

## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read this section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a leading lead-acid motive battery manufacturer in the fast growing electric bike market in China. According to the Frost & Sullivan Report, for the year ended 31 December 2009, we had the largest market share by revenue in China's electric bike motive battery market, both overall and in the lead-acid motive battery segment, with market share of approximately 17.1% and 18.3%, respectively. Leveraging on our market leadership in the lead-acid battery industry, we have commenced production of lead-acid motive batteries for electric cars and storage batteries for wind and solar energy at a small volume. Although our electric car motive batteries and storage batteries for wind and solar energy only represented a small portion, less than 1%, of our total revenue throughout the Track Record Period and are still at the early stage of development, we believe that these new products have long-term growth potential and will further help diversify our product mix.

The use of electric bikes in China is increasingly popular as an environmentally-friendly, low cost, convenient and energy-efficient mode of transportation. Motive batteries for electric bikes primarily consist of lead-acid, Ni-MH and Li-ion batteries. Currently, the lead-acid motive battery is the preferred choice for electric bike manufacturers in China, accounting for over 90% of the overall electric bike motive battery market, mainly because of its low cost and stable performance as compared to the Ni-MH battery and Li-ion battery. In view of the market demand in China, our motive battery products are primarily designed for use in electric bikes where we are a market leader. According to Frost & Sullivan, among the total consumption of lead-acid rechargeable batteries in China, the usage in electric bikes accounted for about 31.1% with total revenues of US\$1.9 billion in 2009.

## SUMMARY

Our motive battery products are sold under our principal brand “CHILWEE (超威)” which has been recognized as a “Brand with the Strongest Influence in the Electrical Equipment Industry of China\* (中國電器工業最具影響力品牌)” by China Electrical Equipment Industrial Association\* (中國電器工業協會) in March 2009 and a “Well-known Trademark of China\* (中國馳名商標)” by the relevant PRC authorities in March 2008. During the Track Record Period, we have achieved strong growth as illustrated by the key financial figures set out below:

	Year ended 31 December		2009	Three months ended 31 March		CAGR (2007-2009)
	2007	2008		2009	2010	
Sales volume ('000)	12,594	19,444	26,161	5,771	7,410	44.1%
Revenue (RMB'000)	1,466,108	2,316,911	2,433,889	562,610	710,548	28.8%
Profit and total comprehensive income for the year/period (RMB'000)	92,263	143,628	226,047	56,356	78,870	56.5%
Profit and total comprehensive income attributable to owners of our Company (RMB'000)	84,223	128,107	201,912	48,010	74,045	54.8%

We have established a nationwide sales and distribution network that covers both our primary and our secondary markets. Our extensive sales and distribution network allows us to distribute our products and provide strong after-sales services, including recycling, repairing and maintenance of batteries and the provision of spare parts for electric bikes, differentiating us from the majority of our competitors.

Our primary market focuses on the supply of products to electric bike manufacturers, including but not limited to market leaders Jiangsu Yadea Technical Development Co., Ltd.\* (江蘇雅迪科技發展有限公司) (“Yadea”), AUCMA (Yi Nan) New Energy Electric Vehicles Co., Ltd. (澳柯瑪(沂南)新能源電動車有限公司) (“AUCMA”) and Shandong Bidewen Power Technology Co., Ltd.\* (山東比德文動力科技有限公司) (“Bidewen”), which are Independent Third Parties and among our 10 largest customers during the Track Record Period. For the three years ended 31 December 2007, 2008 and 2009 and three months ended 31 March 2010, our aggregate sales to Yadea, AUCMA and Bidewen amounted to approximately RMB100.4 million, RMB140.4 million, RMB209.9 million and RMB69.2 million, respectively, representing approximately 6.8%, 6.1%, 8.6% and 9.7%, respectively, of our total sales for the same periods. Our secondary market focuses on the replacement battery market for electric bikes. In anticipation of the increasing demand resulting from the growing electric bike population, we have strengthened our efforts on the development of our distribution network since 2008. As of 31 March 2010, we had established one of the largest nationwide electric bike motive battery distribution networks with 421 independent distributors who distribute our lead-acid motive batteries on an exclusive basis, strategically located across our 15 sales regions covering every province, autonomous region and municipality in China.

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To enhance further our service coverage and the brand awareness and recognition of our “CHILWEE (超威)” brand, we plan to launch “one-stop” service centers throughout China in cooperation with our distributors or sub-distributors. The service centers will be owned and operated by our distributors at their own cost, but will bear our logo and adopt our standard color and design scheme. The Company will provide appropriate training to the distributors or sub-distributors who own the service centers to ensure the service quality. In addition, to avoid abuse of our logo, such logo can only be used in a manner approved by us. The development of such “one-stop” service centers is still at a preliminary stage, and as of the Latest Practicable Date, we have established two such service centers in Henan province and we continue to explore opportunities to cooperate with other distributors to open similar service centers across China.

Our emphasis on research and development allows us to develop innovative high quality products. In line with our initiatives to explore new potential markets and in response to the increasing market demand for battery products with different environment-friendly applications, we have expanded our participation in the electric car motive battery market and the wind and solar energy storage battery markets. We have begun production of electric car and wind storage batteries at a small volume to prepare for growth in these markets. For electric car motive batteries, we have been cooperating with reputable PRC automobile manufacturers, including Geely and Jianghuai, in the development of prototype lead-acid motive batteries for electric cars. We have commenced production and supply of such prototype batteries to such PRC automobile manufacturers at a small volume during the Track Record Period. Currently, all five models of our motive battery for electric cars have passed the quality tests prescribed by the China North Vehicle Quality Supervision and Testing Laboratory\* (中國北方汽車質量監督檢驗鑒定試驗所), a national-level quality testing institute recognized by the China National Accreditation Service for Conformity Assessment\* (中國合格評定國家認可委員會) and the Certification and Accreditation Administration of the PRC\* (中國國家認證認可監督管理委員會). For wind and solar energy storage batteries, we possess the relevant production technology and have started commercial production of such batteries at a small volume.

Notwithstanding that the majority of electric bikes in China are currently using lead-acid batteries and the development and application of new motive battery products, such as Li-ion and Ni-MH batteries, is still at the early stage and only accounts for less than 10% of the overall electric bike motive battery market, such new motive battery products are generally considered more environment-friendly and therefore may pose strong competition against lead-acid battery products, which may potentially lead to obsolescence of lead-acid motive batteries in the longer term. As such, we have strengthened our research and development on Li-ion batteries to ensure that we will be at the forefront of the industry. We have commenced research activities together with Ningbo Engineering College\* (寧波工程學院) on the development of suitable key raw materials for Li-ion motive batteries.

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Our operations and financial results could be adversely affected by restrictions imposed under the relevant laws, regulations and policies of the PRC government in respect of the use of electric bikes. Under the General Specifications for Electric Motorcycles and Electric Mopeds\* (《電動摩托車和電動輕便摩托車通用技術條件》) (the “**General Specifications**”) which were issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC\* (國家質量監督檢驗檢疫總局) and the Standardization Administration of the PRC\* (國家標準化管理委員會) on 25 June 2009, electric bikes with a maximum designed speed faster than 20km/h or weight more than 40kg will be considered as motorcycles for which the drivers are required to obtain a driving license. Such specifications under the General Specifications did not become effective on 1 January 2010 as scheduled. The implementation of such specifications could adversely affect consumer demand for electric bikes, and the production of electric bikes may be reduced as the producers are required to obtain necessary licenses to manufacture motorcycles and the consumers are required to have necessary licenses to drive motorcycles. If the market demand for or production of electric bikes is materially reduced due to the implementation of such specifications, our business could be adversely affected. In addition, a number of PRC local governments, including the municipality governments of Guangzhou, Zhuhai, Dongguan, Foshan and Haikou, have promulgated rules and regulations to restrict the use of electric bikes in the relevant cities. Such restrictions, which vary among different cities, include the limitation of use of electric bikes in certain areas of the city or even a complete ban on their use. Such restrictions may adversely affect the demand for electric bikes and in turn, electric bike motive batteries at the regional level. There is no assurance that other PRC local governments will not promulgate similar rules and regulations, and our business could be adversely affected if the PRC local governments of our target markets also introduce such restrictive rules and regulations.

### OUR COMPETITIVE STRENGTHS

- Market leader with strong brand recognition and a record of rapid growth
- Nationwide sales, distribution and after-sales services network, supported by strategic locations of our production facilities
- Emphasis on research and development for product innovation
- Advanced technological know-how and stringent quality control to produce high quality products
- Focus on environment-friendly production process
- Experienced management team with significant industry expertise

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### OUR STRATEGIES

- Expand our production capacity to increase our market share
- Participate in the market consolidation by pursuing strategic acquisitions
- Enhance research and development capabilities to improve product quality and develop new battery products for markets with high growth potential
- Enhance our distribution network coverage and brand-building
- Pursue strategic cooperation with suppliers of lead

### SUMMARY FINANCIAL INFORMATION

The following is a summary of the Group's consolidated results for the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2009 and 2010 extracted from "Appendix I – Accountants' Report" to this prospectus. The results were prepared on the basis of the presentation as set out in the above mentioned Accountants' Report. The summary financial data should be read in conjunction with the consolidated financial information set out in "Appendix I – Accountants' Report" to this prospectus.

## SUMMARY

### Consolidated Statements of Comprehensive Income

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Revenue	1,466,108	2,316,911	2,433,889	562,610	710,548
Cost of sales	<u>(1,133,652)</u>	<u>(1,835,025)</u>	<u>(1,729,886)</u>	<u>(390,179)</u>	<u>(529,310)</u>
Gross profit	332,456	481,886	704,003	172,431	181,238
Other income	5,745	13,268	13,721	3,947	16,253
Distribution and selling expenses	(137,892)	(212,607)	(321,906)	(79,890)	(70,590)
Administrative expenses	(64,048)	(63,068)	(83,652)	(16,614)	(22,036)
Research and development expenses	(3,504)	(10,712)	(15,754)	(3,693)	(6,315)
Other expenses	(815)	(3,533)	(4,177)	(731)	(928)
Finance costs	(22,791)	(26,189)	(9,582)	(2,662)	(4,119)
Gain on disposal of a subsidiary	–	–	3,202	–	–
Share of result of an associate	<u>–</u>	<u>–</u>	<u>(2,151)</u>	<u>(158)</u>	<u>–</u>
Profit before taxation	109,151	179,045	283,704	72,630	93,503
Income tax expense	<u>(16,888)</u>	<u>(35,417)</u>	<u>(57,657)</u>	<u>(16,274)</u>	<u>(14,633)</u>
Profit and total comprehensive income for the year/period	<u><u>92,263</u></u>	<u><u>143,628</u></u>	<u><u>226,047</u></u>	<u><u>56,356</u></u>	<u><u>78,870</u></u>
Profit and total comprehensive income attributable to:					
Owners of the Company	84,223	128,107	201,912	48,010	74,045
Non-controlling interests	<u>8,040</u>	<u>15,521</u>	<u>24,135</u>	<u>8,346</u>	<u>4,825</u>
	<u><u>92,263</u></u>	<u><u>143,628</u></u>	<u><u>226,047</u></u>	<u><u>56,356</u></u>	<u><u>78,870</u></u>
Earnings per share, in RMB					
Basic	<u>0.26</u>	<u>0.17</u>	<u>0.27</u>	<u>0.06</u>	<u>0.10</u>

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### Consolidated Statements of Financial Position

	At 31 December		At 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
<b>Non-current Assets</b>				
Property, plant and equipment	169,147	225,377	364,418	418,388
Prepaid lease payments-non-current portion	9,184	34,540	64,899	65,609
Investment property	–	–	9,904	9,758
Available-for-sale investments	260	280	–	–
Deferred tax assets	8,590	18,481	22,478	21,775
Deposits paid for acquisition of property, plant and equipment	10,895	3,363	21,727	19,906
Deposit paid for leased machinery	5,000	5,000	–	–
Goodwill	–	–	14,956	14,956
	<u>203,076</u>	<u>287,041</u>	<u>498,382</u>	<u>550,392</u>
<b>Current Assets</b>				
Inventories	215,147	227,335	470,734	324,521
Trade receivables	56,063	37,149	19,368	43,055
Bills receivable	217,220	161,939	176,330	249,414
Prepayments and other receivables	68,521	62,309	84,550	82,722
Amounts due from related parties	3,365	8,112	4,449	5,855
Prepaid lease payments-current portion	425	932	1,451	1,472
Money market funds	–	100,000	–	–
Restricted bank deposits	82,407	119,006	7,861	200
Bank balances and cash	70,682	177,087	150,842	345,667
	<u>713,830</u>	<u>893,869</u>	<u>915,585</u>	<u>1,052,906</u>
<b>Current Liabilities</b>				
Trade payables	122,662	159,210	220,159	204,071
Bills payable	3,895	106,157	7,070	–
Other payables	41,081	124,973	140,039	113,544
Amounts due to related parties	8,711	3,656	2,071	60
Income tax payable	8,597	14,312	29,017	19,604
Dividend payable	–	–	–	65,000
Obligations under finance leases-current portion	5,596	6,174	–	–
Deferred income-current portion	984	1,451	350	350
Provision	33,542	45,164	57,539	64,280
Bank borrowings-due within one year	150,080	116,000	55,000	45,000
Other borrowings	131,511	83,985	–	–
	<u>506,659</u>	<u>661,082</u>	<u>511,245</u>	<u>511,909</u>
<b>Net Current Assets</b>	<u>207,171</u>	<u>232,787</u>	<u>404,340</u>	<u>540,997</u>
<b>Total Assets Less Current Liabilities</b>	<u>410,247</u>	<u>519,828</u>	<u>902,722</u>	<u>1,091,389</u>

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	At 31 December		At 31 March	
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Capital and Reserves</b>				
Paid-in capital/Share capital	208,107	210,000	210,000	7
Reserves	<u>142,834</u>	<u>270,941</u>	<u>470,190</u>	<u>744,126</u>
Equity attributable to owners of the Company	350,941	480,941	680,190	744,133
Non-controlling interests	<u>17,042</u>	<u>32,563</u>	<u>47,555</u>	<u>52,380</u>
<b>Total Equity</b>	<u>367,983</u>	<u>513,504</u>	<u>727,745</u>	<u>796,513</u>
<b>Non-current Liabilities</b>				
Obligations under finance leases-non-current portion	8,518	4,029	–	–
Deferred income-non-current portion	3,746	2,295	16,829	16,742
Deferred tax liabilities	–	–	2,148	2,134
Bank borrowings – due after one year	<u>30,000</u>	<u>–</u>	<u>156,000</u>	<u>276,000</u>
	<u>42,264</u>	<u>6,324</u>	<u>174,977</u>	<u>294,876</u>
	<u>410,247</u>	<u>519,828</u>	<u>902,722</u>	<u>1,091,389</u>



## SUMMARY

### Consolidated Statements of Cash Flows

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	<i>RMB</i> (‘000)	<i>RMB</i> (‘000)	<i>RMB</i> (‘000)	<i>RMB</i> (‘000)	<i>RMB</i> (‘000)
				(Unaudited)	
Net cash (used in) from operating activities	(52,319)	488,318	13,935	54,974	82,262
Net cash (used in) from investing activities	(126,829)	(237,253)	14,759	79,486	(48,921)
Net cash from (used in) financing activities	222,866	(144,660)	(54,939)	22,341	161,484
Cash and cash equivalents at beginning of year/period <sup>Note</sup>	26,964	70,682	177,087	177,087	150,842
Cash and cash equivalents at end of year/period <sup>Note</sup>	70,682	177,087	150,842	333,888	345,667

*Note:* The balances represented our bank and cash balances as of each of the relevant dates during the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2009 and 2010.

### PROFIT FORECAST FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2010

Forecast consolidated profit attributable to owners of the Company <sup>(1)</sup> not less than RMB113.0 million  
(approximately HK\$128.4 million)

Unaudited pro forma forecast earnings per Share <sup>(2)(3)</sup> RMB0.113  
(approximately HK\$0.128)

*Notes:*

1. The bases and assumptions on which the forecast consolidated profit for the six-month period ending 30 June 2010 attributable to owners of the Company has been prepared are summarized in Appendix III to this prospectus.
2. The calculation of the unaudited pro forma forecast earnings per share is based on the forecast consolidated profit for the six-month period ending 30 June 2010 attributable to owners of the Company and assuming the Global Offering had been completed on 1 January 2010 and a total of 1,000,000,000 Shares had been in issue throughout the six-month period ending 30 June 2010. No account has been taken of any additional income we may have earned from the estimated net proceeds from the Global Offering, any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option, or the options granted under the Share Option Schemes.
3. The unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at an exchange rate of RMB0.88 to HK\$1.00.
4. We have undertaken to the Hong Kong Stock Exchange that our interim report for the six-month period ending 30 June 2010 will be audited pursuant to Rule 11.18 of the Hong Kong Listing Rules.

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### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$560.3 million (assuming an Offer Price of HK\$2.54 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus), after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us in the Global Offering and assuming the Over-allotment Option is not exercised. We currently intend to apply such net proceeds for the following purposes:

- approximately 55%, or HK\$308.2 million, for the expansion of our production capabilities by installing additional production facilities in Zhejiang province, Henan province and Anhui province (we intend to spend approximately 60%, 32% and 8% of such amount on the new production facilities in Zhejiang province, Henan province and Anhui province, respectively. Please see section headed “Business – Our Strategies – Expand our production capacity to increase our market share” in this prospectus for a detailed description of our production capacity expansion plan);
- approximately 20%, or HK\$112.1 million, for the acquisition(s) of other motive battery manufacturers (please see section headed “**Business – Our Strategies – Participate in the market consolidation by pursuing strategic acquisitions**” in this prospectus for further details);
- approximately 10%, or HK\$56.0 million, for the enhancement of our research and development activities, mainly on electric car motive batteries, wind and solar energy batteries and Li-ion motive batteries (we intend to spend approximately one-third of such proceeds on our research and development activities in each such area);
- approximately 5%, or HK\$28.0 million, for the promotion and strengthening of our “Chilwee 超威” brand name through advertising and marketing campaigns, including advertising in industry journals and technical publications and television networks and outdoor billboards; and
- approximately 10%, or HK\$56.0 million, for working capital and general corporate purposes.

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$645.8 million and HK\$474.8 million (assuming an Offer Price of HK\$2.90 per Share and HK\$2.18 per Share, respectively, being the highest and lowest points of the indicative Offer Price range stated in this prospectus), after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us in the Global Offering and assuming the Over-allotment Option is not exercised. In such circumstances, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

The additional net proceeds that we would receive if the Over-allotment Option is exercised in full are currently estimated to be approximately HK\$77.7 million, HK\$90.5 million and HK\$103.3 million (assuming the lowest, middle and highest points of the indicative Offer Price range, respectively), which would be applied in the manner and proportions stated above.

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To the extent that our net proceeds are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit the net proceeds into short-term interest bearing deposits and/or money market instruments.

### GLOBAL OFFERING STATISTICS

	<b>Based on the minimum indicative Offer Price of HK\$2.18 per Share</b>	<b>Based on the maximum indicative Offer Price of HK\$2.90 per Share</b>
Market capitalization of the Shares <sup>(1)</sup>	HK\$2,180.0 million	HK\$2,900.0 million
Unaudited pro forma net tangible assets value per Share <sup>(2)</sup>	approximately HK\$1.31 (approximately RMB1.15)	approximately HK\$1.48 (approximately RMB1.30)

*Notes:*

- (1) The calculation of the market capitalization of the Shares is based on 1,000,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalization Issue but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme.
- (2) The unaudited pro forma net tangible assets value per Share has been arrived at after the adjustments referred to in the paragraph headed "Unaudited pro forma adjusted net tangible assets" in the section headed "Financial Information" in this prospectus and on the basis of 1,000,000,000 Shares in issue at the minimum and the maximum indicative Offer Price of HK\$2.18 and HK\$2.90 per Share, respectively, immediately following completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$2.54 per Share (being the mid-point of the stated range of the Offer Price of between HK\$2.18 and HK\$2.90 per Share), the unaudited pro forma net tangible assets value of the Group will increase and the unaudited pro forma forecast earnings per Share will decrease correspondingly.

### DIVIDEND POLICY

The recommendation of the payment of dividend is subject to the discretion of the Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of the Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as they may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

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Future dividend payments will also depend upon the availability of dividends received from our subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiary may also be restricted if it incurs debt or losses or pursuant to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries and associated companies may enter into in the future.

Subject to the factors above, our Directors currently intend to recommend a distribution to all Shareholders in an amount representing not less than 30% of the profit and total comprehensive income attributable to the owners of our Company in each of the financial years following the Listing (that is, for the avoidance of doubt, for 2010 and thereafter) by way of dividend. Any dividend declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and we will pay such dividend in Hong Kong dollars. Our Directors believe that our dividend policy mentioned above will not adversely affect the working capital position of our Group.

### RISK FACTORS

Our operations and the industry in which we operate and the Global Offering involve certain risks, a summary of which is set forth in the section headed “Risk Factors” in this prospectus. These risks can be classified as follows:

#### **Risks relating to our business**

- We relied heavily on the sales of lead-acid motive batteries for electric bikes during the Track Record Period and will continue to rely on the same in the near future
- Our performance is reliant on the demand for electric bikes in China
- We may be subject to civil claims or administrative sanctions for our past, present or future operations and we may not have sufficient insurance to cover such risks
- Our revenue is primarily derived from our sales in the PRC
- Fluctuations in the prices of raw materials could adversely affect our profitability
- We have no long-term sale contracts with our major customers
- We rely on distributors for the sales of our lead-acid motive battery products to our secondary market
- We purchase lead from a limited number of suppliers with whom we have not entered into long-term agreements
- Our competitive advantage from production know-how may be eroded in future

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- We may not be able to protect proprietary rights to our technology adequately
- Product liability claims against us could result in significant costs or negatively affect our reputation and could adversely affect our results of operations
- If we cannot manage our growth, our operating results, margins and net profit could be adversely affected
- Our future performance may depend on our ability to develop, launch and market new products
- The tax benefits currently enjoyed by us may not continue in the future and any future change to the PRC tax laws could adversely affect our financial position and results of operations
- We rely on independent third party employment agencies to provide contract personnel for our production activities. We have limited control over these contract personnel and we may be liable for an employment agency's violation of the applicable PRC labour laws
- We rely on constant and reliable supply of electricity to support our production activities
- The contribution of our senior management team is important to our success
- We may require additional capital in the future, which may not be available or may only be available on unfavourable terms
- The interests of Mr. Zhou, our founder, president, chairman and Controlling Shareholder, may differ from those of our Group and our other Shareholders, and Mr. Zhou has the ability to cause us to make decisions that may not be in the best interests of our other Shareholders

### **Risks relating to the Industry**

- Lead-acid batteries may be superseded by new products
- The lead-acid battery industry in China is competitive
- The industry may be adversely affected by changes in the laws, regulations and policies adopted by the PRC government in relation to the lead-acid motive battery industry and the use of electric bikes

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### **Risks relating to the PRC**

- Changes in China's economic, political and social conditions could adversely affect our financial position and results of operations
- Uncertainties with respect to the PRC legal system could have a material adverse effect on us
- Governmental control of currency conversion may affect the value of your investment
- Inflation in China could negatively affect our growth and profitability
- We face risks related to health epidemics and other outbreaks

### **Risks relating to the Global Offering**

- There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile
- Purchasers of our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future
- Future sales by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares
- Forward-looking information may prove inaccurate
- Certain facts and other statistics with respect to China, the PRC economy and the global and PRC motive battery industries in this prospectus are derived from various official government sources and may not be reliable
- You should read the entire prospectus carefully and rely only on the information contained in this prospectus in making your investment decision. We strongly caution you against any reliance on any information contained in press articles or other media reports not prepared or approved by us

## SUMMARY

### ENVIRONMENTAL ISSUES

Electric bikes generate environmental impacts through several processes. Although they do not emit any local “tailpipe” emissions, there are environmental concerns about lead pollution from their use of lead acid batteries, and, in common with any other electronic appliances, about emissions from the generation of grid electricity, primarily generated by coal-fired power plants, which they use for recharging purposes.

The main environmental hazard from the production of lead-acid motive batteries, which affects the environment and can affect the health of our employees, is lead pollution from the production, recycling and disposal of lead acid batteries. This lead pollution is emitted in various forms of solid, liquid and airborne waste. We are required to comply with the environmental laws, rules and regulations promulgated by the PRC government. Details of such requirements are set out under the section headed “Regulatory Overview-Laws and Regulations Relating to Environmental Protection”. We have received confirmations from the relevant local environmental protection authorities that all of our PRC operating subsidiaries (i) had complied with the relevant PRC environmental laws and regulations; (ii) had not been subject to any penalty or punishment as a result of any breach of any relevant PRC environmental laws and regulations; and (iii) had not been subject to any investigation by the relevant local environment protection authorities in respect of environmental issues, since their establishment. Furthermore, Zong Heng Law Firm, our legal adviser on PRC law, has confirmed that all of our PRC operating subsidiaries have complied with all the relevant PRC environmental laws and regulations. During the Track Record Period, we did not encounter any material claims, or any administrative action or penalty by the relevant PRC authorities, in relation to environmental and occupational health and safety issues.

According to Atkins China, an independent international environmental consulting company which we engaged to perform an environmental assessment of our production facilities, based on the records of the monitoring procedures performed by the relevant local environmental authorities pursuant to the relevant PRC laws and regulations for a period from 2007 to 2009 (except for Anhui Chaowei which kept such records for a shorter period prior to our acquisition in 2009), all of our production facilities have complied with the relevant national standards for pollution emission, except for two incidents of minor deviation from certain national standards for air emission and domestic sewage discharge in relation to our production facilities in Zhejiang province and Shandong province, respectively, in which the level of air emission and domestic sewage discharge slightly exceeded the prescribed national standards. Save for such two incidents, no recorded deviation by us from the relevant national standards in relation to environmental protection was reported by Atkins China. The deviation relating to our production facility in Zhejiang province in February 2008 mainly as a result of oversight by our staff was rectified shortly afterwards and the re-examinations showed satisfactory results. The deviation relating to our production facility in Shandong province in October 2009 during the course of the upgrade of our domestic sewage discharge facilities was considered minor and acceptable by the local environmental authority as stated in its report. We have not been subject to any penalty or punishment due to these two deviations. Atkins China proposed certain measures to us in relation to compliance with more stringent international standards, and we intend to follow their recommendations in order to enhance further our environmental safety.

## SUMMARY

Although we have implemented strict workplace safety standards and procedures and adopted all measures required by PRC laws and regulations to monitor our lead emissions, annual medical checks conducted on our employees have detected several cases of lead poisoning in our workforce. Despite the implementation of such protective measures, it may not be possible to eliminate the impact of exposure to lead powder and lead fumes on the health of our employees. According to the results of medical checks conducted on our production employees, during the three years ended 31 December 2007, 2008 and 2009, we had 347, 142 and 189 cases of lead levels exceeding national standards, respectively, representing approximately 6.9%, 2.3% and 2.4% of our employee headcount at year end for each relevant year. We have obtained confirmation from the relevant local occupational health and safety authorities that the lead levels of our affected employees have been reduced to fall within the national standards following timely medical treatment and none of our employees have been diagnosed with long term occupational disease caused by lead poisoning.

Consistent with industry practice in China, we do not maintain any insurance coverage against environmental liability or possible injury to third parties due to environmental matters.

Overall, we believe that, including material production and vehicle use phases, electric bikes perform significantly better than motor vehicles and motorcycles on most environmental metrics and provide a relatively energy-efficient and environmentally friendly form of transportation to the mass population in China.