

FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE NEW ISSUE

FUTURE PLANS

The electric bike motive battery market in China is in the development stage. Therefore, we intend to implement a number of initiatives, including expansion of our production facilities for our existing products, expansion of our distribution network and enhancement of our research and development capacity in relation to new battery products.

Expansion and technical improvement of our production facilities

Our Directors consider that sufficient supply of raw materials such as electrode plates is crucial to our business. Therefore, we intend to increase our production capacity in relation to the production of electrode plates in Tianneng Wuhu. We will also purchase advanced equipment and improve the production facilities in our other production plants in Zhejiang Province and Jiangsu Province so that we can expand our production capacity and facilitate the production of new products.

Expansion of our distribution and after-sales service network

In light of the great growth potential of the secondary market for motive battery products, our Directors intend to strengthen our distribution networks by recruiting more distributors to promote sales and after-sales service for the secondary market. In addition, our Directors also plan to further increase our market share in the primary market through recruiting additional sales representatives. We will strengthen our marketing and promotion of our products through advertising in different media and participating in exhibitions.

Strengthen our research and development in relation to new battery products for different electric transportation devices and made of different chemicals

Whether we can maintain our competitive advantage largely depends on our capability to launch successful research and development of new products, and the Directors consider that it is important for us to strengthen our research and development on new battery products. The focus of our research and development is clear as our Directors consider that the demand in motive battery products has a great potential. We will place more resources on our research and development in relation to new motive battery products for different transportation devices including electric bikes, electric motorcycles and electric cars and made of different chemicals such as Ni-MH battery products and Li-ion battery products.

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Assuming the final Offer Price is HK\$1.70 (the mid-point of the indicative Offer Price range between HK\$1.48 to HK\$1.92 per Offer Share) and that the Over-allocation Option is not exercised, the net proceeds from the New Issue are estimated to be approximately HK\$391.7 million. We presently intend to apply such net proceeds as below stated:—

- approximately HK\$197.0 million for the expansion and technical improvement of the production plants which includes:—
 - approximately HK\$6.3 million for construction of a new production plant in Tianneng Jiangsu's production complex in Shuyang County, Jiangsu Province;
 - approximately HK\$22.3 million for purchase of new production equipment for the new production plant of Tianneng Jiangsu's production complex in Shuyang County, Jiangsu Province;
 - approximately HK\$11.1 million for technical improvement of the production facilities of Tianneng Battery and Tianneng Power in Changxing County, Zhejiang Province;
 - approximately HK\$11.1 million for technical improvement of the facilities of Tianneng Battery in Changxing County, Zhejiang Province for the production of chargers, controllers and motors;
 - approximately HK\$57.5 million for construction of a new production plant in Tianneng Wuhu's production complex in Wuhu City, Anhui Province; and
 - approximately HK\$88.7 million for purchase of new production equipment for the new production plant of Tianneng Wuhu's production complex in Wuhu City, Anhui Province;
- approximately HK\$41.8 million for research and development of new battery products which includes:—
 - approximately HK\$3.2 million for research and development of new environmentally friendly metal alloy;
 - approximately HK\$3.2 million for research and development of new motive battery products for electric motorcycles;
 - approximately HK\$17.8 million for research and development of new motive battery products for electric cars;
 - approximately HK\$8.8 million for research and development of Ni-MH battery products; and

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- approximately HK\$8.8 million for research and development of Li-ion battery products;
- approximately HK\$23.0 million for enhancement of our sales and distribution network and for marketing and promotion purposes which includes:—
 - approximately HK\$2.2 million for enhancement of our sales and distribution network through the continual recruitment of more independent sales representatives and exclusive distributors to expand our sales forces and geographical coverage in China; and
 - approximately HK\$20.8 million for marketing and promotion purposes, of which approximately HK\$10.6 million will be applied to launch various forms of advertisements, approximately HK\$3.9 million will be applied for participation in exhibitions and trade fairs, approximately HK\$2.0 million will be applied for specific promotion events and the remaining for promotion materials, new product launch promotion campaigns and other related expenses;
- approximately HK\$100 million for repayment of bank loans incurred during the period from June 2006 to March 2007 the proceeds of which were used for construction of the new production plant in Tianneng Jiangsu's production complex and purchase of new production equipments for this new production plant (these bank loans have maturities ranging from June 2007 to December 2009 and with interest rates from 5.81 per cent. to 7.56 per cent. per annum); and
- approximately HK\$29.9 million as general working capital.

If the Over-allocation Option is exercised in full and assuming the final Offer Price is HK\$1.70 (the mid-point of the indicative Offer Price range between HK\$1.48 to HK\$1.92 per Offer Share), our Company will receive additional net proceeds of approximately HK\$25 million, and such additional proceeds will be applied to the above usages in proportion to the original proportion.

In the event that the final Offer Price is higher than the mid-point of the indicative range of the Offer Price and/or the Over-allocation Option is exercised, the additional net proceeds from the New Issue will be applied to the above applications on a pro rata basis. In the event that the final Offer Price is less than the mid-point of the indicative range of the Offer Price, we will use our internal funds to meet the remaining funding requirements.

The underwriting commission and the relevant portion of the Stock Exchange trading fee and the SFC transaction levy are to be borne by our Company and the Selling Shareholders in proportion to the number of Offer Shares issued or sold by each of them under the Share Offer. The financial advisory fee, the Stock Exchange listing fee and other expenses relating to the Share Offer are to be borne by our Company solely. Our Company will not receive any of the proceeds from the sale of the Sale Shares by the

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Selling Shareholders. The net proceeds from the Offer for Sale accruing to the Selling Shareholders (assuming that the over-allocation option is not exercised at all) are estimated to be approximately HK\$82 million, assuming a final Offer Price of HK\$1.70 (the mid-point of the indicative Offer Price range between HK\$1.48 to HK\$1.92 per Offer Share).

Pending the use of net proceeds from the New Issue for the purposes described above, and to the extent permitted under relevant PRC and Hong Kong law, we intend to deposit the net proceeds from the New Issue in short-term interest-bearing deposit with licensed banks and/or financial institutions in Hong Kong.