

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 16 November 2004 with an authorised share capital of HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.10 each, one of which was allotted and issued fully paid, to Codan Trust Company (Cayman) Limited on 26 November 2004 and was transferred to Prime Leader Global Limited on the same date. On the same date, 999 Shares were allotted and issued fully paid, to the Existing Shareholders in the proportion as set out below:—

<u>Name</u>	<u>No. of Shares allotted and issued</u>
Prime Leader Global Limited	686
Plenty Gold Holdings Limited	57
Precise Asia Global Limited	53
Easy Express Limited	50
Top Benefits International Limited	42
Super View Investments Limited	21
Profit Best International Limited	15
Mark Victory Limited	15
Success Zone Limited	15
Oriental Best Trading Limited	15
High Profit Capital Limited	10
Centre Wealth Limited	10
Glorious Crest Limited	10

On 1 December 2004, 4,451,000 Shares were allotted and issued nil paid to the Existing Shareholders in the proportion as set out below:—

<u>Name</u>	<u>No. of Shares allotted and issued</u>
Prime Leader Global Limited	3,057,837
Plenty Gold Holdings Limited	253,707
Precise Asia Global Limited	235,903
Easy Express Limited	222,550
Top Benefits International Limited	186,942
Super View Investments Limited	93,471
Profit Best International Limited	66,765
Mark Victory Limited	66,765
Success Zone Limited	66,765
Oriental Best Trading Limited	66,765
High Profit Capital Limited	44,510
Centre Wealth Limited	44,510
Glorious Crest Limited	44,510

The abovementioned 4,451,000 Shares were subsequently paid up in September 2006.

On 21 September 2006, all Exchangeable Notes have been fully exchanged. The Existing Shareholders therefore transferred an aggregate of 129,667 Shares to Power Active and an aggregate of 64,833 Shares to Prax Capital.

On 21 September 2006, the Company issued 562,960 Shares to Power Active and 281,479 Shares to Prax Capital as a result of the conversion of the Redeemable Convertible Notes.

On 8 February 2007, our Company issued 744,703,561 Shares to all our Shareholders on a pro rata basis, nil paid, at HK\$0.10 per share:—

Name	No. of Shares allotted and issued
Prime Leader Global Limited	411,254,747
Plenty Gold Holdings Limited	34,121,497
Precise Asia Global Limited	31,727,141
Easy Express Limited	29,931,340
Top Benefits International Limited	25,142,207
Super View Investments Limited	12,571,174
Profit Best International Limited	8,979,290
Mark Victory Limited	8,979,289
Success Zone Limited	8,979,289
Oriental Best Trading Limited	8,979,289
High Profit Capital Limited	5,986,240
Centre Wealth Limited	5,986,240
Glorious Crest Limited	5,986,240
Power Active	97,386,526
Prax Capital	48,693,052

The abovementioned 744,703,561 Shares will be credited as fully paid upon completion of the Capitalisation Issue.

Our Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises the Memorandum and the Articles. A summary of certain relevant parts of its constitution and certain relevant aspects of the Companies Law is set out in appendix V to this prospectus.

2. Changes in share capital of our Company

Immediately upon completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allocation Option or any options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$200,000,000 divided into 2,000,000,000 Shares of which 1,000,000,000 Shares will be allotted and issued fully

paid or credited as fully paid and 1,000,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allocation Option or any options which may be granted under the Share Option Scheme, and save as otherwise disclosed herein, our Directors have no present intention to issue any part of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Our Company has no founder shares, management shares or deferred shares.

Save as disclosed herein and in paragraphs 1, 3 and 4 of this appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions of Shareholders passed on 26 February 2007

On 26 February 2007, pursuant to the resolutions passed by our Shareholders:—

- (a) our Company approved and adopted the Articles;
- (b) conditional upon all conditions set out in the section headed “Structure and conditions of the Share Offer” of this prospectus:
 - (i) the Share Offer and the Over-allocation Option upon the terms and conditions of this prospectus were approved and our Directors were authorised to approve the allotment and issue of the Offer Shares pursuant to the Share Offer and any Shares which may be required to be issued if the Over-allocation Option is exercised;
 - (ii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK\$74,470,356.10 standing to the credit of the share premium account of our Company by applying such sum in crediting as fully paid at par the 744,703,561 nil paid Shares of HK\$0.10 in the capital of our Company held by our Shareholders in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company; and
 - (iii) conditional on the Listing Committee of the Stock Exchange granting approval of the Share Option Scheme to grant options to subscribe for Shares after the Share Offer for the benefit of employees (including Directors and executive) of the Group and any other person who, in the sole discretion of the Board, have contributed to the Group, the grant of options thereunder and the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any options granted thereunder, the Share Option Scheme was approved and adopted and our Directors were authorised to make such further amendments thereon or to take all such actions as they may consider necessary, expedient or desirable to implement the Share Option Scheme and to grant options and to allot and issue Shares pursuant to the exercise of options granted under the Share Option Scheme;

- (c) the Issuing Mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of options which may be granted under the Share Option Scheme or under the Share Offer or Capitalisation Issue, Shares with an aggregate nominal value of not exceeding the sum of 20 per cent. of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and Capitalisation Issue (without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allocation Option or any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or the Companies Law or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (d) the Repurchase Mandate was given to our Directors to exercise all powers for and on behalf of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10 per cent. of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allocation Option or any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and
- (e) the Issuing Mandate was extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such unconditional general mandate of an amount representing the aggregate nominal amount of the Shares purchased by our Company pursuant to the Repurchase Mandate provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal value of the issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue.

4. Group reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares. The reorganisation involved the following steps:—

- (a) On 15 November 2004, Tianneng BVI was incorporated in BVI and 1 share of US\$1.00 therein was issued and allotted to our Company;

- (b) On 10 November 2004, Tianneng Battery transferred its 79.42 per cent. shareholdings in Tianli Battery to NI Danqing (倪丹青) at a consideration of approximately RMB5.73 million;
- (c) On 14 December 2004, the then shareholders of Tianneng Battery transferred the entire shareholdings in Tianneng Battery to Tianneng BVI at a consideration of RMB74,945,105.68 (equivalent to approximately US\$9,608,346). The details of percentage of shareholdings being transferred by each shareholder of Tianneng Battery are as follows:—

<u>Shareholder</u>	<u>Percentage of shareholdings being transferred</u>
ZHANG Tianren	68.7 per cent.
RUAN Mansheng	5 per cent.
ZHANG Kaihong	5.7 per cent.
ZHANG Aogen	4.2 per cent.
SHI Borong	5.3 per cent.
GAO Xinkun	2.1 per cent.
CHEN Minru	1.5 per cent.
HU Shijin	1.5 per cent.
YANG Lianming	1.5 per cent.
ZHANG Zengquan	1.5 per cent.
SHE Rensong	1 per cent.
ZHOU Jianzhong	1 per cent.
YANG Huanrong	1 per cent.
Total:	<u>100 per cent.</u>

- (d) On 22 December 2004, our Company issued the Redeemable Convertible Notes to the Investors pursuant to the Subscription Agreement;
- (e) On 31 January 2005, the first tranche of the Exchangeable Notes in the amount of US\$1,500,000 were issued by the Existing Shareholders to the Investors;
- (f) On 20 May 2005, Tianneng Power and Zhejiang Changtong entered into a share transfer agreement pursuant to which Zhejiang Changtong transferred its 10 per cent. shareholdings in Tianneng Electronic to Tianneng Power at a consideration of RMB500,000;
- (g) On 30 May 2005, Tianneng Electronic and Ms. ZHANG Meier entered into a share transfer agreement pursuant to which Ms. ZHANG Meier transferred her 10 per cent. shareholdings in Tianneng Power to Tianneng Electronic at a consideration of RMB300,000;

- (h) On 15 September 2006, the second tranche of the Exchangeable Notes in the amount of US\$1,000,000 were issued by the Existing Shareholders to the Investors;
- (i) On 20 September 2006, Power Active and Prax Capital exercised their rights under the Redeemable Convertible Notes and Exchangeable Notes, pursuant to which Power Active received an aggregate of 692,627 Shares and Prax Capital received an aggregate of 346,312 Shares on 21 September 2006; and
- (j) On 8 February 2007, our Company issued 744,703,561 Shares to all our Shareholders on pro rata basis at nil paid of HK\$0.10 per share.

5. Changes in the share capital of subsidiaries

The subsidiaries of our Company are set out in the accountants' report which is set out in appendix I to this prospectus.

In addition to those mentioned in the section headed "Group reorganisation", the following alterations in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus:—

- (1) On 30 May 2005, Tianneng Transport was established in China with a registered capital of RMB500,000.
- (2) On 16 September 2005, the registered capital of Tianneng Jiangsu was increased from RMB10,000,000 to RMB30,000,000.
- (3) On 21 October 2005, Tianneng Wuhu was established in China with a registered capital of RMB10,000,000.
- (4) On 17 March 2006, the registered capital of Tianneng Jiangsu was increased from RMB30,000,000 to RMB60,000,000.
- (5) On 2 December 2006, the registered capital of Tianneng Jiangsu was increased from RMB60,000,000 to RMB65,000,000.

Save as disclosed herein and in paragraph 4 of this appendix, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own Shares.

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction. Our Company's sole listing will be on the Stock Exchange.

Note: Pursuant to our Shareholders' resolutions passed on 26 February 2007, the Repurchase Mandate was given to our Directors to authorise any purchase by our Company of the Shares as described in the paragraph headed "Resolutions of Shareholders passed on 26 February 2007".

(b) *Trading restrictions*

Our Company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of Shares which represent up to a maximum of 10 per cent. of the aggregate nominal value of the share capital of our Company in issue immediately following Completion of the Share Offer and the Capitalization Issue (without taking into account Shares falling to be issued pursuant to the exercise of the Over-allocation Option or any Option which may be granted under the Share Option Scheme). Our Company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities (except pursuant to the exercise of warrants, share options or similar instruments requiring our Company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. In addition, our Company shall not repurchase its shares on the Stock Exchange if the purchase price is higher than 5 per cent. or more than the average closing market price for the 5 preceding trading days on which the Shares were traded on the Stock Exchange. Our Company is also prohibited from making securities repurchases on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in public hands would fall below the relevant prescribed minimum percentage as required by the Stock Exchange, which is currently 25 per cent. in the case of our Company.

(c) *Status of repurchased securities*

The Listing Rules provide that the listing of all repurchased securities is automatically cancelled and that the relevant certificates must be cancelled and destroyed as soon as reasonably practicable. Under the Cayman Islands law, our Company's repurchased Shares shall be treated as cancelled on repurchase and the amount of our Company's issued share capital shall be diminished by the aggregate nominal value of the repurchased Shares (although the authorised share capital of our Company will not be reduced as a result of the repurchase).

(d) *Suspension of repurchase*

The Listing Rules prohibit any repurchase of securities after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of our board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, our Company may not repurchase its securities on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached any of the Listing Rules.

(e) *Procedural and reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, our Company's annual report and accounts are required to include a monthly breakdown of Share repurchases made during the financial year under review, showing the number of Shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per Share or the highest and lowest prices paid for all such repurchases and the total prices paid by our Company. Our Directors' report is also required to contain reference to the repurchases made during the year and our Directors' reasons for making such repurchases. Our Company shall make arrangements with its broker who effects the repurchase to provide our Company in a timely fashion with the necessary information in relation to the repurchase made on behalf of our Company to enable our Company to report to the Stock Exchange.

(f) *Reasons for repurchases*

Our Directors believe that it is in the best interest of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company or its earnings per Share or both.

(g) *Funding of repurchases*

Any repurchases will only be financed out of funds of our Company legally available for the purpose in accordance with its Memorandum, the Articles, the Listing Rules and all applicable laws of the Cayman Islands. Under Cayman Islands

law, repurchases by our Company may only be made out of profits of our Company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of profits of our Company or out of our Company's share premium account, or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

Based on the financial position of the Group as at 31 December 2006 (being the date to which the latest published audited accounts of the Group were made up), our Directors consider that there would not be a material adverse impact on the working capital and on the gearing position in the event that the Repurchase Mandate is exercised in full in the proposed repurchase period. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for the Group. The exercise in full of the Repurchase Mandate, assuming that the Over-allocation Option is not exercised at all and on the basis of 1,000,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue, would result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(h) General

As at the Latest Practicable Date, none of our Directors and, to the best of their knowledge, having made all reasonable enquiries, none of their respective associates have any present intention in selling any Share to our Company or its subsidiaries if the Repurchase Mandate is approved by our Shareholders and exercised by our Directors. As at the Latest Practicable Date, no connected persons (as defined in the Listing Rules) of our Company have notified our Company that they have any present intention to sell Shares to our Company or have undertaken not to do so, if the Repurchase Mandate is approved by our Shareholders and exercised by our Directors.

(i) Directors' Undertaking

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and all applicable laws of the Cayman Islands.

(j) Takeovers Code Consequences

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**"). As a result, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of our Company and

become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

7. Registration under Part XI of the Companies Ordinance

On 7 November 2006, our Company was registered as an overseas company in Hong Kong under Part XI of the Companies Ordinance and its principal place of business in Hong Kong is Suite 5509, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Mr. LEUNG Kwok Wah Kevin was appointed as agent of our Company for the acceptance of service of process in Hong Kong.

8. Terms and Conditions of the Exchangeable Notes and the Redeemable Convertible Notes

The principal conditions of the Exchangeable Notes ("**E-Notes**") are set out as follows:—

- (a) Principal amount: US\$1,666,667 (Power Active) and US\$833,333 (Prax Capital)
- (b) Date of issue: 31 January 2005 and 15 September 2006
- (c) Maturity date: 30 June 2007 (unless otherwise extended by the Investors) ("**Maturity Date**")
- (d) Interest: The E-Notes (whether or not wholly or partially exchanged, or at all) will bear interest (or payment of a similar nature) by reference to the principal amounts remaining outstanding and unpaid under the E-Notes from the date of issue to the exchange date in the amount representing eight per cent. per annum, up to and including the exchange date (whether or not exchanged at the time).
- (e) Conversion at the option of the holder: The Investors will have the right to exchange the whole or part of the principal amount of the E-Notes into Shares at any time and from time to time, from the date of issue of the E-Notes up to the Maturity Date (or any later date as agreed by the Investors) by delivering a notice of exchange ("**Notice of Exchange**") to the office of our Company's Counsel at Gallant Y. T. Ho & Co., 5th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong (or such other address as the sellers may by not less than two Business Days' notice notify the Investors).
- (f) Conversion price: HK\$100 per Share subject to adjustment as hereafter described

- (g) Adjustment mechanism: Upon the determination of the amount of the certified net asset value (“**Certified NAV**”)^(Note 1), the amount of the E-Note consideration shall be adjusted as follows:-
- if the Certified NAV is less than the warranted net asset value (“**Warranted NAV**”)^(Note 2), then the E- Note consideration shall be adjusted to an amount represented by:
- E-Note consideration (as adjusted) = E-Note consideration (prior to adjustment) – ((Warranted NAV) – (Certified NAV))
- PROVIDED that where (Warranted NAV) – (Certified NAV) is less than or equal to 0, then for the purpose of the above formula, (Warranted NAV) – (Certified NAV) shall be taken to have the value of 0.
- (h) Maximum number of shares that could be exchanged: 129,667 (Power Active) and 64,833 (Prax Capital)
- (i) Actual number of shares exchanged: 129,667 (Power Active) and 64,833 (Prax Capital)
- (j) Maximum number of shares that could be further exchanged: 0 (Power Active) and 0 (Prax Capital)

Notes:—

- The audited net asset value of the Group as at 31 December 2004 as shown in the audited accounts and the audited consolidated profit and loss account of Tianneng Battery, Tianneng BVI, Tianneng Power, Tianneng Recycle, Tianli Battery and Tianneng Electronics for the year ended 31 December 2004.
- The consolidated net asset value of the Group (including minority interest but excluding the C-Note consideration) according to HK GAAP as at 31 December 2004 being RMB140,000,000.

The principal conditions of the Redeemable Convertible Notes (“**C-Notes**”) are set out as follows:

- (a) Principal amount: US\$6,333,333 (Power Active) and US\$3,166,667 (Prax Capital)
- (b) Date of issue: 22 December 2004
- (c) Maturity date: 30 June 2007 (unless otherwise as extended by the Investors) (“**Maturity Date**”)

- (d) Interest: The C-Notes (whether or not wholly or partially converted, or at all) will bear interest (or payment of a similar nature) from the date of issue to the conversion date in the amount representing eight per cent. per annum, up to and including the conversion date (whether or not converted at the time).
- (e) Conversion at the option of the holder: The noteholder will have the right to convert the whole or part of the principal amount of the C-Notes into Shares at any time and from time to time, from 22 December 2004 up to the Maturity Date.
- (f) Conversion price: HK\$100 per Share subject to adjustment as hereafter described
- (g) Adjustment mechanism: The subscription for the C-Notes pursuant to the terms and conditions in the Subscription Agreement are based on a guaranteed profits after tax amount of HK\$96 million for the year ended 31 December 2004 (“**Guaranteed PAT**”). If audited profit after tax of Tianneng Battery (“**Audited PAT**”) for the year ended 31 December 2004 falls below HK\$96 million, then the Investors shall have the right to receive additional Shares comprising: (a) further new Shares issued by our Company; and (b) further existing issued Shares transferred by the sellers/founders according to the following formula:

Additional Shares to be issued by our Company to the Investors (Z) = $[(4,452,000 - E) / (1 - Y)] \times Y - (C + E)$

Where:

C = number of conversion Shares issuable on a fully converted basis (being 739,000 Shares, assuming conversion price of HK\$100)

E = number of sale Shares to be transferred to the Investors (being 194,500 Shares) (assuming exchange price of HK\$100)

X = the percentage in the enlarge issued share capital of our Company represented by the conversion Shares and the sale Shares (on a fully converted and exchanged basis)

Y = the adjusted percentage in the enlarge issued share capital of our Company represented by the conversion Shares and the sale Shares (on a fully converted and exchanged basis), being the higher of :

- (i) X; and
- (ii) $X \times (\text{Guaranteed PAT}) / (\text{Audited PAT})$

As an alternative to receiving additional Shares, the Investors may elect (but shall not be obliged) to adjust the conversion price to P, according to the following formula:

$$P = (\text{E-Note consideration} + \text{C-Note consideration}) / (\text{C} + \text{E} + \text{Z})$$

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|-----|---|---|
| (h) | Maximum number of shares that could be exchanged: | 562,960 (Power Active) and 281,479 (Prax Capital) |
| (i) | Actual number of shares exchanged: | 562,960 (Power Active) and 281,479 (Prax Capital) |
| | Maximum number of shares that could be further exchanged: | 0 (Power Active) and 0 (Prax Capital) |

On 21 September 2006, a total of 1,038,939 Shares have been issued to Power Active and Prax Capital as a result of the exchange and conversion of the Exchangeable Notes and Redeemable Convertible Notes. Power Active holds 692,627 Shares being 13.08 per cent. of our Company's total issued share capital. Prax Capital currently holds 346,312 Shares being 6.54 per cent. of our Company's total issued share capital prior to the Capitalisation Issue.

On 29 November 2004, pursuant to the Subscription Agreement (as amended by the Supplemental Deeds), our Company granted a put option to the Investors according to the following terms:

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| (a) | Put option: | If our Company is not successful in implementing a Qualified IPO (as defined hereinafter) by 30 June 2007 or such later date as extended by the Investors the (" Option Extended Date "), the Investors shall each have the right, subject to the laws of the Cayman Islands, to require either or both of our Company and all or any of the Existing Individual Shareholders to immediately repurchase/ purchase all of (or, at the Investor's(s') election, any of) the conversion Shares (assuming the relevant note has been wholly or partly converted) and/or the sale Shares and/or the notes from the Investors (the " Put Option "). |
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Such Put Option shall only be exercisable within the period between 1 July 2007 to 30 June 2008 (inclusive of both dates) or within 365 days from the Option Extended Date (whichever applicable). The Investors may exercise such Put Option by serving a written notice on our Company and/or the relevant Existing Individual Shareholders, who shall thereupon pay the Investor(s) an amount equal to the option price relevant thereto and execute all documents to effect such transfer of the option shares and/or the option notes (or any portion thereof to be transferred) as shall be required by the Investors, within a reasonable time limit set by the Investors, failing which our Company and/or the relevant Existing Individual Shareholders shall in addition pay the Investors an amount equal to 10 per cent. of the option price. In the event no such written notice is being served on our Company and/or the relevant Existing Individual Shareholders within the period between 1 July 2007 to 30 June 2008 (inclusive of both dates) or within 365 days from the Option Extended Date (whichever is applicable), the Put Option shall automatically lapse.

On 23 May 2007, Power Active, Prax Capital and our Company entered into the seventh supplemental deed of confirmation pursuant to which each of Power Active, Prax Capital and our Company agreed to cancel the abovementioned put options of the Subscription Agreement.

- (b) Put option price: The consideration paid for such shares/notes with a rate of return per annum of 10 per cent. (in addition to and without affecting any payments payable pursuant to the terms of the notes).
- (c) Qualified IPO: Means an initial public offering of the Shares of our Company on the Main Board of the Stock Exchange of Hong Kong Limited by 30 June 2007 or such other date as agreed by the Investors and issued at a price per share which shall generate an annual rate of return of not less than 30 per cent. (net of withholding tax and including dividends and interest received) on the initial investment amount of the Investors from the completion date of initial public offering.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:—

- (a) a share transfer agreement dated 10 November 2004 entered into between Tianneng Battery and Mr. NI Danqing (倪丹青) pursuant to which Tianneng Battery transferred its 79.42 per cent. shareholdings in Tianli Battery to Mr. NI Danqing;
- (b) the Subscription Agreement;
- (c) a share transfer agreement dated 2 December 2004 made among Tianneng BVI and the Existing Individual Shareholders, being all the then shareholders of Tianneng Battery pursuant to which the Existing Individual Shareholders transferred their entire shareholdings in Tianneng Battery to Tianneng BVI at a consideration of RMB74,945,105.68 (equivalent to approximately US\$9,608,346);
- (d) a supplemental deed of confirmation to the Subscription Agreement as referred to in (b) above dated 6 December 2004 entered into among our Company, the Existing Shareholders, the Existing Individual Shareholders and the Investors (collectively the “Parties”) to amend certain terms of the Subscription Agreement;
- (e) a second supplemental deed of confirmation to the Subscription Agreement, as amended by a supplemental deed of confirmation, as referred to in (b) and (d) above respectively, dated 22 December 2004 entered into by the Parties to amend certain terms of the Subscription Agreement;
- (f) a third supplemental deed of confirmation to the Subscription Agreement, as amended by two supplemental deeds of confirmation, as referred to in (b), (d) and (e) above respectively, dated 31 January 2005 entered into by the Parties to amend certain terms of the Subscription Agreement;
- (g) a deed of waiver dated 3 February 2005 given by Prax Capital in favour of our Company, the Existing Shareholders and the Existing Individual Shareholders, pursuant to which Prax Capital agreed to pay US\$500,000 as part of the consideration for the Exchangeable Notes;
- (h) a share transfer agreement dated 20 May 2005 entered into between Tianneng Power and Zhejiang Changtong, pursuant to which Zhejiang Changtong transferred its 10 per cent. shareholdings in Tianneng Electronic to Tianneng Power at a consideration of RMB500,000;
- (i) a share transfer agreement dated 30 May 2005 entered into between Tianneng Electronic and Ms. ZHANG Meier pursuant to which Ms. ZHANG Meier transferred her 10 per cent. shareholdings in Tianneng Power to Tianneng Electronic at a consideration of RMB300,000;









- (j) a loan agreement dated 14 February 2006 entered into among Power Active as lender, our Company as borrower and Mr. ZHANG Tianren as guarantor pursuant to which Power Active advanced a loan of US\$666,667 to our Company;
- (k) a loan agreement dated 14 February 2006 entered into among Prax Capital as lender, our Company as borrower and Mr. ZHANG Tianren as guarantor pursuant to which Prax Capital advanced a loan of US\$333,333 to our Company;
- (l) a confirmatory deed dated 30 August 2006 entered into among our Company, the Existing Shareholders (other than Prime Leader Global Limited, Super View Investments Limited and Easy Express Limited), the Existing Individual Shareholders (other than Mr. ZHANG Tianren, Mr. RUAN Mansheng and Mr. GAO Xinkun) and the Investors in respect of, inter alia, the payment of consideration for the Exchangeable Notes issued by the Existing Shareholders (other than Prime Leader Global Limited, Super View Investments Limited and Easy Express Limited);
- (m) a confirmatory deed dated 30 August 2006 entered into among our Company, Prime Leader Global Limited, Mr. ZHANG Tianren and the Investors in respect of, inter alia, the payment of consideration for the Exchangeable Notes issued by Prime Leader Global Limited;
- (n) a confirmatory deed dated 30 August 2006 entered into among our Company, Super View Investments Limited, Mr. GAO Xinkun and the Investors in respect of, inter alia, the payment of consideration for the Exchangeable Notes issued by Super View Investments Limited;
- (o) a confirmatory deed dated 30 August 2006 entered into among our Company, Easy Express Limited, Mr. RUAN Mansheng and the Investors in respect of, inter alia, the payment of consideration for the Exchangeable Notes issued by Easy Express Limited;
- (p) a fourth supplemental deed of confirmation to the Subscription Agreement, as amended by three supplemental deeds of confirmation, as referred to in (b), (d), (e) and (f) above respectively, dated 13 September 2006 entered into by the Parties to amend certain terms of the Subscription Agreement;
- (q) a supplemental agreement, to the share transfer agreement as referred to in (a) above dated 12 September 2006 entered into between Tianneng Battery and Mr. NI Danqing to confirm the consideration of the said share transfer agreement was approximately RMB5.73 million;
- (r) a fifth supplemental deed of confirmation to the Subscription Agreement, as amended by four supplemental deeds of confirmation, as referred to in (b), (d), (e), (f) and (p) above respectively, dated 14 September 2006 entered into by the Parties to amend certain terms of the Subscription Agreement;
- (s) a confirmatory deed dated 20 November 2006 entered into between Mr. ZHANG Tianren and Tianneng Battery in respect of the payment of consideration for the take over of Zhejiang Changxing Storage Battery Factory by Tianneng Battery in May 2003;

- (t) a sixth supplemental deed of confirmation to the Subscription Agreement, as amended by five supplemental deeds of confirmation, as referred to in (b), (d), (e), (f), (p) and (r) above respectively dated 15 December 2006, entered into by the Parties to amend certain terms of the Subscription Agreement;
- (u) a seventh supplemental deed of confirmation to the Subscription Agreement, as amended by six supplemental deeds of confirmation, as referred to in (b), (d), (e), (f), (p), (r) and (t) above respectively, dated 23 May 2007 entered into by the Parties to amend certain terms of the Subscription Agreement;
- (v) a deed of non-competition dated 26 May 2007 given by Mr. ZHANG Tianren and Prime Leader Global Limited in favour of the Group;
- (w) a deed of indemnity dated 28 May 2007 executed by Mr. ZHANG Tianren and Prime Leader Global Limited in favour of the Group, containing the indemnities more particularly referred to in sub-section headed “Estate duty, tax indemnity and other indemnities” of this appendix; and
- (x) the Hong Kong Public Offer Underwriting Agreement.



2. Intellectual property rights of the Group

Trademarks

As at the Latest Practicable Date, the Group has registered the following trademarks:—

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Date</u>	<u>Registration Number</u>
	PRC	9	14 March 1997	962526
	PRC	9	7 April 2002	1742735
	PRC	15	20 June 1997	290264
	PRC	12	7 December 2002	1923874
	PRC	12	7 December 2002	1923881
	Hong Kong	7, 9, 12	7 June 2006	300654200
	Hong Kong	7, 9, 12	7 June 2006	300654219
	Hong Kong	7, 9, 12	7 June 2006	300654228

As at the Latest Practicable Date, the Group has applied for the registration of the following trademarks, the registration of which has not yet been granted:—

<u>Trademark</u>	<u>Place of application</u>	<u>Class</u>	<u>Date of application</u>	<u>Application number</u>
	PRC	1 – 32 34 – 45	2 November 2004	4340296 to 4340315 4340996 to 4341015 4340986 to 4340989
	PRC	7	5 July 2006	5461414

Patents

As at the Latest Practicable Date, the Group has been granted with the following patents in China:—

<u>Name</u>	<u>Date of application</u>	<u>Date of grant</u>	<u>Patent number</u>
一種蓄電池槽蓋的密封結構 (a sealed structure with battery trough cover)	18 May 2004	18 May 2005	ZL 2004 2 00229065
一種蓄電池槽蓋密封鎖扣結構 (a sealed and locked structure with battery trough cover)	30 May 2005	14 June 2006	ZL 200520102553.4
一種低消耗密封性好的蓄電池 (a kind of battery with low depletion and good airtightness)	1 July 2005	7 June 2006	ZL 200520012963.X
一種節省型蓄電池槽蓋 (a kind of economical battery trough cover)	8 December 2005	14 June 2006	ZL 200520117082.4
電池槽盒 (咖啡) (Battery trough box(brown))	8 December 2005	25 October 2006	ZL 200530127220.2
電池槽盒 (深灰) (Battery trough box (charcoal grey))	8 December 2005	25 October 2006	ZL 200530127221.7
電池槽盒 (湖藍) (Battery trough box (lake blue))	8 December 2005	14 March 2007	ZL 200530127219.X

As at the Latest Practicable Date, the Group has applied for registration of the following patents in China the registration of which has not yet been granted:—

<u>Name</u>	<u>Date of application</u>	<u>Application number</u>
一種長壽型蓄電池 (a kind of long lasting battery)	30 June 2006	200620105364.7
一種蓄電池端子 (a kind of long lasting battery terminal)	30 June 2006	200620105363.2
一種注液孔單獨設置蓋板的蓄電池槽蓋 (a kind of single battery trough cover)	30 June 2006	200620105362.8
一種蓄電池蓋 (a kind of battery cover)	4 December 2006	200620140650.7
一種插銷式結構的蓄電池蓋 (a kind of battery cover with plunger structure)	4 December 2006	200620140652.6
一種抽屜式結構的蓄電池蓋 (a kind of battery cover with drawer type structure)	4 December 2006	200620140651.1
一種可維護密封性好的蓄電池蓋 (a kind of battery cover with good airtightness)	4 December 2006	200620140653.0
蓄電池盒(6-DM-32) (Battery box (6-DM-32))	8 January 2007	200730109740.X
蓄電池盒(6-DM-40) (Battery box (6-DM-40))	8 January 2007	200730109741.4
蓄電池盒(6-DZM-12B) (Battery box (6-DZM-12B))	8 January 2007	200730109739.7
蓄電池盒(6-DZM-10B) (Battery box (6-DZM-10B))	8 January 2007	200730109742.9
蓄電池盒(6-DM-80) (Battery box (6-DM-80))	8 January 2007	200730109743.3

Name	Date of application	Application number
蓄電池盒(6-DM-33) (Battery box (6-DM-33))	8 January 2007	200730109744.8
蓄電池盒(6-DM-35) (Battery box (6-DM-35))	8 January 2007	200730109745.2
蓄電池盒(3-DM-200) (Battery box (3-DM-200))	8 January 2007	200730109746.7
蓄電池盒(6-DZM-20) (Battery box (6-DZM-20))	30 December 2006	200630161945.8
蓄電池盒(6-DZM-8) (Battery box (6-DZM-8))	30 December 2006	200630161944.3
蓄電池盒(6-DZM-12C1) (Battery box (6-DZM-12C1))	30 December 2006	200630161940.5
蓄電池盒(6-DZM-12C2) (Battery box (6-DZM-12C2))	30 December 2006	200630161941.X
蓄電池盒(6-DZM-10) (Battery box (6-DZM-10))	30 December 2006	200630161938.8
蓄電池盒(6-DZM-17) (Battery box (6-DZM-17))	30 December 2006	200630161943.9
蓄電池盒(3-DZM-7) (Battery box (3-DZM-7))	30 December 2006	200630161939.2
蓄電池盒(6-DZM-12) (Battery box (6-DZM-12))	30 December 2006	200630161942.4
包裝盒(6-DZM-10) (Package box (6-DZM-10))	30 December 2006	200630161937.3
包裝盒(6-DZM-12) (Package box (6-DZM-12))	30 December 2006	200630161935.4
包裝盒(6-DZM-14) (Package box (6-DZM-14))	30 December 2006	200630161936.9

Domain name

As at the Latest Practicable Date, the Group was the registered holder of the following domain name:—

<u>Domain name</u>	<u>Registration date</u>
www.cn-tn.cn	21 February 2004
www.tianneng.com.hk	5 December 2006

The content in the website of our Company does not form part of this prospectus.

10. Further information about the Group's subsidiaries in China

The Group has established the following subsidiaries in China, the corporate information of which is as follows:

Tianneng Battery

Economic nature:	Wholly foreign owned enterprise
Total investment:	RMB13,000,000
Total registered capital:	RMB10,000,000
Term of operation:	13 March 2003 to 12 March 2033
Scope of business:	Manufacture, production and sale of battery, plate, accessories for electric bike (generator, nave, controller, battery box, battery charger), low voltage illuminate electrical appliances (蓄電池、極板、電動自行車配件(電機、輪轂、控制器、電池箱、充電器)、低壓照明電器生產、製造、銷售)

Tianneng Power

Economic nature:	Limited liability company (Invested by foreign enterprise)
Total registered capital:	RMB3,000,000
Term of operation:	11 March 1998 to 10 March 2018

Scope of business: Manufacture, fabrication and operation of battery and accumulator plate; manufacturing, fabrication and operation of electric moped (included 2-wheeled and 3-wheeled), electric bike and its accessories (including generator, nave, controller, battery, battery box, battery charger); manufacturing, fabrication and operation of scooter (operation subject to license). Operation of import and export business (refer to the qualification certificate for details)
(蓄電池、蓄電池極板的製造、組裝、經營；電動助力車(含二輪、三輪)、電動自行車及其配件(包括電機、輪轂、控制器、電池、電池箱、充電器)的製造、組裝、經營；滑板車的製造、組裝、經營(憑許可證經營)。自營進出口業務(詳見資格證書))

Tianneng Recycle

Economic nature: Limited liability company (Invested by foreign enterprise)

Total registered capital: RMB500,000

Term of operation: 7 May 1999 to 6 May 2009

Scope of business: Recycling and sale of spent battery and scrap metal (廢電池、廢舊金屬回收、銷售)

Tianneng Electronic

Economic nature: Limited liability company (Invested by foreign enterprise)

Total registered capital: RMB5,000,000

Term of operation: 1 July 2004 to 30 June 2034

Scope of business: Manufacture and sale of Ni-MH battery and accessories, accessories for electric bikes (generator, battery charger and controller). Import and export of goods, and import and export of technology (except the items prohibited by the laws and administration regulations. For those items restricted by the laws and administration regulations are required to obtain licence before operation
(鎳氫電池及配件、電動自行車配件(電機、充電器、控制器)生產、銷售,貨物進出口、技術進出口(法律、行政法規禁止的項目除外,法律、行政法規限制的項目取得許可後方可經營)

Tianneng Transport

Economic nature:	Limited liability company
Total registered capital:	RMB500,000
Term of operation:	30 May 2005 to 29 May 2035
Scope of business:	Freight transport (common freight transport, transportation of dangerous goods) (the Road Transportation Licence will be valid until 27 May 2008) (貨運(普通貨運、危險貨物運輸)。(道路運輸許可證有效期至 2008年5月27日))

Tianneng Wuhu

Economic nature:	Limited liability company (Non state wholly owned)
Total registered capital:	RMB10,000,000
Term of operation:	21 October 2005 to 26 September 2008
Scope of business:	Manufacture, production and sale of battery, plate, accessories for electric bike (generator, nave, controller, battery box, battery charger), low voltage illuminate electrical appliances (蓄電池、極板、電動自行車配件(電機、輪轂、控制器、電池箱、充電器)、低壓照明電器生產、製造、銷售)

Tianneng Jiangsu

Economic nature:	Limited liability company
Total registered capital:	RMB65,000,000
Term of operation:	9 May 2005 to 8 May 2035
Scope of business:	Preparation and construction of production projects regarding battery and plate, manufacture and sale of accessories for electric bike and low voltage illuminate electrical appliances (those subject to approvals under laws and regulations shall be operated after being approved) (蓄電池、極板生產項目籌建, 電動自行車配件、低壓照明電器生產、銷售。(涉及法律法規須審批的批准後經營))

FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF**1. Directors***Disclosure of interests of Directors*

- (a) Save as disclosed in this prospectus, none of our Directors or their associates (as defined in the Listing Rules) were engaged in any dealings with the Group during the two years preceding the date of this prospectus; and
- (b) Each of Mr. ZHANG Tianren, Mr. CHEN Minru, Mr. SHI Borong, Mr. YANG Lianming, Mr. ZHANG Aogen and Mr. ZHANG Kaihong is interested in the corporate reorganisation referred to in the paragraph 4 headed “Group reorganisation” of this appendix.

Particulars of service contracts

(a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:

Each of the service contracts is for an initial term of three years commencing from the Listing Date unless terminated by not less than three months’ notice in writing served by either the Director or our Company. In certain other circumstances, each agreement can also be terminated by our Company, including but not limited to serious breaches of our Directors’ obligations under the agreement or serious misconduct. The executive Directors are officially stationed in China, but may be required to work in Hong Kong or in other places, as may be determined by our board of Directors from time to time.

Each of the service contracts further provides that during the term of the service contract and within one year upon the termination of service, the executive Director cannot engage in any business which is competing or is likely to compete, either directly or indirectly, with the business of the Group.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has signed an appointment letter with our Company. Particulars of these appointment letters, except as indicated, are in all material respects identical and are set out below. The independent non-executive Directors have been appointed for a term of three years commencing from the Listing Date. Save for directors’ fees of RMB80,000 (equivalent to approximately HK\$80,000) per annum for each independent non-executive Director, none of the independent non-executive Director is expected to receive any other remuneration for holding their office as an independent non-executive Director.

The current basic annual salaries of the executive Directors and the annual fees payable to the independent non-executive Directors are as follows:

<u>Executive Directors</u>	<u>Amount</u> <i>(RMB)</i>	<u>Amount</u> <i>(approximate amount in HK\$)</i>
ZHANG Tianren	80,000	80,000
CHEN Minru	80,000	80,000
SHI Borong	80,000	80,000
YANG Lianming	80,000	80,000
ZHANG Aogen	80,000	80,000
ZHANG Kaihong	80,000	80,000
<u>Independent non-executive Directors</u>	<u>Amount</u> <i>(RMB)</i>	<u>Amount</u> <i>(approximate amount in HK\$)</i>
WANG Jingzhong	80,000	80,000
HO Tso Hsiu	80,000	80,000
HUANG Dongliang	80,000	80,000
CHENG Cheng Wen	80,000	80,000

Save as disclosed, none of our Directors have entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Each of the service contracts further provides that during the term of the service contract and within twelve months upon the termination of service, the independent non-executive Director cannot engage into any business which is competing or is likely to compete, either directly or indirectly, with the business of the Group.

Directors' remuneration

- (a) Our Company's policies concerning remuneration of executive Directors are as follows:—
- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to the Group;
 - (ii) non-cash benefits may be provided at the discretion of our Board to our Directors under their remuneration package; and
 - (iii) our executive Directors may be granted, at the discretion of our board of Directors, share options under the Share Option Scheme as part of their remuneration package.
- (b) During the three years ended 31 December 2006, the aggregate emoluments of our Directors were approximately RMB211,000, RMB236,000 and RMB393,000 respectively. Details of our Directors' remuneration are set out in note 11 to section E of the accountants' report set out in appendix I to this prospectus.
- (c) Under the arrangements currently in force, the aggregate emoluments payable to our Directors for the year ending 31 December 2007 are estimated to be approximately RMB800,000.
- (d) None of our Directors or any past directors of any member of the Group has been paid any sum of money for the three years ended 31 December 2006 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.
- (e) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the three years ended 31 December 2006.

Interests and short position of Directors in the share capital of our Company and its associated corporations

Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allocation Option or any options which may be granted under the Share Option Scheme), the interests or short position of our Directors and chief executives in the equity securities, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions

which they are taken or deemed to have under the SFO) once the Shares are listed, or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:—

Our Company

Name	Capacity	Number of Shares <small>(Note 1)</small>	Approximate percentage of interest
ZHANG Tianren	Interest of a controlled corporation ^(Note 2)	414,179,650 (L)	41.42 per cent.
		15,000,000 (S)	1.5 per cent.
CHEN Minru	Interest of a controlled corporation ^(Note 3)	9,043,152 (L)	0.9 per cent.
SHI Borong	Interest of a controlled corporation ^(Note 4)	31,952,789 (L)	3.2 per cent.
YANG Lianming	Interest of a controlled corporation ^(Note 5)	9,043,151 (L)	0.9 per cent.
ZHANG Aogen	Interest of a controlled corporation ^(Note 6)	25,321,022 (L)	2.53 per cent.
ZHANG Kaihong	Interest of a controlled corporation ^(Note 7)	34,364,174 (L)	3.44 per cent.

Note:—

- The letters “L” and “S” denote long position and short position respectively in the Shares and/or the shares of the relevant associated corporation.
- The 414,179,650 Shares are held by Prime Leader Global Limited, which is wholly owned by Mr. ZHANG Tianren. The short position of 15,000,000 Shares arises as a result of the entering of the Stock Borrowing Agreement by Prime Leader Global Limited.
- The 9,043,152 Shares are held by Profit Best International Limited, which is wholly owned by Mr. CHEN Minru.
- The 31,952,789 Shares are held by Precise Asia Global Limited, which is wholly owned by Mr. SHI Borong.
- The 9,043,151 Shares are held by Success Zone Limited, which is wholly owned by Mr. YANG Lianming.
- The 25,321,022 Shares are held by Top Benefits International Limited, which is wholly owned by Mr. ZHANG Aogen.

7. The 34,364,174 Shares are held by Plenty Gold Holdings Limited, which is wholly owned by Mr. ZHANG Kaihong.

2. Substantial Shareholders

So far as our Directors are aware, the following entities (not being Directors or chief executive of our Company) will, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allocation Option or any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which will have to be disclosed to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, once the Shares are listed will be as follows:—

Name of Shareholder	Capacity	Number of Shares ^(Note 1)	Approximate percentage of shareholding
Prime Leader Global Limited	Beneficial Owner	414,179,650 (L)	41.42 per cent.
		15,000,000 (S)	1.5 per cent.
Power Active	Beneficial Owner	64,745,771 (L)	6.47 per cent.
		20,000,029 (S)	2 per cent.
New World Liberty	Interest of a controlled corporation ^(Note 2)	64,745,771 (L)	6.47 per cent.
		20,000,029 (S)	2 per cent.
New World China Enterprises Investments Limited (“ New World China Enterprises ”)	Interest of a controlled corporation ^(Note 3)	64,745,771 (L)	6.47 per cent.
		20,000,029 (S)	2 per cent.
Liberty New World China Enterprises Investments, L.P. (“ Liberty New World ”)	Interest of a controlled corporation ^(Note 3)	64,745,771 (L)	6.47 per cent.
		20,000,029 (S)	2 per cent.
New World China Industrial Limited (“ New World China Industrial ”)	Interest of a controlled corporation ^(Note 4)	64,745,771 (L)	6.47 per cent.
		20,000,029 (S)	2 per cent.
New World Enterprise Holdings Limited (“ New World Enterprise ”)	Interest of a controlled corporation ^(Note 4)	64,745,771 (L)	6.47 per cent.
		20,000,029 (S)	2 per cent.

Name of Shareholder	Capacity	Number of Shares ^(Note 1)	Approximate percentage of shareholding
New World	Interest of a controlled corporation ^(Note 4)	64,745,771 (L) 20,000,029 (S)	6.47 per cent. 2 per cent.
Chow Tai Fook Enterprises Limited ("Chow Tai Fook")	Interest of a controlled corporation ^(Note 5)	64,745,771 (L) 20,000,029 (S)	6.47 per cent. 2 per cent.
Centennial Success Limited ("Centennial Success")	Interest of a controlled corporation ^(Note 5)	64,745,771 (L) 20,000,029 (S)	6.47 per cent. 2 per cent.
Cheng Yu Tung Family (Holdings) Limited ("Cheng Yu Tung Family (Holdings)")	Interest of a controlled corporation ^(Note 5)	64,745,771 (L) 20,000,029 (S)	6.47 per cent. 2 per cent.

Note:—

- The letters "L" and "S" denote long position and short position respectively in the Shares and/or the shares of the relevant associated corporation.

The short position of 15,000,000 Shares arises as a result of the entering of the Stock Borrowing Agreement by Prime Leader Global Limited.

- The 64,745,771 Shares are held by Power Active, a wholly-owned subsidiary of New World Liberty. Accordingly, New World Liberty is deemed to be interested in the 64,745,771 Shares held by Power Active for the purposes of the SFO.

The short position of 20,000,029 Shares arises as a result of the entering of the Stock Borrowing Agreement by Power Active.

- New World Liberty is owned as to 50 per cent. by New World China Enterprises and 50 per cent. by Liberty New World. Accordingly, each of New World China Enterprises and Liberty New World is deemed to be interested in the 64,745,771 Shares held by Power Active for the purposes of the SFO.

Liberty New World is a California limited partnership formed by Newport Private Equity LLC as general partner.

The short position of 20,000,029 Shares arises as a result of the entering of the Stock Borrowing Agreement by Power Active.

- New World China Enterprises is wholly-owned by New World China Industrial which in turn wholly-owned by New World Enterprise, which in turn wholly-owned by New World. Accordingly, each of New World China Industrial, New World Enterprise and New World is deemed to be interested in the 64,745,771 Shares held by Power Active for the purposes of the SFO.

The short position of 20,000,029 Shares arises as a result of the entering of the Stock Borrowing Agreement by Power Active.

5. New World is owned as to 36.53 per cent. by Chow Tai Fook which in turn wholly-owned by Centennial Success, which in turn owned as to 51 per cent. by Cheng Yu Tung Family (Holdings). Accordingly, each of Chow Tai Fook, Centennial Success and Cheng Yu Tung Family (Holdings) is deemed to be interested in the 64,745,771 Shares held by Power Active for the purposes of the SFO.

The short position of 20,000,029 Shares arises as a result of the entering of the Stock Borrowing Agreement by Power Active.

3. Related Party transactions

Related party transactions entered into within the 2 years immediately preceding the date of this prospectus are set out in note 36 to section E of the accountants' report in appendix I to this prospectus.

4. Agency fees or commissions received

None of our Directors, the promoters of our Company or the persons named under "Consents of experts" in this appendix had received any discounts, brokerage and other special terms, agency fee or commission from the Group in connection with the issue or sale of any capital of any member of the Group within the two years immediately preceding the date of this prospectus.

The Underwriter will receive a commission and the Sponsor will receive a financial advisory fee as mentioned in the paragraph headed "Commission and expenses" under the section headed "Underwriting" of this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:—

- (a) once the Shares are listed, none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debenture of our Company or any of its associate corporations which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 of Listing Rules relating to securities transactions by Directors to be notified to our Company and the Stock Exchange once the Shares are listed;
- (b) taking no account of any Shares which may be taken up under the Share Offer, our Directors are not aware of any person (not being a Director or chief executives of our Company) who will, immediately following the completion of the Share Offer and the Capitalisation Issue, be interested, directly or indirectly,

in 10 per cent. or more of the nominal amount of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or any options in respect of such capital;

- (c) none of our Directors or any of the persons whose names are listed in the paragraph headed “Consents of experts” in this appendix are directly or indirectly interested in the promotion of our Company or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of our Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” in this appendix are materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;
- (e) none of our Directors have entered or have proposed to enter into any service contracts with or any other member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (f) none of the persons whose names are listed in the paragraph headed “Consents of experts” in this appendix have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group or is an officer or servant or a partner of or in the employment of an officer or servant of the Group;
- (g) no cash, share or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of our Company nor is any cash, share or benefit intended to be paid, allotted or given on the basis of the Placing or related transactions as mentioned in this prospectus; and
- (h) so far as is known to our Directors, none of our Directors, their respective associates or Shareholders who are interested in 5 per cent. or more of the issued share capital of our Company has any interests in the five largest customers or five largest suppliers of the Group.

OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the resolutions of our Shareholders dated 26 February 2007. For the purpose of this section, unless the context otherwise requires:—

“Board”	means our board of Directors or a duly appointed committee thereof;
“Business Day”	means a day on which the Stock Exchange is open for the business of trading in securities;
“Commencement Date”	means in respect of any particular Option, the date on which the Option is granted in accordance with the terms of the Share Option Scheme;
“Employee”	means any employee (whether or not full time and including directors and executives) of any member of the Group;
“Grantee”	means any Participant who has been offered and has accepted an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee;
“Listing Date”	means the date on which dealings in the Shares first commence on the Stock Exchange;
“Offer”	means the offer of the grant of an Option made in accordance with the Share Option Scheme;
“Offer Date”	means the date on which an Offer is made to a Participant;
“Option”	means a right granted to subscribe for Shares pursuant to the terms of the Share Option Scheme;
“Option Period”	means a period to be determined and notified by our Board to each Grantee and in any event such period of time shall not be more than ten years from the Commencement Date; and

“Participant”

means all full-time employee, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group, Substantial Shareholders of each member of the Group, associates of our Directors and substantial shareholders of any member of the Group, trustee of any trust pre-approved by our Board; and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group whom our Board considers, in its sole discretion, has contributed or contributes to the Group.

The purpose of this Share Option Scheme is to enable our Company to grant Options to selected persons as incentives or rewards for their contribution to the Group.

(a) Administration

The Share Option Scheme is subject to the administration by our Board, and the decision of our Board shall be final and binding on all parties. Our Board, subject to the Listing Rules, shall have the right (i) to interpret and construe the provisions of the Share Option Scheme, (ii) to determine the eligibility of the persons who will be awarded Options under the Share Option Scheme, and the number and subscription price of Options awarded thereto, (iii) to make such appropriate and equitable adjustments to the terms of Options granted under the Share Option Scheme as it deems necessary, and (iv) to make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

(b) Who may join

Our Board may, at its absolute discretion, offer any Participants options to subscribe for such number of new Shares as our Board may determine at an exercise price to be determined in accordance with paragraph (c) below. Upon acceptance of the option, the Grantee shall pay HK\$1.00 to our Company by way of consideration for the grant.

(c) Price of Shares

The subscription price for Shares under the Share Option Scheme will be determined by our Board in its absolute discretion and notified to each Grantee and will be no less than the highest of:—

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Offer Date which must be a Business Day;

- (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Business Days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share at the time of exercise of an Option.

For the purpose of calculating the subscription price where our Company has been listed for less than 5 Business Days, the Offer Price shall be used as the closing price for any Business Day falling within the period before the Listing Date.

(d) *Maximum number of Shares*

- (i) the limit on the number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not, in aggregate, exceed 30 per cent. of the Shares in issue from time to time.
- (ii) subject to paragraph (i) above, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company immediately after the Listing Date must not in aggregate, exceed 10 per cent. of the Shares in issue on the Listing Date (the “**Scheme Limit**”) unless approval of our Shareholders has been obtained pursuant to sub-paragraphs (iii) and (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Limit.
- (iii) subject to paragraph (i) above, our Company may refresh the Scheme Limit at any time subject to prior Shareholders’ approval provided that the limit as “refreshed” must not exceed 10 per cent. of the Shares in issue as at the date of the aforesaid Shareholders’ approval. Options previously granted under the Share Option Scheme and other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or other share option scheme or exercised Options) will not be counted for the purpose for calculating the limit as renewed. A circular containing information and the disclaimer required under the Listing Rules must be sent to Shareholders in connection with the meeting at which their approval will be sought.
- (iv) subject to paragraph (i) above, our Company may also seek separate Shareholders’ approval for granting Options beyond the Scheme Limit to Participants specifically identified by our Company before the aforesaid Shareholder’s meeting where such approval is sought. A circular must be sent to Shareholders containing a generic description of the specified Participants, the number and terms of the Options to be granted, the purpose of granting Options to the specified Participants how the terms of such Options serve such purpose and such other information required under the Listing Rules.

- (v) the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period must not exceed one per cent. of the relevant class of the Shares in issue from time to time. Any further grant of Options to such Participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over one per cent. of the relevant class of Shares in issue, must be subject to Shareholders' approval with such Participant and his or her associates abstaining from voting. A circular must be sent to our Shareholders disclosing the identity of the Participant, the number and terms of the Options granted and to be granted and such other information as required under the Listing Rules. The number and terms (including the exercise price) of Options to be granted to such Participant must be fixed before our Shareholders' approval is sought and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price.

(e) Grant of Options

Any grant of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of Chapter 13 of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:—

- (i) the date of our board meeting (as such date is first notified to the Stock Exchange in accordance with Rule 13.43 of the Listing Rules) for the approval of our Company's results for any year or half-year; and
- (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under Rule 13.49 of the Listing Rules or any other interim period (whether or not required under the Listing Rules);

and ending on the date of the results announcement, no Option may be granted.

(f) Terms and Conditions of Options

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period but may not be exercised after the expiry of ten years from the Commencement Date. There is no general requirement that an Option must be held for any minimum period before it can be exercised and there is no specific performance targets which must be achieved before Options can be exercised stipulated under the terms of the Share Option Scheme. Our Board is currently unable to determine such restrictions on the exercise of the

Option, but our Board may impose restrictions on the exercise of an Option during the Option Period including, if appropriate:—

- (i) the minimum period for which all or part of an Option may be exercised;
- (ii) performance targets which must be achieved before the Options can be exercised.

(g) Grant of Options to connected person

The grant of Options to our Director, chief executive or substantial shareholder of our Company or any of their respective associates requires the approval of the independent non-executive Directors (excluding an independent non-executive Director who is the Grantee of the Options). Where any grant of Options to a substantial shareholder or an independent non-executive Director or any of their respective associates will result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the grant:—

- (i) representing in aggregate over 0.1 per cent. of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such grant of Options must be subject to approval by our Shareholders taken on a poll and a circular must be sent to our Shareholders. All connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favour at such general meeting.

The abovenamed circular must contain the following:—

- (i) details of the number and terms of the Options (including the exercise price) to be granted to each Participant which must be fixed before our Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options in question) to the independent Shareholders as to voting;
- (iii) information in relation to any Directors who are trustees of the Share Option Scheme or have a direct or indirect interest in the trustees; and
- (iv) all other information and/or any disclaimer (where applicable) required by the Listing Rules.

The requirements for the granting of Options to our Director or chief executive of our Company set out above do not apply where the Participant is only a proposed Director or chief executive of our Company.

(h) Rights are personal to grantee

An Option is personal to the Grantee and is not assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial, in favour of any other person over or in relation to any Option or enter into agreement for doing so.

(i) Rights on ceasing employment for other reasons

If the Grantee who is an Employee ceases to be an Employee for any reason other than on his or her death or the termination of his or her employment on one or more of the grounds specified in paragraph (o)(v) below, the Grantee may exercise the Option within 3 months following the date of cessation up to the Grantee's entitlement at the date of cessation (to the extent not already exercised). The date of cessation of employment shall be the last actual working day with the relevant company in the Group whether salary is paid in lieu of notice or not.

(j) Rights on death

In the event the Grantee who is an Employee dies before exercising the Option in full and none of certain events which would be a ground for termination of his or her employment under paragraph (o)(v) below arises, the legal personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of the death to exercise the Option up to the entitlement of the Grantee as at the date of death (to the extent not already exercised).

(k) Effects of alterations to capital

In the event of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, howsoever, such corresponding alterations (if any) shall be made in the number of nominal amount of Shares subject to any options so far as unexercised and/or the exercise price per Share of each outstanding option or the method of exercise of the option as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the notes thereto.

Any such alterations will be made on the basis that a Grantee shall have the same proportion of the issued share capital of our Company (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Schemes). No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(l) Rights on general offer

In the event of a general offer (otherwise than by a scheme of arrangement) being made to all our Shareholders (or all such holders other than the offeror, and/or any person controlled by the offeror and/or any person acting in association or

concert with the offeror) to acquire all or part of the issued Shares and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Grantee (or his or her legal personal representatives) shall be entitled to exercise the Option in full (to the extent not already exercised even though the Option Period has not come into effect during the occurrence of the general offer) at any time within one month after the date on which the offer becomes or is declared unconditional.

In the event of a general offer, by way of scheme of arrangement, being made to all our Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Grantee (or his or her personal representatives) may thereafter (but before such time as shall be notified by our Company) exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in such notice.

(m) Rights on a compromise or arrangement

Other than a scheme of arrangement contemplated in sub-paragraph (l) above, in the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee (or his or her personal representatives) may by notice in writing to our Company accompanied by the remittance for the exercise price in respect of the relevant Option (such notice to be received by our Company not later than four Business Days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and our Company shall as soon as possible and in any event no later than four Business Days immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder thereof.

(n) Rights on winding up

In the event a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if though fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her legal personal representatives) may by notice in writing to our Company (such notice to be received by our Company not later than four Business Days prior to the proposed Shareholders' meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

(o) *Lapse of Option*

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:—

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs (i), (j) or (n);
- (iii) subject to the compromise or arrangement becoming effective, the expiry of the period referred to in paragraph (m) above;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (l) above;
- (v) the date on which the Grantee who is an Employee ceases to be an Employee by reason of the termination of his or her employment on the grounds that he or she has been guilty of serious misconduct, or has been in breach of a material term of the relevant employment contract, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;
- (vi) the date of the commencement of the winding-up of our Company;
- (vii) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest, whether legal or beneficial, in favour of any third party over or in relation to any Option or enter into agreement for doing so in breach of the Share Option Scheme;
- (viii) the expiry of the period referred to in paragraph (l) above provided that if any court of competent jurisdiction makes an order the effect of which is to prevent the offeror from acquiring Shares in the offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the offer lapses or is withdrawn before that date; and
- (ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer (if any), unless otherwise resolved to the contrary by our Board.

(p) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an Option will be subject to our Company's Memorandum and Articles and will rank *pari passu* with the fully paid Shares in issue on the date of exercise of the Option and in particular

will rank in full for all dividends or other distributions declared paid or made on or after the date of exercise of the Option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the Option.

Unless the context otherwise requires, references to “Shares” in the Share Option Scheme include references to Shares in our Company of any such nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of our Company from time to time.

(q) Cancellation of Options granted

Any Options granted but not exercised may be cancelled if the Grantee so agrees and new Options may be granted to the Grantee provided such new Options fall within the limits prescribed by paragraph (d) above and otherwise comply with the terms of the Share Option Scheme. If such cancellation has been approved by our Shareholders in general meeting, such Options which were cancelled may be re-issued after such cancellation, provided that the re-issued Options (to the extent not yet granted and excluding the cancelled Options) shall only be granted in compliance with the terms of the Share Option Scheme and within the Scheme Limit (as refreshed from time to time).

(r) Period of Share Option Scheme

The Share Option Scheme will remain valid for a period of 10 years commencing on the Listing Date (save that our Company, by ordinary resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme). After termination, no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(s) Alteration to Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of our Board except that provisions relating to the class of persons eligible for the grant of Options, the Option Period and all such other matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants or Grantees without the prior approval of our Shareholders of our Company in general meeting with Grantees and their associates abstaining from voting.

Any alteration to the terms and conditions of the Share Option Scheme which is of a material nature or any change to the terms of the Options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme or the Options must still comply with

the relevant requirements of Chapter 17 of the Listing Rules. Any change to the authority of our Directors or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

(t) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on:—

- (i) the Listing Committee granting approval of the listing of and permission to deal in any Shares which may be issued pursuant to the exercise of Options granted under the Share Option Scheme (subject to an initial limit of 10 per cent. of the Shares in issue on the Listing Date; and
- (ii) the commencement of dealings in the Shares on the Stock Exchange.

Application has been made to the Listing Committee for the approval of the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

(u) *General*

As at the date of this prospectus, no Option has been granted or agreed to be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no listing is sought for options, warrants or similar rights to subscribe or purchase equity securities of our Company.

2. Estate duty, tax indemnity and other indemnities

Each of our Controlling Shareholders as indemnifiers has entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for its subsidiaries), which is one of the material contracts referred to under “Summary of material contracts” in this appendix, to provide indemnities on a joint and several basis in respect of, among other matters, (i) any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of the Group on or before the date on which the Share Offer becomes unconditional; and (ii) any tax liability which may be payable by any member of the Group resulting from or with reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Share Offer becomes unconditional.

Our Controlling Shareholders will, however, not be liable under the deed of indemnity where:—

- (i) provision or allowance has been made for such taxation in the audited consolidated accounts of the Group for the Track Record Period (the “Accounts”);
- (ii) the taxation arises or is incurred as a result of a change in law or an increase in tax rates coming into force after the date on which the Share Offer becomes unconditional with retrospective effect; and
- (iii) the taxation or liability would not have arisen but for any act, transaction or omission entered into by any Controlling Shareholders or members of the Group on or before the date on which the Share Offer becomes unconditional otherwise than in the course of normal day to day trading operations.

Pursuant to the deed of indemnity, our Controlling Shareholders has also provided an indemnity on a joint and several basis in favour of our Company and its subsidiaries fully and effectually against any costs, claim, penalties, losses and other liabilities which may be incurred or suffered by any members of the Group as a result of any actual, possible or alleged violation of or non-compliance with any PRC law on all matters, which include, but without limitation to, (i) the national and local environmental laws and regulations of the PRC, (ii) the national and local laws and regulations governing health and work safety in China, (iii) the PRC laws and regulations in relation to the participation of the social welfare scheme, and (iv) the PRC laws and regulations in relation to the loans and advances provided by third parties to the Group or provided by the Group to certain related companies including Tianli Battery, Zhejiang Changtong and Shu Yang Xin Tian, committed by the Group prior to the Listing Date.

3. Litigation

Neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by our Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

4. Application for listing of the Shares

The Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, all the Shares in issue, the Shares to be issued as mentioned in this prospectus and any Shares which may fall to be issued pursuant to the exercise of any options granted under the Share Option Scheme.

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$25,000 (equivalent to approximately RMB25,000) and are payable by our Company.

6. Promoter

There is no promoter of our Company.

7. Qualifications of experts

The followings are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:—

Name	Qualification
Kingsway Capital Limited	Licensed corporation for type 6 regulated activities (advising on Corporate Finance) under SFO
Deloitte Touche Tohmatsu	Certified public accountants
Vigers Appraisal & Consulting Limited	Property valuer
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Grandall Legal Group (Hangzhou)	PRC legal advisers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Market research consultant
MWH Environmental Engineering (Shanghai) Co., Ltd.	Environmental consultant

8. Consents of experts

Each of Kingsway Capital Limited, Deloitte Touche Tohmatsu, Vigers Appraisal & Consulting Ltd., Conyers Dill & Pearman, Grandall Legal Group (Hangzhou), Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and MWH Environmental Engineering (Shanghai) Co., Ltd has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

10. Taxation of holders of Shares*(a) Cayman Islands*

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from the Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

(b) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of Shares.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty the current rate of which is 0.1 per cent. of the consideration or, if higher, the fair value of the Shares being sold or transferred.

11. Particulars of Selling Shareholders

Particulars of the Selling Shareholders are as follows:—

Name	No. of Sale Shares	Description	Address
Power Active — a subsidiary of New World Liberty	33,333,382	a company incorporated in the BVI	Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands
Prax Capital	16,666,618	a limited partnership formed in the U.S.	The Corporation Service Limited, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:—
- (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
 - (v) no commission has been paid or payable, except for the commission payable to the Global Co-ordinator for subscription of, agreeing to subscribe or procuring subscription of any shares in our Company or any of its subsidiaries.
- (b) Our Directors confirm that:—
- (i) there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2006 (being the date to which the latest audited financial statements of the Group were made); and
 - (ii) there has not been any interruption in the business of the Group which may have or have had a material adverse effect on the financial position of the Group in the 24 months preceding the date of this prospectus.
- (c) None of the experts referred to in paragraph 7 above:—
- (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

- (d) the register of members of our Company will be maintained in the Cayman Islands by Bank of Bermuda (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.
- (e) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (f) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.