following table sets out a summary of certain differences between the provisions of the laws of Bermuda applicable to our Company (including the Companies Act 1981 of Bermuda (the "Act") and the Bye-laws of the Company (collectively, the "Bermuda Company Law") and the laws applicable to Malaysian companies (the references to Malaysian company being to a company as defined by Section 4(1) of the Malaysian Companies Act, but excluding references to Table A of the Malaysian Companies Act) (the "Malaysian Company Law") and their shareholders. Certain other Malaysian legislation including the Securities Industry (Central Depositories) Act 1991 may also contain provisions of a Malaysian Company Law nature.

Malaysia also has a separate company law regime pertaining to Labuan companies under the Labuan Companies Act 1990 of Malaysia. The Securities Industry (Central Depositories) Act 1991 and the Labuan Companies Act 1990 of Malaysia together with Malaysian common law and securities law affecting Malaysian companies are not included in the summary of differences unless expressly stated otherwise.

The summaries below are not to be regarded as advice on Bermuda Company Law or the differences between it and the laws of any jurisdiction, including, without limitation, the Malaysian Company Law.

References to the Comments on differences below do not purport to be complete and exhaustive and in any event are (unless expressly stated otherwise) based only on a general comparison on a non-exhaustive basis as to whether there are equivalent provisions in respect of the expressed provisions of the Act relative to the Malaysian Companies Act and comments on such differences do not take into account any common law or judicial interpretations affecting the Act and the Malaysian Companies Act, unless expressly stated otherwise. These differences have been segregated to procedural and substantive differences, where practicable to do so. Unless otherwise indicated to be procedural or mainly procedural differences, these differences are deemed to be substantive or mainly substantive in nature. The summaries below do not purport to be a comprehensive description of all of the rights and privileges of shareholders conferred by the Bermuda Company Law as compared to the Malaysian Company Law that may be relevant to prospective investors. The summaries below do not purport to be complete and are qualified in their entirety by reference to the Act, the Bye-laws of the Company and the Malaysian Company Law.

In addition, it should also be noted that the laws applicable to Malaysian companies and Bermuda exempted companies may change, whether as a result of proposed legislative reforms to the Malaysian Company Law or the Bermuda Company Law, as the case may be, or otherwise.

The summaries below do not describe the regulations and requirements prescribed by the Listing Requirements. Among others, in regard to the Malaysian Company Law, various changes have been proposed by the Corporate Law Reform Committee of Malaysia in the Review of Companies Act, 1965 – Final Report which if implemented (with or without any other changes), would result in some of the provisions referred to below in the Malaysian Companies Act being modified. Prospective investors are advised to seek independent legal advice.

If you intend to have a detailed review of the relevant laws and regulations of Bermuda, or a detailed explanation on the comparability and/or discrepancy of the relevant laws and regulations between Bermuda and Malaysia or any other jurisdiction, you are recommended to seek independent legal advice.

Please note that definitions used in the Malaysian Companies Act, the Act and/or the Bye-laws follow that of the Malaysian Companies Act, the Act and the Bye-laws, respectively.

NOTE: References at this time to the Bye-laws of our Company shall refer to Bye-laws proposed to be adopted before registration of the Prospectus.

Malaysian Company Law	Bermuda Company Law	Comments on differences, if any
DIRECTOR'S POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH HE IS INTERESTED; CONFLICTS OF INTEREST AND OTHER TRANSACTIONS WITH DIRECTORS		
Directors' Disclosure of Interest in Contracts with the Issuer		

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>Section 131(1) of the Malaysian Companies Act: Subject to this section every director of a company who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the company shall, as soon as practicable after the relevant facts have come to his knowledge, declare the nature of his interest at a meeting of the directors of the company.</p> <p>Section 131(3) of the Malaysian Companies Act: A director of a company shall not be deemed to be interested or to have been at any time interested in any contract or proposed contract by reason only –</p> <p>(a) in a case where the contract or proposed contract relates to any loan to the company – that he has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or</p> <p>(b) in a case where the contract or proposed contract has been or will be made with or for the benefit of or on behalf of a corporation which by virtue of section 6 is deemed to be related to the company – that he is a director of that corporation,</p> <p>and this subsection shall have effect not only for the purposes of the Malaysian Companies Act but also for the purposes of any other law, but shall not affect the operation of any provision in the articles of the company.</p> <p>Section 131(4) of the Malaysian Companies Act: For the purposes of subsection (1), a general notice given to the directors of a company by a director to the effect that he is an officer or member of a specified corporation or a member of a specified firm and is to be regarded as interested in any contract which may, after the date of the notice, be made with that corporation or firm shall be deemed to be a sufficient declaration of interest in relation to any contract so made if it specifies the nature and extent of his interest in the specified corporation or firm and his interest is not different in nature or greater in extent than the nature and extent so specified in the general notice at the time any contract is so made, but no such</p>	<p>Section 97(4) of the Act: Without in any way limiting the generality of section 97(1) of the Act, an officer of a company shall be deemed not to be acting honestly and in good faith if –</p> <p>(a) he fails on request to make known to the auditors of the company full details of –</p> <p>(i) any emolument, pension or other benefit that he has received or it is agreed that he should receive from the company or any of the company's subsidiaries, or</p> <p>(ii) any loan he has received or is to receive from the company or any of its subsidiaries;</p> <p>(b) he fails to disclose at the first opportunity at a meeting of directors or by writing to the directors –</p> <p>(i) his interest in any material contract or proposed material contract with the company or any of its subsidiaries;</p> <p>(ii) his material interest in any person that is a party to a material contract or proposed material contract with the company or any of its subsidiaries.</p> <p>Section 97(5) of the Act: For the purposes of section 97 of the Act –</p> <p>(a) a general notice to the directors of a company by an officer of the company declaring that he is an officer of or has a material interest in a person and is to be regarded as interested in any contract with that person is a sufficient declaration of interest in relation to any such contract;</p> <p>(b) the word material in relation to a contract or proposed contract shall be construed as relating to the materiality of that contract or proposed contract in relation to the business of the company to which disclosure must be made;</p>	<p>The Malaysian Companies Act refers to 'Every director of a company' and the Act refers to 'an officer of a company'. However, the Act defines "officer" in relation to a body corporate, as including director and secretary.</p> <p>In addition, Bye-laws 100 and 101 expressly refer to directors.</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

Malaysian Company Law	Bermuda Company Law	Comments on differences, if any
<p>notice shall be of effect unless either it is given at a meeting of the directors or the director takes reasonable steps to ensure that it is brought up and read at the next meeting of the directors after it is given.</p> <p>Section 131(5) of the Malaysian Companies Act: Every director of a company who holds any office or possesses any property whereby whether directly or indirectly duties or interests might be created in conflict with his duties or interests as director shall declare at a meeting of the directors of the company the fact and the nature, character and extent of the conflict.</p> <p>Section 131(6) of the Malaysian Companies Act: The declaration shall be made at the first meeting of the directors held –</p> <p>(a) after he becomes a director; or</p> <p>(b) (if already a director) after he commenced to hold the office or to possess the property,</p> <p>as the case requires.</p> <p>Section 131(8) of the Malaysian Companies Act: Except as provided in subsection (3) this section shall be in addition to and not in derogation of the operation of any rule of law or any provision in the articles restricting a director from having any interest in contracts with the company or from holding offices or possessing properties involving duties or interests in conflict with his duties or interests as a director.</p>	<p>(c) an interest occurring by reason of the ownership or direct or indirect control of not more than ten per centum of the capital of a person shall not be deemed material.</p> <p>Section 97(7) of the Act: Nothing in section 97 of the Act shall be taken to prejudice any rule of law or any bye-law restricting officers of a company from having any interest in contracts with the company.</p> <p>Bye-law 100: Subject to the Act, the Listing Requirements and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the Members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall disclose the nature of his interest in any contract or arrangement in which he is interested in accordance with Bye-law 101 herein.</p> <p>Bye-law 101: A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of Bye-law 101, a general Notice to the Board by a Director to the effect that:-</p> <p>(a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p><i>Interested Director Not to Participate or Vote in Board's Proceedings</i></p> <p>Section 131A(1) of the Malaysian Companies Act: Subject to Section 131, a director of a company who is in any way, whether directly or indirectly, interested in a contract entered into or proposed to be entered into by the company, unless the interest is one that need not be disclosed under Section 131 of the Malaysian Companies Act, shall be counted only to make the quorum at the board meeting but shall not participate in any discussion while the contract or proposed contract is being considered at the board meeting and shall not vote on the contract or proposed contract.</p> <p>Section 131A(2) of the Malaysian Companies Act: Subsection (1) shall not apply to –</p> <p>(a) a private company unless it is a subsidiary to a public company;</p> <p>(b) a private company which is a wholly-owned subsidiary of a public company, in respect of any contract or proposed contract to be entered into by the private company with the holding company or with another wholly-owned subsidiary of that same holding company;</p> <p>(c) any contract or proposed contract of indemnity against any</p>	<p>or arrangement which may after the date of the Notice be made with that company or firm; or</p> <p>(b) he is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with a specified person who is connected with him;</p> <p>shall be deemed to be a sufficient declaration of interest under Bye-law 101 in relation to any such contract or arrangement, provided that no such Notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.</p>	
<p>Section 131A(1) of the Malaysian Companies Act: Subject to Section 131, a director of a company who is in any way, whether directly or indirectly, interested in a contract entered into or proposed to be entered into by the company, unless the interest is one that need not be disclosed under Section 131 of the Malaysian Companies Act, shall be counted only to make the quorum at the board meeting but shall not participate in any discussion while the contract or proposed contract is being considered at the board meeting and shall not vote on the contract or proposed contract.</p> <p>Section 131A(2) of the Malaysian Companies Act: Subsection (1) shall not apply to –</p> <p>(a) a private company unless it is a subsidiary to a public company;</p> <p>(b) a private company which is a wholly-owned subsidiary of a public company, in respect of any contract or proposed contract to be entered into by the private company with the holding company or with another wholly-owned subsidiary of that same holding company;</p> <p>(c) any contract or proposed contract of indemnity against any</p>	<p>Not provided in the Act.</p> <p>Bye-law 102: A Director shall not vote on any resolution of the Board in respect of any contract or arrangement or proposed contract or arrangement in which he has directly or indirectly an interest.</p>	<p>The Act does not have a provision that expressly prohibits or restricts an interested director from participating or voting in board proceedings.</p> <p>In this connection, Bye-law 102 prohibits a director from voting in respect of any contract or arrangement or proposed contract or arrangement in which he has, directly or indirectly, an interest. Unlike the Malaysian Companies Act, the Bye-laws do not provide for circumstances which a director is regarded as being interested.</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>loss which any director may suffer by reason of becoming or being a surety for a company;</p> <p>(d) any contract or proposed contract entered into or to be entered into by a public company or a private company which is subsidiary of a public company, with another company in which the interest of the director consists solely of –</p> <p>(i) in him being a director of the company and the holder of shares not more than the number or value as is required to qualify him for the appointment as a director; or</p> <p>(ii) in him having an interest in not more than five per centum of its paid up capital.</p>		
<p><i>Director's Fiduciary Duties and Conflicts of Interest</i></p> <p>Section 132(1) of the Malaysian Companies Act: A director of a company shall at all times exercise his powers for a proper purpose and in good faith in the best interest of the company.</p> <p>Section 132(1A) of the Malaysian Companies Act: A director of a company shall exercise reasonable care, skill and diligence with –</p> <p>(a) the knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and</p> <p>(b) any additional knowledge, skill and experience which the director in fact has.</p> <p>Section 132(1B) of the Malaysian Companies Act: A director who makes a business judgement is deemed to meet the requirements of the duty under subsection (1A) and the equivalent duties under the common law and in equity if the director –</p>	<p>Section 97(1) of the Act: Every officer of a company in exercising his powers and discharging his duties shall –</p> <p>(a) act honestly and in good faith with a view to the best interests of the company; and</p> <p>(b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.</p> <p>Section 97(5A) of the Act: An officer is not liable under section 97(1) of the Act if he relies in good faith upon –</p> <p>(a) financial statements of the company represented to him by another officer of the company; or</p> <p>(b) a report of an attorney, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by him.</p>	<p>The Act and the Bye-laws do not provide any express provisions in respect of the responsibility of a "nominee director" as provided for under section 132(1E) of the Malaysian Companies Act. Under the Act, "director" is defined to include inter alia "any person occupying the position of director by whatever name called".</p> <p>There is also the prohibition against the improper use of company's property, position, corporate opportunity or competing with the company under section 132(2) of the Malaysian Companies Act in respect of which there is no equivalent express provisions in the Act or the Bye-laws.</p> <p>The provisions in section 132(2) of the Malaysian Companies Act are essentially a restatement of the common law fiduciary duties of a director.</p> <p>The duties and obligations of a director of a Bermuda company comprise not only those in the Act but also those</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>(a) makes the business judgement in good faith for a proper purpose;</p> <p>(b) does not have a material personal interest in the subject matter of the business judgement;</p> <p>(c) is informed about the subject matter of the business judgement to the extent the director reasonably believes to be appropriate under the circumstances; and</p> <p>(d) reasonably believes that the business judgment is in the best interest of the company.</p> <p>Section 132(1C) of the Malaysian Companies Act: A director, in exercising his duties as a director may rely on information, professional or expert advice, opinions, reports or statements including financial statements and other financial data, prepared, presented or made by –</p> <p>(a) any officer of the company whom the director believes on reasonable grounds to be reliable and competent in relation to matters concerned;</p> <p>(b) any other person retained by the company as to matters involving skills or expertise in relation to matters that the director believes on reasonable grounds to be within the person's professional or expert competence;</p> <p>(c) another director in relation to matters within the director's authority; or</p> <p>(d) any committee to the board of directors on which the director did not serve in relation to matters within the committee's authority.</p> <p>Section 132(1D) of the Malaysian Companies Act: The director's reliance made under subsection (1C) is deemed to be made on reasonable grounds if it was made –</p> <p>(a) in good faith; and</p> <p>(b) after making an independent assessment of the information or advice, opinions, reports or statements, including financial statements and other financial data, having regard</p>	<p>Bye-law 99: A Director may:-</p> <p>(a) hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and, subject to the relevant provisions of the Bermuda Companies Act, upon such terms as the Board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any Director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Bye-law; and/or</p> <p>(b) act by himself or through his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm may be remunerated for professional services as if he were not a Director; and/or</p> <p>(c) continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise and (unless otherwise agreed) no such Director shall be accountable for any remuneration, profits or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of or from his interests in any such other company. Subject as otherwise provided by the Bye-laws or the Listing Requirements, the Directors may exercise or cause to be exercised the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing</p>	<p>found in common law as applied in Bermuda. Decisions of the English and other commonwealth courts are highly persuasive in Bermuda. (The Supreme Court of Bermuda is the court of first instance in Bermuda, exercising unlimited jurisdiction. An appeal lies, as a matter of right, from a decision of the Supreme Court of Bermuda to the Court of Appeal for Bermuda and thereafter, in more limited circumstances, to the Privy Council in London.)</p> <p>A company's memorandum of association and bye-laws comprise its constitution and together with the Companies Act 1981 of Bermuda prescribe the ambit of the directors' powers. The function of the substantive law is to supplement the internal constitutional checks on a director's powers and to deal with areas where the company's constitution may be silent.</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>to the director's knowledge of the company and the complexity of the structure and operation of the company.</p> <p>Section 132 (1E) of the Malaysian Companies Act: A director, who was appointed by virtue of his position as an employee of a company, or who was appointed by or as a representative of a shareholder, employer or debenture holder, shall act in the best interest of the company and in the event of any conflict between his duty to act in the best interest of the company and his duty to his nominator, he shall not subordinate his duty to act in the best interest of the company to his duty to his nominator.</p> <p>Section 132(2) of the Malaysian Companies Act: A director or officer of a company shall not, without the consent or ratification of a general meeting –</p> <p>(a) use the property of the company;</p> <p>(b) use any information acquired by virtue of his position as a director or officer of the company;</p> <p>(c) use his position as such director or officer;</p> <p>(d) use any opportunity of the company which he became aware of, in the performance of his functions as the director or officer of the company; or</p> <p>(e) engage in business which is in competition with the company,</p> <p>to gain directly or indirectly, a benefit for himself or any other person, or cause detriment to the company.</p>	<p>directors, executive directors, managers or other officers of such company) or voting or providing for the payment of remuneration to the director, managing director, joint managing director, deputy managing director, executive director, manager or other officers of such other company and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.</p>	
<i>Related Party Transactions</i>		
<p>Section 132E of the Malaysian Companies Act:</p> <p>(1) Subject to subsection (2) and section 132F, a company</p>	<p>Not provided for in the Act.</p>	<p>Related party transaction is not provided for in the Act.</p> <p>In this regard, Bye-law 169 makes similar provision to</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>shall not carry into effect any arrangement or transaction where a director or a substantial shareholder of the company or its holding company, or a person connected with such a director or substantial shareholder –</p> <p>(a) acquires or is to acquire shares or non-cash assets of the requisite value, from the company; or</p> <p>(b) disposes of or is to dispose of shares or non-cash assets of the requisite value, to the company.</p> <p>(2) An arrangement or transaction which is carried into effect in contravention of subsection (1) shall be void, unless there is prior approval of the arrangement or transaction –</p> <p>(a) by a resolution of the company at a general meeting; or</p> <p>(b) by a resolution of the holding company at a general meeting, if the arrangement or transaction is in favour of a director or substantial shareholder of its holding company or person connected with such director or substantial shareholder.</p> <p>(3) The resolution of the company or its holding company at the general meeting of the company or its holding company to consider the arrangement or transaction shall be subject to the director, substantial shareholder or person connected with such director or substantial shareholder, as the case may be, abstaining from voting on the resolution whether or not to approve the arrangement or transaction.</p> <p>(4) Where an arrangement or transaction is carried into effect by a company in contravention of subsections (1) and (2) that director, substantial shareholder or person connected with such director or substantial shareholder and any director who knowingly authorized the arrangement or transaction shall, in addition to any other liability, be liable –</p> <p>(a) to account to the company for any gain which he had made directly or indirectly by the arrangement or transaction; and</p> <p>(b) jointly and severally with any person liable under this</p>	<p>Bye-law 169:</p> <p>(1) For so long as the Company is listed on the official list of Bursa Securities and the shares of the Company are deposited with the Depository, the Company shall not carry into effect any arrangement or transaction where a director or a substantial shareholder of the Company or its holding company, or a person connected with such a director or substantial shareholder:-</p> <p>(a) acquires or is to acquire shares or non-cash assets of the requisite value, from the Company; or</p> <p>(b) disposes of or is to dispose of shares or non-cash assets of the requisite value, to the Company,</p> <p>unless there is prior approval of the arrangement or transaction by a resolution of the Company in general meeting, if the arrangement or transactions is in favour of a director or substantial shareholder of the aforementioned director or substantial shareholder.</p> <p>(2) The resolution of the Company or of its holding company at the general meeting of the Company or its holding company to consider the arrangement or transaction shall be subject to the director, substantial shareholder or person connected with such director or substantial shareholder, as the case may be, abstaining from voting on the resolution whether or not to approve the arrangement or transaction.</p> <p>(3) Where an arrangement or transaction is carried into effect by the Company in contravention of Bye-laws 169(1) and (2), that director, substantial shareholder or person connected with such director or substantial shareholder and any director who knowingly authorized the arrangement or transaction shall, in</p>	<p>section 132E of the Malaysian Companies Act except section 132E (5) and (6).</p> <p><u>Procedural differences</u></p> <p>There is no Bermuda legislative provision equivalent to Section 132E (5) of the Malaysian Companies Act which provides for an application to court by a member and section 132E (6) of the Malaysian Companies Act imposes a penalty on the director or substantial shareholder who contravened the section.</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>subsection, to indemnify the company for any loss or damage resulting from the arrangement or transaction.</p> <p>(5) The Court may, on the application of any member or director of the company, restrain the company from carrying into effect an arrangement or transaction in contravention of subsection (1).</p> <p>(6) A director or substantial shareholder of a company or its holding company, or a person connected with such director or substantial shareholder, in whose favour the company carries into effect an arrangement or transaction and who knows that such arrangement or transaction is carried into effect by a company in contravention of this section, or a director who knowingly authorized the company to carry into effect such arrangement or transaction, in contravention of this section, shall be guilty of an offence against the Malaysian Companies Act.</p> <p>(7) For the purposes of subsection (1) –</p> <p>(a) "person connected with a substantial shareholder" shall have the same meaning as that assigned to a "person connected with a director" in section 122A (please refer to the summary of Section 122A in the section on "Loans to Directors" below) save that all references therein to a director shall be read as a reference to a substantial shareholder;</p> <p>(b) "requisite value", in the case of a company where all or any of its shares are listed for quotation on the official list of a Stock Exchange as defined under the Securities Industry Act 1983 of Malaysia, shall be the same value as the value prescribed by the provisions in the listing requirements of the Exchange –</p> <p>(i) which relates to acquisitions or disposals by a company or its subsidiaries to which such provision applies; and</p> <p>(ii) which would require the approval of shareholders at a general meeting in accordance with the provisions of such listing requirements;</p>	<p>addition to any other liability, be liable –</p> <p>(a) to account to the Company for any gain which he had made directly or indirectly by the arrangement or transaction; and</p> <p>(b) jointly and severally with any person liable under Bye-law 169(4), to indemnify the Company for any loss or damage resulting from the arrangement or transaction.</p> <p>(4) For the purposes of Bye-law 169(1):-</p> <p>(a) a person shall be connected with a director or substantial shareholder if he is:-</p> <p>(i) a member of that director's or substantial shareholder's family. "A member of that director's or substantial shareholder's family" shall include his spouse, parent, child (including adopted child and stepchild), brother, sister and the spouse of his child, brother or sister; or</p> <p>(ii) a body corporate which is associated with that director or substantial shareholder. A body corporate is associated with a director if:-</p> <p>(I) the body corporate is accustomed or is under an obligation, whether formal or informal, or its directors are accustomed, to act in accordance with the directions, instructions or wishes of that director or substantial shareholder; or</p> <p>(II) that director or substantial shareholder has a controlling interest in the body corporate; or</p> <p>(III) that director or substantial</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>(c) in the case of any company other than a company to which paragraph (b) is applicable, non-cash asset is of the requisite value if, at the time of the transaction, its value exceeds two hundred and fifty thousand ringgit or, if its value does not exceed two hundred and fifty thousand ringgit but exceeds ten per centum of the company's asset value provided it is not less than ten thousand ringgit, where –</p> <p>(i) the value of the company's assets is determined by reference to the accounts prepared and laid under Part VI in respect of the last financial year prior to the arrangement or transaction; or</p> <p>(ii) no accounts have been so prepared and laid before that time, the amount of the company's called up share capital.</p> <p>(8) In this section –</p> <p>(a) a reference to the acquisition or disposal of a non-cash asset includes the creation or extinction of an estate or interests in, or a right over, any property and also the discharge of any person's liability, other than liability for a liquidated sum;</p> <p>(b) "cash" includes foreign currency;</p> <p>(c) "director" includes the chief executive officer, the chief operating officer, the chief financial controller or any other person primarily responsible for the operations or financial management of a company, by whatever name called;</p> <p>(d) "non-cash asset" means any property or interest in property other than cash."</p> <p><i>Exception and definition</i></p> <p>Section 132F of the Malaysian Companies Act: Section 132E shall not apply to an arrangement or transaction for the acquisition or disposal of a non-cash asset entered into--</p>	<p>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 cent (15%) of the votes attached to voting shares in the body corporate; or</p> <p>(IV) 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 a member of his family is a beneficiary; or</p> <p>(V) a partner of that director or substantial shareholder or a partner of a person connected with that director or substantial shareholder;</p> <p>(b) a company shall be a "holding company" of another corporation in accordance with the following provisions:-</p> <p>(i) if the company:</p> <p>(I) controls the composition of the board of directors of the second-mentioned company;</p> <p>(II) controls more than half of the voting power of the second-mentioned company;</p> <p>(III) holds more than half of the issued share capital of the second-mentioned corporation (excluding any part thereof which consists of preference shares; or</p> <p>(ii) if the second-mentioned company is a Subsidiary of any corporation which is that</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>(a) by a company—</p> <p>(i) and any of its wholly-owned subsidiaries;</p> <p>(ii) and its holding company which holds all the issued shares of the company; or</p> <p>(iii) which is a wholly-owned subsidiary of a holding company and another wholly-owned subsidiary company of that same holding company;</p> <p>(b) by a company which is being wound up, unless the winding up is a members' voluntary winding up;</p> <p>(c) by a company which is an acquisition or disposal of an asset in the ordinary course of business of the company and is on terms not more favourable than those generally available to the public or employees of the company;</p> <p>(d) by a company if such arrangement or transaction does not involve transfer of cash or property and which shall have no effect unless approved at a general meeting or by a relevant authority;</p> <p>(e) by a company made in pursuance of a scheme of arrangement approved by the Court under section 176; or</p> <p>(f) by a company in connection with a takeover offer made in accordance with the relevant law applicable to such offers.</p>	<p>other corporation's Subsidiary;</p> <p>(iii) the composition of a corporation's board of directors shall be deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or concurrence of any other person can appoint or remove all or a majority of the directors, and for the purpose of Bye-law 169, that other corporation shall be deemed to have power to make such an appointment if:-</p> <p>(I) a person cannot be appointed as a director without the exercise in his favour by that other corporation of such a power; or</p> <p>(II) a person's appointment as a director follows necessarily from his being a director or other officer of that other corporation.</p> <p>(iv) in determining whether a corporation is the holding company of another corporation:-</p> <p>(I) any shares held or power exercisable by that corporation in a fiduciary capacity shall be treated as not held or exercisable by it;</p> <p>(II) subject to sub-paragraphs (III) and (IV) below, any shares held or power exercisable:</p> <p>(A) by any person as a nominee for that corporation (except where that corporation is concerned only in a fiduciary capacity); or</p> <p>(B) by or by a nominee for, a subsidiary of that corporation not</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
	<p>being a subsidiary which is concerned only in a fiduciary capacity;</p> <p>shall be treated as held or exercisable by that corporation;</p> <p>(III) any shares held or power exercisable by any person by virtue of the provision of any debentures of the second-mentioned corporation or of a trust deed for securing any issue of such debentures shall be disregarded; and;</p> <p>(IV) any shares held or power exercisable by, or by a nominee for, that corporation or its subsidiary (not being held or exercisable as mentioned in sub-paragraph III above) shall be treated as not held or exercisable by that corporation if the ordinary business of that corporation or its subsidiary, as the case may be, includes the lending of money and the shares are held or power is exercisable as aforesaid by way of security only for the purposes of a transaction entered into in the ordinary course of that business.</p> <p>(c) "requisite value", in the case where all or any of the shares of the Company are listed for quotation on the Designated Stock Exchange, shall be the same value as the value prescribed by the provisions in the Listing Requirements:</p> <p>(i) which relates to acquisitions or disposals by a company or its subsidiaries to which</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

Malaysian Company Law	Bermuda Company Law	Comments on differences, if any
	<p>such provision applies; and</p> <p>(ii) which would require the approval of Members in general meeting in accordance with the provisions of such Listing Requirements.</p> <p>(5) In this Bye-law 169:—</p> <p>(a) a reference to the acquisition or disposal of a non-cash asset includes the creation or extinction of an estate or interests in, or a right over, any property and also the discharge of any person's liability, other than liability for a liquidated sum;</p> <p>(b) "cash" includes foreign currency;</p> <p>(c) "director" has the meaning given in Section 2(1) of the CMSA and includes a director of the Company or a chief executive officer of the Company;</p> <p>(d) "non-cash asset" means any property or interest in property other than cash.</p> <p>(6) The provisions in this Bye-law 169 shall not apply to an arrangement or transaction for the acquisition or disposal of a non-cash asset entered into--</p> <p>(a) by the Company—</p> <p>(i) and any of its wholly-owned Subsidiaries;</p> <p>(ii) and its holding company which holds all the issued shares of the Company; or</p> <p>(iii) where the Company is a wholly-owned Subsidiary of a holding company, and another wholly-owned Subsidiary of that same holding company;</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
	<p>(b) by the Company if it is being wound up, unless the winding up is a members' voluntary winding up;</p> <p>(c) by the Company where it is an acquisition or disposal of an asset in the ordinary course of business of the Company and is on terms not more favourable than those generally available to the public or employees of the Company;</p> <p>(d) by the Company if such arrangement or transaction does not involve transfer of cash or property and which shall have no effect unless approved at a general meeting or by a relevant authority;</p> <p>(e) by the Company made in pursuance of a scheme of arrangement approved by the relevant court; or</p> <p>(f) by the Company in connection with a takeover offer made in accordance with the relevant law applicable to such offers.</p>	
<i>Loans to Directors</i>		
<p>Section 133 of the Malaysian Companies Act:</p> <p>(1) A company (other than an exempt private company) shall not make a loan to a director of the company or of a company which by virtue of section 6 is deemed to be related to that company, or enter into any guarantee or provide any security in connection with a loan made to such a director by any other person but nothing in this section shall apply –</p> <p>(a) subject to subsection (2), to anything done to provide such a director with funds to meet expenditure incurred</p>	<p>Section 96(1) to (5) of the Act:</p> <p>(1) Without the consent of any member or members holding in the aggregate not less than nine-tenths of the total voting rights of all the members having the right to vote at any meeting of the members of the company it shall not be lawful for a company to make a loan to any person who is its director or a director of its holding company, or to enter into any guarantee or provide any security in connection with a loan made to such person as aforesaid by any other person:</p>	<p>Save for the circumstances provided in Section 96(1)(a) - (c) of the Act, the Act prohibits loans to its directors without the consent of member(s) holding in the aggregate not less than nine-tenths of the total voting rights of all the members having the right to vote at any general meeting of the members. The Malaysian Companies Act does not provide for a similar specific approval threshold for shareholders approval.</p> <p>The Malaysian Companies Act prohibits loan to a director except in circumstances mentioned in Section 133(1)(a)-(c) of the Malaysian Companies Act. Provisions similar to the</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>or to be incurred by him for the purposes of the company or for the purpose of enabling him properly to perform his duties as an officer of the company;</p> <p>(b) to anything done to provide such a director who is engaged in the full-time employment of the company or its holding company, as the case may be, with funds to meet expenditure incurred or to be incurred by him in purchasing or otherwise acquiring a home; or</p> <p>(c) to any loan made to such a director who is engaged in the full-time employment of the company or its holding company, as the case may be, where the company has at a general meeting approved of a scheme for the making of loans to employees of the company and the loan is in accordance with that scheme.</p> <p>(2) Paragraph (1)(a) or (b) shall not authorize the making of any loan, or the entering into any guarantee, or the provision of any security except –</p> <p>(a) with the prior approval of the company given at general meeting at which the purposes of the expenditure and the amount of the loan or the extent of the guarantee or security, as the case may be, are disclosed;</p> <p>(b) on condition that, if the approval of the company is not given as aforesaid at or before the next following annual general meeting, the loan shall be repaid or the liability under the guarantee or security shall be discharged, as the case may be, within six months from the conclusion of that meeting.</p> <p>(3) Where the approval of the company is not given as required by any such condition, the directors authorizing the making of the loan, or the entering into the guarantee, or the provision of the security, shall be jointly and severally liable to indemnify the company against any loss arising therefrom.</p> <p>(4) Where a company contravenes this section any director who authorizes the making of any loan, the entering into of any</p>	<p>Provided that nothing in section 96 of the Act shall apply –</p> <p>(a) subject to section 96(2) of the Act, to anything done to provide any such person as aforesaid with funds to meet expenditure incurred or to be incurred by him for the purposes of the company or for the purpose of enabling him properly to perform his duties as an officer of the company;</p> <p>(b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done by the company in the ordinary course of that business; or</p> <p>(c) to any advance of moneys by a company to an officer or auditor under section 98(2)(c) of the Act.</p> <p>(2) Proviso (a) to section 96(1) of the Act shall not authorize the making of any loan, or the entering into any guarantee, or the provision of any security, except either –</p> <p>(a) with the prior approval of the company given at a general meeting at which the purposes of the expenditure and the amount of the loan or the extent of the guarantee or security, as the case may be, are disclosed; or</p> <p>(b) on condition that, if the approval of the company is not given as aforesaid either –</p> <p>(i) at or before the next following annual general meeting; or</p> <p>(ii) in the case of a company that has made an election under section 71A of the Act, at or before the next following general meeting, which shall be convened within 12 months of the authorisation of the making of the loan, or the entering into of the guarantee, or the</p>	<p>exceptions to the general prohibition against granting of loans to directors set out in paragraphs (b) and (c) of Section 133(1) of the Malaysian Companies Act are not found in Section 96 of the Act. The exception contained in proviso (c) to Section 96(1) of the Act does not appear in Section 133 of the Malaysian Companies Act.</p> <p>Section 133(1)(b) of the Malaysian Companies Act also allows for loan to be made by a company to its directors engaged in the full time employment of the company or its holding company with consent of members in a general meeting, for purchasing a home, whereas the Act does not allow for such loans to be made. Section 133(1)(c) of the Malaysian Companies Act allows for a loan to be made to its directors engaged in the full time employment of a company or its holding company, if such a loan is made in accordance with a scheme approved by members of the company.</p> <p>Section 96(1)(c) of the Act allows for advances to be made by a company to its officers or auditor for costs, charges and expenses incurred by the officer or auditor in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. Advances are not permitted under the Malaysian Companies Act.</p> <p>The exceptions in Section 133A(2) of the Malaysian Companies Act were not inserted in the Bye-laws insofar as they are not allowed under the Act as to do so would reduce what is statutorily prohibited under Bermuda law and that is not permissible. For example, while Bye-law 102A(1)(b)(iv) insofar as possible takes into account Section 133A(2)(a) of the Malaysian Companies Act, it is not possible for Bye-law 102A(1)(b)(iv) to also incorporate the last limb of Section 133A(2)(a), that is loans to a subsidiary of its holding company. This is because Section 96 of the Act does not exempt a loan granted to a sister company from the general prohibitions against giving loans to directors.</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>guarantee or the providing of any security contrary to this section shall be guilty of an offence against the Malaysian Companies Act.</p> <p>(5) Nothing in this section shall operate to prevent the company from recovering the amount of any loan or amount for which it becomes liable under any guarantee entered into or in respect of any security given contrary to this section.</p> <p>Section 133A(1) of the Malaysian Companies Act: Subject to the provisions of this section, a company (other than an exempt private company) shall not –</p> <p>(a) make a loan to any person connected with a director of the company or of its holding company; or</p> <p>(b) enter into any guarantee or provide any security in connection with a loan made to such person by any other person.</p> <p>Section 133A(2) of the Malaysian Companies Act: This section shall not apply –</p> <p>(a) to anything done by a company where the loan is made, or the guarantee or security is provided in relation to a loan made, to a subsidiary or holding company or a subsidiary of its holding company;</p> <p>(b) to a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, or to anything done by the company in the ordinary course of that business, if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by Bank Negara Malaysia; or</p> <p>(c) to any loan made to a person connected with a director who is engaged in the full-time employment of a company or its related corporation, as the case may be –</p> <p>(i) for the purpose of meeting expenditure incurred or to be incurred by him in purchasing or otherwise</p>	<p>provision of the security,</p> <p>the loan shall be repaid or the liability under the guarantee or security shall be discharged, as the case may be, within six months from the conclusion of that meeting.</p> <p>(3) Where the approval of the company is not given as required by any such condition, the directors authorizing the making of the loan, or the entering into the guarantee, or the provision of the security, shall be jointly and severally liable to indemnify the company against any loss arising therefrom.</p> <p>(4) A loan shall be deemed to be a loan to a director if it is made to –</p> <p>(a) the spouse or children of a director; or</p> <p>(b) a company (other than a company which is a holding company or a subsidiary (wherever incorporated) of the company making the loan or, as the case may be, the company entering into guarantee or providing security in connection with a loan made to such person by any other person) which a director, his spouse or children own or control directly or indirectly more than twenty per cent of the capital or loan debt.</p> <p>(5) For the purposes of section 96 of the Act a loan shall not be deemed to have been made in the ordinary course of business of a company if it has not been made on normal commercial terms in respect of interest rates, repayment terms and security.</p> <p>Bye-law 102A:</p> <p>(1) Subject to the provisions in this Bye-law, the Company shall not:</p> <p>(a) make any loan to (i) any of its Directors or, (ii) a</p>	<p><u>Procedural differences:</u></p> <p>Unlike the position in Bermuda which prohibits loans to its directors without the consent of member(s) holding in the aggregate not less than nine-tenths of the total voting rights of all the members having the right to vote at any general meeting of the members, the Malaysian Companies Act does not provide for a similar specific approval threshold for shareholders approval.</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

Malaysian Company Law	Bermuda Company Law	Comments on differences, if any
<p>acquiring a home; or</p> <p>(ii) in accordance with a scheme for the making of loans to employees approved by the company in general meeting</p> <p>Section 122A of the Malaysian Companies Act:</p> <p>(1) For the purposes of this Division a person shall be deemed to be connected with a director if he is –</p> <p>(a) a member of that director's family; or</p> <p>(b) a body corporate which is associated with that director; or</p> <p>(c) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which that director or a member of his family is a beneficiary; or</p> <p>(d) a partner of that director or a partner of a person connected with that director.</p> <p>(2) In paragraph (1)(a), "a member of that director's family" shall include his spouse, parent, child (including adopted child and stepchild), brother, sister and the spouse of his child, brother or sister.</p> <p>(3) For the purposes of paragraph (1)(b), a body corporate is associated with a director if –</p> <p>(a) the body corporate is accustomed or is under an obligation, whether formal or informal, or its directors are accustomed, to act in accordance with the directions, instructions or wishes of that director;</p> <p>(b) that director has a controlling interest in the body corporate; or</p> <p>(c) that director or persons connected with him, or that director 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 voting</p>	<p>director of its holding company, its Subsidiary or a Subsidiary of its holding company or, (iii) any person connected with a Director of the Company or a director of its holding company; or</p> <p>(b) enter into any guarantee or provide any security in connection with a loan made to such person as aforesaid by any other person,</p> <p>without the consent of any Member or Members holding in the aggregate not less than nine-tenths of the total voting rights of all the Members having the right to vote at any general meeting of the Company, provided that nothing in this Bye-law 102A shall apply –</p> <p>(i) subject to the subparagraph (2) of Bye-law 102A, to anything done to provide any such person as aforesaid with funds to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to properly perform his duties as an officer of the Company;</p> <p>(ii) in the case where the ordinary business of the Company includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done by the Company in the ordinary course of that business;</p> <p>(iii) to any advance of moneys by the Company to an officer or auditor under Section 98(2)(c) of the Act; or</p> <p>(iv) to anything done by the Company where the loan is made, or the guarantee or security is provided in relation to the loan made, to a Subsidiary or holding company of the Company</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>shares in the body corporate.</p> <p>Section 140 of the Malaysian Companies Act:</p> <p>(1) Any provision, whether contained in the articles or in any contract with a company or otherwise, for exempting any officer or auditor of the company from, or indemnifying him against, any liability which by law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust, of which he may be guilty in relation to the company, shall be void.</p> <p>(2) Notwithstanding anything in this section a company may pursuant to its articles or otherwise indemnify any officer or auditor against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application in relation thereto in which relief is under this Act granted to him by the Court.</p>	<p>by any other person.</p> <p>(2) Proviso (i) to Bye-law 102A(1) shall not authorise the making of any loan, or the entering into any guarantee, or the provision of any security, except either -</p> <p>(a) with the prior approval of the Company given at a general meeting at which the purposes of the expenditure and the amount of the loan or the extent of the guarantee or security, as the case may be, are disclosed; or</p> <p>(b) on condition that, if the approval of the Company is not given as aforesaid at or before the next following annual general meeting;</p> <p>the loan shall be repaid or the liability under the guarantee or security shall be discharged, as the case may be, within six months from the conclusion of that meeting.</p> <p>(3) Where the approval of the Company is not given as required by any such condition, the Directors authorising the making of the loan, or the entering into the guarantee, or the provision of the security, shall be jointly and severally liable to indemnify the Company against any loss arising therefrom.</p> <p>(4) For the purposes of this Bye-law 102A, a loan shall not be deemed to have been made in the ordinary course of business of a company if it has not been made on normal commercial terms in respect of interest rates, repayment terms and security.</p> <p>(5) For the purposes of this Bye-law 102A, a person shall be deemed to be connected with a director if he is--</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
	<p>(a) a member of that director's family; or</p> <p>(b) a body corporate which is associated with that director; or</p> <p>(c) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which that director or a member of his family is a beneficiary; or</p> <p>(d) a partner of that director or a partner of a person connected with that director.</p> <p>(6) For the purposes of Bye-law 102A(5)(a), "a member of that director's family" shall include his spouse, parent, child (including adopted child and step-child), brother, sister and the spouse of his child, brother or sister.</p> <p>(7) For the purposes of Bye-law 102A(5)(b), a body corporate is associated with a director if:</p> <p>(a) the body corporate is accustomed or is under an obligation, whether formal or informal, or its directors are accustomed, to act in accordance with the directions, instructions or wishes of that director; or</p> <p>(b) that director has a controlling interest in the body corporate; or</p> <p>(c) that director or persons connected with him, or that director and persons connected with him, are entitled to exercise, or control the exercise of, not less than fifteen per centum (15%) of the votes attached to voting shares or loan debt in the body corporate.</p> <p>(8) Subject to applicable laws, nothing herein shall prevent the Company from recovering the amount of any loan given by the Company or any amount for</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
	<p>which the Company becomes liable under any guarantee entered into or in respect of any security given in contravention of this Bye-law 102A.</p> <p>(9) For the purposes of this Bye-law, the terms "controlling interest" and "control" shall have the meaning ascribed to each of terms in the Listing Requirements.</p> <p>Section 98(2)(c) of the Act:</p> <p>(2) Any provision, whether contained in the bye-laws of a company or in any contract or arrangement between the company and any officer, or any person employed by the company as auditor, exempting such officer or person from, or indemnifying him against any liability which by virtue of any rule of law would otherwise attach to him in respect of any fraud or dishonesty of which he may be guilty in relation to the company shall be void: Provided that -</p> <p>(a) notwithstanding anything in this section, a company may advance moneys to an officer or auditor for the costs, charges and expenses incurred by the officer or auditor in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them.</p> <p>Bye-law 164: The Directors, Secretary and other Officers (for the purpose of this Bye-law 164 only, the term "Officer" has the meaning ascribed to it in Section 4 of the Malaysian Companies Act and shall include any person appointed by the Board to hold an office in the Company and any person appointed to any committee by the Board) for the time being acting in relation to any of the affairs of the Company and the Auditor for the time being, shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal,</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p><i>General duty to make disclosure</i></p> <p>Section 135(1) of the Malaysian Companies Act: A director of a company shall give notice in writing to the company—</p> <p>(a) of such particulars relating to shares, debentures, participatory interests, rights, options and contracts as are necessary for the purposes of compliance by the first-mentioned company with the provisions of section 134;</p> <p>(b) of particulars of any change in respect of the particulars referred to in paragraph (a) of which notice has been given to the company including the consideration, if any, received as a result of the event giving rise to the change;</p> <p>(c) of such events and matters affecting or relating to himself as are necessary for the purposes of compliance by the company with the requirements of this Act; and</p> <p>(d) if he is a director of a public company or of a subsidiary of a public company of the date on which he attains or will attain the age of seventy.</p> <p>Section 135(2) of the Malaysian Companies Act: A person required to give notice under subsection (1) shall give the notice--</p> <p>(a) in the case of a notice under paragraph (1)(a), within fourteen days after—</p>	<p>in which judgment is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by the court in respect of any negligence, default, breach of duty or breach of trust.</p>	
<p>Section 135(1) of the Malaysian Companies Act: A director of a company shall give notice in writing to the company—</p> <p>(a) of such particulars relating to shares, debentures, participatory interests, rights, options and contracts as are necessary for the purposes of compliance by the first-mentioned company with the provisions of section 134;</p> <p>(b) of particulars of any change in respect of the particulars referred to in paragraph (a) of which notice has been given to the company including the consideration, if any, received as a result of the event giving rise to the change;</p> <p>(c) of such events and matters affecting or relating to himself as are necessary for the purposes of compliance by the company with the requirements of this Act; and</p> <p>(d) if he is a director of a public company or of a subsidiary of a public company of the date on which he attains or will attain the age of seventy.</p> <p>Section 135(2) of the Malaysian Companies Act: A person required to give notice under subsection (1) shall give the notice--</p> <p>(a) in the case of a notice under paragraph (1)(a), within fourteen days after—</p>	<p>Bye-law 101A:</p> <p>(1) A Director shall give notice in writing to the Company :-</p> <p>(a) of such particulars relating to shares, debentures, participatory interests, rights, options and contracts as are necessary for the purposes of compliance by the Company with the provisions of Bye-law 167A;</p> <p>(b) of particulars of any change in respect of the particulars referred to in paragraph (a) of which notice has been given to the Company including the consideration, if any, received as a result of the event giving rise to the change;</p> <p>(c) of such events and matters affecting or relating to himself as are necessary for the purposes of compliance by the Company with the requirements of these Bye-laws and the Listing Requirements; and</p> <p>(d) the date on which he attains or will attain the age of seventy.</p> <p>(2) A Director shall give the notice referred to in subparagraph (1):-</p> <p>(a) in the case of a notice under subparagraph (1)(a),</p>	<p>The Act does not contain provisions similar to Section 135 of the Malaysian Companies Act. Nevertheless, Section 135 of the Malaysian Companies Act has been incorporated into Bye-law 101A.</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>(i) the coming into operation of this section;</p> <p>(ii) the date on which the director became a director; or</p> <p>(iii) the date on which the director acquired an interest in the shares, debentures, participatory interests, rights, options or contracts;</p> <p>(b) in the case of a notice under paragraph (1)(b), within fourteen days after the occurrence of the event giving rise to the change referred to in that paragraph; and</p> <p>(c) in the case of a notice under paragraph (1)(d), within fourteen days after—</p> <p>(i) the coming into operation of this section; or</p> <p>(ii) the date on which the director became a director.</p> <p>Section 135(3) of the Malaysian Companies Act: A company shall within seven days of receiving a notice given under subsection (1) send a copy of the notice to each of the other directors of the company.</p> <p>Section 135(4) of the Malaysian Companies Act: In this section a reference to a participatory interest is a reference to an interest within the meaning of section 84.</p> <p>Section 135(5) of the Malaysian Companies Act: In determining, for the purposes of this section, whether a person has an interest in a debenture or participatory interest the provisions of section 6A, save for subsections (1) and (3) of that section, have effect and in applying those provisions a reference to a share shall be read as a reference to a debenture or participatory interest.</p>	<p>within fourteen days (14) after (i) the date on which the Director became a director, or (ii) the date on which the Director acquired an interest in the shares, debentures, participatory interests, rights, options or contracts;</p> <p>(b) in the case of a notice under subparagraph (1)(b), within fourteen (14) days after the occurrence of the event giving rise to the change referred to in that subparagraph; and</p> <p>(c) in the case of a notice under paragraph (1)(d), within fourteen (14) days after the date on which he became a Director.</p> <p>(3) The Company shall within seven (7) days of receiving a notice given under subparagraph (1) send a copy of the notice to each of the other Directors of the Company.</p> <p>(4) For the purposes of this Bye-law 101A:</p> <p>(a) the term "participatory interest" is a reference to an interest within the meaning of Section 84 of the Malaysian Companies Act; and</p> <p>(b) in determining whether a person has an interest in a debenture or participatory interest, the provisions of Section 6A of the Malaysian Companies Act, save for subsections (1) and (3) of that Section 6A, shall apply and in applying those provisions a reference to a share shall be read as a reference to a debenture or participatory interest.</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p><i>Prohibition of tax-free payments to directors</i></p> <p>Section 136(1) of the Malaysian Companies Act: A company shall not pay a director remuneration (whether as director or otherwise) free of income tax, or otherwise calculated by reference to or varying with the amount of his income tax, or the rate of income tax, except under a contract which was in force before the commencement of this Act, and which provides expressly, and not by reference to the articles, for payment of such remuneration.</p> <p>Section 136(2) of the Malaysian Companies Act: Any provision contained in a company's articles, or in any contract other than a contract referred to in subsection (1) or in any resolution of a company or of a company's directors for payment to a director of remuneration free of income tax or otherwise calculated by reference to or varying with the amount of his income tax or the rate of income tax shall have effect as if it provided for payment as a gross sum subject to income tax, of the net sum for which it actually provides.</p>	<p>Bye-law 97A:</p> <p>(1) The Company shall not pay a Director remuneration (whether as Director or otherwise) free of income tax, or otherwise calculated by reference to or varying with the amount of his income tax, or the rate of income tax.</p> <p>(2) Any provision contained in these Bye-laws or in any contract or in any resolution of the Company or in any resolution of the Board for payment to a Director of remuneration free of income tax or otherwise calculated by reference to or varying with the amount of his income tax or the rate of income tax shall have effect as if it provided for payment as a gross sum subject to income tax, of the net sum for which it actually provides.</p>	<p>The Act does not contain provisions similar to Section 136 of the Malaysian Companies Act. Nevertheless, Section 136 of the Malaysian Companies Act has been incorporated into Bye-law 97A.</p>
<p><i>Remuneration of Directors</i></p> <p>A director may not receive remuneration except as authorized by the Memorandum and Articles of Association of a company.</p> <p>Section 137 of the Malaysian Companies Act:</p> <p>(1) It shall not be lawful –</p> <p>(a) for a company to make to any director any payment by way of compensation for loss of office as an officer of that company or of a subsidiary of that company or as consideration for or in connection with his retirement from any such office; or</p>	<p>Not provided for in the Act.</p> <p>Bye-law 95: The fees of the Directors shall from time to time be determined by the Company in general meeting, shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting, and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally.</p>	<p>DIRECTOR'S POWER TO VOTE ON REMUNERATION (INCLUDING PENSION OR OTHER BENEFITS) FOR HIMSELF OR FOR ANY OTHER DIRECTOR; AND WHETHER THE QUORUM AT A MEETING OF THE BOARD OF DIRECTORS MAY INCLUDE THE DIRECTOR WHOSE REMUNERATION IS THE SUBJECT OF THE VOTE</p> <p>Remuneration of directors is not provided for in the Act.</p> <p>There are requirements for general meeting approval in relation to compensation for loss of office of directors under the Malaysian Companies Act. The Bye-laws as well as the Listing Requirements contain provisions relating to remuneration and compensation for loss of office of directors of the Company and its subsidiaries.</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>(b) for any payment to be made to any director of a company in connection with the transfer of the whole or any part of the undertaking or property of the company,</p> <p>unless particulars with respect to the proposed payment (including the amount thereof) have been disclosed to the members of the company and the proposal has been approved by the company in general meeting and when any such payment has been unlawfully made the amount received by the director shall be deemed to have been received by him in trust for the company.</p> <p>(2) Where such a payment is to be made to a director in connection with the transfer to any person, as a result of an offer made to shareholders, of all or any of the shares in the company, that director shall take all reasonable steps to secure that particulars with respect to the proposed payment, including the amount thereof, shall be included in or sent with any notice of the offer made for their shares which is given to any shareholders, unless those particulars are furnished to the shareholders in accordance with the relevant law applicable to takeovers.</p> <p>(3) A director who fails to comply with subsection (2) and a person who has been properly required by a director to include in or send with any notice under this section the particulars required by that subsection and who fails so to do, shall be guilty of an offence against the Malaysian Companies Act, and if the requirements of that subsection are not complied with any sum received by the director on account of the payment shall be deemed to have been received by him in trust for any person who has sold his shares as a result of the offer made.</p> <p>(4) If in connection with any such transfer the price to be paid to a director of the company whose office is to be abolished or who is to retire from office for any shares in the company held by him is in excess of the price which could at the time have been obtained by other holders of the like shares or any valuable consideration is given to any such director,</p>	<p>except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.</p> <p>Bye-law 96: Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.</p> <p>Bye-law 97(1) and (2):</p> <p>(1) Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law.</p> <p>(2) The fees (including any remuneration under Bye-law 97(1) above) in the case of a Director other than an executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.</p> <p>Bye-law 98: The Board shall obtain the approval of the Company in general meeting before making any payment to any Director or past Director of the Company or of a</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>the excess or the money value of the consideration, as the case may be, shall, for the purposes of this section, be deemed to have been a payment made to him by way of compensation for loss of office or as consideration for or in connection with his retirement from office.</p> <p>As to payments to directors</p> <p>(5) Any reference in this section to payments to any director of a company by way of compensation for loss of office or as consideration for or in connection with his retirement from office shall not include –</p> <p>(a) any payment under an agreement entered into before the commencement of the relevant repeated written laws;</p> <p>(b) any payment under an agreement, particulars whereof have been disclosed to and approved by special resolution of the company;</p> <p>(c) any <i>bona fide</i> payment by way of damages for breach of contract;</p> <p>(d) any <i>bona fide</i> payment by way of pension or lump sum payment in respect of past services, including any superannuation or retiring allowance, superannuation, gratuity or similar payment, where the value or amount of the pension or payment (except so far as it is attributable to contributions made by the director) does not exceed the total emoluments of the director in the three years immediately preceding his retirement or death; or</p> <p>(e) any payment to a director pursuant to an agreement made between the company and him before he became a director of the company as the consideration or part of the consideration for the director agreeing to serve the company as a director.</p> <p>(6) This section shall be in addition to and not in derogation of any rule of law requiring disclosure to be made with respect</p>	<p>subsidiary of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).</p> <p>Bye-law 90: Notwithstanding Bye-laws 95, 96, 97 and 98, an executive director appointed to an office under Bye-law 89 hereof shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director, but he shall not in any circumstances be remunerated by a commission on or a percentage of turnover.</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

Malaysian Company Law	Bermuda Company Law	Comments on differences, if any
<p>to any such payments or any other like payment.</p> <p>(7) In this section "director" includes any person who has at any time been a director of the company or of a corporation which is by virtue of section 6 deemed to be related to the company.</p> <p>Section 128(7) of the Malaysian Companies Act: Nothing in subsections (1) to (6) shall be taken as depriving a person removed thereunder of compensation or damages payable to him in respect of the termination of his appointment as director or of any appointment terminating with that as director or as derogating from any power to remove a director which may exist apart from this section.</p>		
<p>BORROWING POWERS EXERCISABLE BY DIRECTORS AND HOW SUCH POWERS MAY BE VARIED</p>		
<p>There are no provisions specifically vesting the directors with borrowing powers under the Malaysian Companies Act save for the broad stipulation under Section 131B of the Malaysian Companies Act that the business and affairs of a company must be managed by, or under the direction of, the board of directors and the board of directors has all the powers necessary for managing and for directing and supervising the management of the business and affairs of the company subject to any modification, exception or limitation contained in the Malaysian Companies Act or in the memorandum or articles of association of the company.</p> <p>There are however, restrictions on the exercise of borrowing and other powers in certain circumstances prescribed under the Malaysian Companies Act.</p> <p>Section 52(1) of the Malaysian Companies Act: Where a company having a share capital has issued a prospectus inviting the public to subscribe for its shares or has issued a prospectus pursuant to the Securities Commission Act 1993 in relation to its shares the company shall not commence any business or exercise any borrowing powers –</p> <p>(a) if any money is or may become liable to be repaid to</p>	<p>Not provided for in the Act save that section 91(1) of the Act states <i>inter alia</i>, that the affairs of the company shall be managed by at least one director and section 91(5) of the Act states that the directors may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Act or the bye-laws to be exercised by the members of the company.</p> <p>Bye-law 103(1): The business of the Company shall be managed and conducted by the Board, which may pay all expenses incurred in forming and registering the Company and may exercise all powers of the Company (whether relating to the management of the business of the Company or otherwise) except powers that by the Statutes or by the Bye-laws are required to be exercised by the Company in general meeting. The general powers given by Bye-law 103 shall not be limited or restricted by any special authority or power given to the Board by any other Bye-law.</p> <p>Bye-law 109: The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the</p>	<p>Both the Malaysian Companies Act and the Act do not have any express direct provisions on the borrowing powers exercisable by directors but both the Malaysian Companies Act and the Act provide that directors may exercise all the powers of the company except those that are required by the respective Acts and the Memorandum and Articles of Association/Bye-laws to be exercised by members of the company.</p> <p>The Listing Requirements provide that the scope of the borrowing powers of the board of directors shall be expressed. The Bye-laws contains provisions on the borrowing powers of the directors.</p>

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
<p>applicants for any shares or debentures offered for public subscription by reason of any failure to apply for or obtain permission for listing for quotation on any Stock Exchange; or</p> <p>(b) unless –</p> <p>(i) shares held subject to the payment of the whole amount thereof in cash have been allotted to an amount not less in the whole than the minimum subscription;</p> <p>(ii) every director has paid to the company on each of the shares taken or contracted to be taken by him, and for which he is liable to pay in cash, a proportion equal to the proportion payable on application and allotment on the shares offered for public subscription; and</p> <p>(iii) there has been lodged with the Registrar a statutory declaration by the secretary or one of the directors of the company in the prescribed form verifying that the above conditions have been complied with.</p> <p>Section 52(2) of the Malaysian Companies Act: Where a public company having a share capital has not issued a prospectus inviting the public to subscribe for its shares or has not issued a prospectus pursuant to the Securities Commission Act 1993 the company shall not commence any business or exercise any borrowing power unless –</p> <p>(a) there has been lodged with the Registrar a statement in lieu of prospectus which complies with the Malaysian Companies Act;</p> <p>(b) every director of the company has paid to the company on each of the shares taken or contracted to be taken by him and for which he is liable to pay in cash, a proportion equal to the proportion payable on application and allotment on the shares payable in cash; and</p> <p>(c) there has been lodged with the Registrar a statutory declaration by the secretary or one of the directors of the company in the prescribed form verifying that paragraph (b)</p>	<p>Company and, subject to the Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.</p> <p>Bye-law 165: No Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and confirmed by a special resolution of the Members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of the Company. For this purpose, a "special resolution" refers to a resolution which has been passed by a majority of not less than three-fourths of votes cast by Members, being entitled so to do, voting in person or, in the case of Members being corporations, by their respective duly authorized representatives or, where proxies are allowed, by proxy.</p> <p>Bye-law 2(i): A resolution shall be a special resolution when it has been passed by a majority of not less than three-fourths of votes cast by Members, being entitled to do, voting in person or, in the case of Members being corporations, by their respective duly authorized representatives or, where proxies are allowed, by proxy.</p>	

15. SUMMARY COMPARISON OF BERMUDA COMPANY LAW AND MALAYSIAN COMPANY LAW (Cont'd)

<u>Malaysian Company Law</u>	<u>Bermuda Company Law</u>	<u>Comments on differences, if any</u>
has been compiled with.		
<p>QUALIFICATION, APPOINTMENT AND RETIREMENT OR NON-RETIREMENT OF DIRECTORS UNDER AN AGE LIMIT REQUIREMENT AND COMPANY SECRETARY</p> <p>Section 122(1) of the Malaysian Companies Act: Every company shall have at least two directors, who each has his principal or only place of residence within Malaysia.</p> <p>Section 122(2) of the Malaysian Companies Act: No person other than a natural person of full age shall be a director of a company.</p> <p>Section 122(6) of the Malaysian Companies Act: Notwithstanding anything contained in the Malaysian Companies Act or in the memorandum or articles of a company or in any agreement with a company, a director of a company shall not resign or vacate his office if, by his resignation or vacation from office, the number of directors of the company is reduced below the minimum number required by subsection (1) and any purported resignation or vacation of office is contravention of this section shall be deemed to be invalid.</p> <p>Section 122(7) of the Malaysian Companies Act: Subsection (6) shall not apply where a director of a company is required to resign or vacate his office if he has not within the period referred to in subsection 124(1) obtained his qualification or by virtue of his disqualification under the Malaysian Companies Act or any other written law.</p> <p>Section 126 of the Malaysian Companies Act:</p> <p>(1) At a general meeting of a public company, a motion for the appointment of two or more persons as directors by a single resolution shall not be made unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it.</p> <p>(2) A resolution passed in pursuance of a motion made in contravention of this section shall be void, whether or not its being so moved was objected to at the time.</p>	<p>Section 91(1) of the Act: The affairs of the company shall be managed by at least one director who shall be a person elected in the first place at the statutory meeting and thereafter elected or appointed by the members at each annual general meeting of the company or in such other manner and for such term as may be provided in the bye-laws.</p> <p>Section 91(1A) of the Act: A maximum number of directors may be determined by the members at a general meeting of the company or in such other manner as may be provided in the bye-laws.</p> <p>Section 91(2) of the Act: Where a maximum number of directors has been determined in accordance with section 91(1A) of the Act, a general meeting of a company may authorize the directors of the company to elect or appoint on their behalf a person or persons to act as additional directors up to such maximum.</p> <p>Section 91(2A) of the Act: Any person may be appointed an alternate director by or in accordance with a resolutions of the members or by a director in such manner as may be provided in the bye-laws, and the person so appointed shall have all the rights and powers of the director for whom he is appointed in the alternative, except that he shall not be entitled to attend and vote at any meeting of the directors otherwise than in the absence of such director.</p> <p>Section 91(3) of the Act: So long as a quorum of directors remains in office, unless the bye-laws of a company otherwise provide, any vacancy occurring in the board of directors may be filled by such directors as remain in office. If no quorum of directors remains the vacancy shall be filled by a general meeting of members.</p> <p>Section 130(1) of the Act: Every exempted company shall</p>	<p>The Malaysian Companies Act provides that every company shall have at least 2 directors who each has his principal or place of residence within Malaysia.</p> <p>However, pursuant to paragraph 4A.04(b) of the Listing Requirements, a foreign corporation with a primary listing on Bursa Securities, which has entirely or predominantly foreign-based operation must have at least one director whose principal or only place of residence is within Malaysia. This is provided for in Bye-law 85.</p> <p>The general principles relating to the effect of appointment and retirement are similar. Unlike Malaysian Companies Act, the Act does not provide for a maximum age limit for directors.</p> <p>Bermuda law does not have the concept of "substitute director" found in Section 122(1)(1A) of the Malaysian Companies Act. Appointments to the office of director and officer are personal in nature.</p> <p>There is no equivalent Bermuda legislation to Sections 122(6) and (7) of the Malaysian Companies Act. As there is therefore no legislative basis in Bermuda to prevent the last two directors from resigning from office, there is doubt as to the enforceability of any provision in the Bye-laws purporting to provide for "forced retention" of directors who are no longer willing to serve.</p> <p>In any event, this difference may have no or very minimal practical effect as the Bye-laws expressly require a minimum of 2 directors and further, Bye-law 116 specifically allows the remaining directors or, if there be no directors or director able or willing to act, then for any two members, to convene a meeting to appoint (additional) directors.</p>