

HISTORY AND DEVELOPMENT

IMPORTANT MILESTONES

The following are the important milestones in our history to date:

- In 1998, Chaowei Power was incorporated and commenced manufacturing of lead-acid motive batteries for electric bikes.
- In 2005, we established Shandong Chaowei to engage in the production of lead-acid motive batteries.
- In 2006, we established Jiangsu Chaowei to engage in the production of lead-acid motive batteries.
- In 2006, we acquired Henan Chaowei to further expand our production capacity for lead-acid motive batteries.
- In 2006, we acquired Changxing Zhongcheng to expand our production capacity of electrode plates.
- In 2009, we obtained accreditation of ISO 9001 for our quality control system in respect of all our production facilities.
- In 2009, we obtained ISO 14001 certification for our environmental management standards in respect of all our production facilities.
- In 2009, we obtained GB/T28001-2001 certification for our occupational health and safety management standards in respect of all our production facilities.
- In 2009, we acquired Anhui Chaowei to enhance our production capacity for both electrode plates and lead-acid motive batteries.
- In 2009, we became a leading lead-acid mobile electric bike battery manufacturer in China, based on market share by revenue for the year ended 31 December 2009.

OUR HISTORY

History of our PRC subsidiaries

Introduction

The history of our Group can be traced back to the establishment of Changxing County Electronics and Power Co., Ltd. (長興縣電子電源有限公司) (“**CCEP**”) in 1998. In 1997, Mr. Zhou, our founder, took over the assets and liabilities of Zhejiang Province Changxing County Electronics and Power Factory (浙江省長興縣電子電源廠) (“**CCEPF**”), a collective enterprise which was then engaged in the manufacture of battery related electronics products and established CCEP with all the assets and liabilities of CCEPF.

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Chaowei Power

Establishment

At the end of 1997, based on arm's length negotiation between Mr. Zhou and the People's Government of Baoqiao Township* (包橋鄉人民政府) ("**Baoqiao Township Government**"), it was agreed that all assets and liabilities of CCEPF were to be taken over by Mr. Zhou (through CCEP) in consideration of Mr. Zhou agreeing to pay to the Baoqiao Township Government the initial investment amount of RMB250,000 contributed by the Baoqiao Township Government to CCEPF. It was also agreed that the payment schedule by Mr. Zhou would be separately agreed among the parties depending on the financial condition of CCEP. As confirmed by Mr. Zhou, the consensus of the parties was that payment of the RMB250,000 in full by Mr. Zhou was not a pre-condition for Mr. Zhou's beneficial ownership of the equity interest of CCEP.

Against such background, on 1 January 1998, CCEP was established as a domestic company in the PRC to take over all assets and assume all liabilities of CCEPF and to engage in the manufacture of, inter alia, electronic sensors, lead-acid batteries and related parts with a registered and fully paid-up capital of RMB525,000. At the time of establishment, CCEP was held by Baoqiao Township Asset Management Company* (包橋鄉資產經營公司) ("**BTAMC**"), Mr. Dou Changhai (竇長海) ("**Mr. Dou**"), the former factory manager of BTAMC, and Mr. Zhou in the proportion of 47.6%, 26.2% and 26.2%, respectively. Although BTAMC and Mr. Dou were registered shareholders of CCEP, Mr. Zhou was the sole beneficial owner of the entire equity interest of CCEP, and BTAMC and Mr. Dou only held their respective interests in CCEP on behalf of and for the benefit of Mr. Zhou in order to satisfy the requirement for the minimum number of shareholders under the then applicable Company Law. Notwithstanding that the parties did not enter into any formal trust agreement in respect of the above trust arrangement at the relevant time, pursuant to a document dated September 2006, both Zhicheng Town Industrial Company* (雒城鎮工業公司) ("**ZTIC**"), which has taken over the assets of BTAMC following administrative reform at local level pursuant to which Baoqiao Township* (包橋鄉) was merged into Zhicheng Town* (雒城鎮), and the People's Government of Zhicheng Town* (雒城鎮人民政府) ("**Zhicheng Town Government**") confirmed that the 47.6% interest in CCEP held by BTAMC belonged to Mr Zhou. It was also confirmed that by the end of 2005, Mr Zhou had already paid in full the RMB250,000 which he had agreed to pay to BTAMC upon taking over the assets of CCEPF to establish CCEP in 1998. The above trust arrangement and Mr. Zhou's beneficial interest in CCEP have been further confirmed by ZTIC, the Zhicheng Town Government and Mr. Dou pursuant to their respective written confirmations all dated 15 January 2010. Our PRC legal advisers, Zong Heng Law Firm, advised that the above trust arrangement as confirmed in the said letter did not violate any laws or regulations in the PRC and is valid and legal under PRC Law.

On 31 May 2002, Mr. Zhou transferred 10% of his equity interest in CCEP to Ms. Fang Jianjun (方建軍) ("**Ms. Fang**"), his spouse, for nil consideration in preparation for the equity transfer from ZTIC and Mr. Dou to Mr. Zhou afterwards to satisfy the requirement for the minimum number of shareholders under the then applicable Company Law. On 8 July 2002, in order to reflect the fact that Mr. Zhou was the beneficial owner of the entire equity interest in CCEP including the interests held by BTAMC and Mr. Dou, ZTIC and Mr. Dou transferred their respective equity interests in CCEP, which were held on behalf of and for the benefit of Mr. Zhou, to Mr. Zhou for nil consideration.

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On 9 September 2002 the registered and paid-up capital of CCEP was increased to RMB8.2 million.

On 7 May 2003, CCEP changed its name to Zhejiang Chaowei Power Co., Ltd. (浙江超威電源有限公司) (“**Chaowei Power**”).

On 30 April 2004, the registered and paid-up capital of Chaowei Power was further increased to RMB20 million.

On 18 November 2005, pursuant to an equity transfer agreement entered into between Mr. Zhou and United Holdings, Mr. Zhou transferred 25% of the equity interest in Chaowei Power to United Holdings, which was then wholly owned by Mr. Lo Wah Wai (盧華威), a personal friend of Mr. Zhou and who was an Independent Third Party before acquiring an interest in Chaowei Power, for a consideration of approximately RMB6.8 million which was determined by reference to the net assets value of Chaowei Power as of 30 June 2005, according to an assets valuation report* (資產評估報告書) prepared by Zhejiang CAV Assets Valuation Co., Ltd.* (浙江中企華資產評估有限公司), an independent professional valuer, dated 11 November 2005. On 15 December 2005, the Zhejiang Province Foreign Trade and Economic Co-operation Bureau* (浙江省對外貿易經濟合作廳) approved the above share transfer and issued the Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC.

On 4 July 2007, Mr. Lo Wah Wai (盧華威) sold his entire equity interest in United Holdings to Allied Crown for a consideration of US\$3 million, which was determined as a result of arm’s length negotiations between the parties. To the best knowledge of our Directors, Mr. Lo Wah Wai (盧華威) decided to dispose of his interest in United Holdings in July 2007 primarily because the consideration of US\$3 million offered by Allied Crown was significantly higher than his investment cost of RMB6.8 million which he paid when he acquired the 25% equity interest in Chaowei Power (through United Holdings) in November 2005 and was commercially attractive for him. Mr. Lo is not involved in the preparation of the listing application of the Company on the Hong Kong Stock Exchange.

On 10 July 2007, in connection with the subscription of series A preferred shares to be issued by United Holdings to Lehman Brothers, Mr. Zhou and Ms. Fang transferred their respective 65% and 10% equity interests in Chaowei Power to United Holdings for RMB13 million and RMB2 million respectively, which was financed by Allied Crown. Such consideration amounts were equal to the value of the registered capital of Chaowei Power held by Mr. Zhou and Ms. Fang respectively. At the relevant time, United Holdings was wholly-owned by Allied Crown which has acquired the entire issued capital of United Holdings from Mr. Lo Wah Wai (盧華威) by then. At the same time, the registered capital of Chaowei Power was increased from RMB20 million to RMB210 million, with the increased portion subscribed by United Holdings. Upon completion of such transfers and increase of registered capital, United Holdings became the sole shareholder of Chaowei Power. The registered capital was fully paid up in February 2008. For details regarding the investment by Lehman Brothers, please refer to the paragraph below headed “Investment by Lehman Brothers”.

On 29 December 2008, Chaowei Power further changed its name into Chaowei Power Co., Ltd.* (超威電源有限公司).

HISTORY AND DEVELOPMENT

Changxing Zhongcheng

On 1 March 2002, Ms. Qiao Fenghua (喬鳳華) (“**Ms. Qiao**”) and Mr. Qiao Fenghua (喬鋒華) (“**Mr. Qiao**”) established Changxing Zhongcheng Power Co., Ltd.* (長興眾成電源有限公司) (“**Changxing Zhongcheng**”) as a domestic company in the PRC to engage in the manufacture and sale of, *inter alia*, lead-acid motive batteries with a registered capital of RMB1.5 million and contributed capital in the proportion of 60% and 40%, respectively.

In order to expand our Group’s production capacity, on 30 September 2003, Ms. Qiao and Mr. Qiao transferred their respective 60% and 30% equity interest in Changxing Zhongcheng to Mr. Zhou for a consideration of RMB0.9 million and RMB0.45 million respectively, and Mr. Qiao transferred his remaining 10% equity interest in Changxing Zhongcheng to Ms. Fang for a consideration of RMB0.15 million, which were equal to the value of the registered capital of Changxing Zhongcheng held by Ms. Qiao and Mr. Qiao respectively. As a result of such equity transfers, Changxing Zhongcheng became owned as to 90% by Mr. Zhou and 10% by Ms. Fang.

On 16 February 2004, the registered capital of Changxing Zhongcheng was increased to RMB10 million.

In order to facilitate and regulate our management over the subsidiaries, on 19 September 2006, Mr. Zhou and Ms. Fang transferred their respective 90% and 10% equity interests in Changxing Zhongcheng to Chaowei Power for a consideration of RMB5.4 million and RMB0.6 million respectively, which was determined by reference to net assets values of Changxing Zhongcheng. As a result of such equity transfers, Changxing Zhongcheng became a wholly-owned subsidiary of Chaowei Power.

Henan Chaowei

On 25 February 2004, Mr. Zhou, Mr. Qiao, Mr. Chai Chenglei (柴成雷) (“**Mr. Chai**”), Mr. Qiao Xiaohua (喬曉華) (“**Mr. XH Qiao**”), Ms. Chai Qingqing (柴晴晴) (“**Ms. Chai**”) and Mr. Qian Shunrong (錢順榮) (“**Mr. Qian**”) jointly established Henan Yifeng Power Co., Ltd.* (河南屹峰電源有限公司) (“**Henan Yifeng**”) as a domestic company in the PRC to engage in the manufacture and sale of lead-acid motive batteries, electrode plates, chargers and processing of related products. At the time of establishment, Henan Yifeng had a registered capital of RMB10 million and was held by Mr. Zhou, Mr. Qiao, Mr. Chai, Mr. XH Qiao, Ms. Chai and Mr. Qian in the proportion of 28%, 24%, 20%, 10%, 10% and 8%, respectively.

In order to further expand our production capacity for lead-acid motive batteries, on 28 October 2005, Mr. Zhou, Mr. Qiao, Mr. XH Qiao and Mr. Qian entered into equity transfer agreements with Chaowei Power, pursuant to which Chaowei Power purchased their respective 28%, 24%, 10% and 8% equity interests in Henan Yifeng for considerations of RMB2.8 million, RMB2.4 million, RMB1.0 million and RMB0.8 million respectively, which were equal to the values of the registered capital in Henan Yifeng held by each of them respectively. Upon completion of such transfers, Henan Yifeng became held as to 70% by Chaowei Power, 20% by Mr. Chai and 10% by Ms. Chai.

On 20 September 2006, Henan Yifeng changed its name into Henan Chaowei Power Co., Ltd.* (河南超威電源有限公司) (“**Henan Chaowei**”).

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On 20 December 2006, since it was commercially agreed between Chaowei Power and Mr. Chai that Mr. Chai and Ms. Chai shall in aggregate hold 40% of Henan Chaowei, Chaowei Power transferred 10% of the equity interest in Henan Chaowei to Mr. Chai for a consideration of RMB1.64 million, which was determined by reference to 10% of the net assets value of Henan Chaowei. After such transfer, Henan Chaowei was held as to 60% by Chaowei Power, 30% by Mr. Chai and 10% by Ms. Chai.

Shandong Chaowei

On 11 October 2005, Chaowei Power and Mr. Li Jie (李杰) (“**Mr. Li**”), an Independent Third Party, established Shandong Chaowei Power Co., Ltd.* (山東超威電源有限公司) (“**Shandong Chaowei**”) as a domestic company in the PRC to engage in the manufacture and sale of direct current UPS circuits, MF lead-acid motive batteries, electricity sensors, electric lighting devices, peripheral products and spare parts of lead-acid motive batteries with a registered capital of RMB10 million and was held by Chaowei Power and Mr. Li in the proportion of 90% and 10% respectively.

In order to facilitate and regulate our management over the subsidiaries, on 28 March 2009, Mr. Li sold 10% of the equity interest in Shandong Chaowei to Chaowei Power for a consideration of approximately RMB12.3 million, which was determined by reference to the net assets values of Mr. Li’s interests in Shandong Chaowei. After such transfer, Shandong Chaowei became a wholly-owned subsidiary of Chaowei Power.

Jiangsu Chaowei

On 24 May 2006, Chaowei Power and Ms. Fang, the spouse of Mr. Zhou, established Jiangsu Chaowei Power Co., Ltd.* (江蘇超威電源有限公司) (“**Jiangsu Chaowei**”) as a domestic company in the PRC to engage in the manufacture, sale and export of lead-acid motive batteries and the import of machinery, parts and raw materials required in the manufacture of the said products with a registered capital of RMB5 million and was held by Chaowei Power and Ms. Fang in the proportion of 90% and 10% respectively.

In order to facilitate and regulate our management over the subsidiaries, on 20 October 2006, Ms. Fang sold 10% of the equity interest in Jiangsu Chaowei to Chaowei Power for a consideration of RMB0.5 million, which was equal to the value of the registered capital of Jiangsu Chaowei held by Ms. Fang. Upon completion of such transfer, Jiangsu Chaowei became a wholly-owned subsidiary of Chaowei Power.

Anhui Chaowei

On 23 April 2007, Mr. Wang Jin (王進) (“**Mr. Wang**”), Mr. Qian Haichun (錢海春), Mr. Hu Fengqin (胡鳳勤) (“**Mr. Hu**”) and Mr. She Hairu (佘海如) (“**Mr. She**”) who are all Independent Third Parties jointly established Anhui Chizhou City Jiuhua Power Co., Ltd.* (安徽池州市九華電源有限公司) (“**Jiuhua Power**”) as a domestic company in the PRC to engage in the manufacture, assembly and sale of electrode plates with a registered capital of RMB5 million. At the time of establishment, Jiuhua Power was held in the proportion of 70%, 15%, 9.99% and 5.01% by Mr. Wang, Mr. Qian Haichun, Mr. Hu and Mr. She respectively.

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In order for us to enhance our production capacity for both electrode plates and lead-acid motive batteries, on 1 April 2009, Mr. Wang, Mr. Qian Haichun, Mr. Hu, Mr. She transferred their respective 70%, 7.5%, 5% and 2.5% equity interest in Jiuhoa Power to Chaowei Power for considerations of approximately RMB35.5 million, RMB3.8 million, RMB2.5 million and RMB1.3 million respectively, which were determined by reference to five times the price earning ratio of Jiuhoa Power for the year ended 31 December 2008. Upon completion of such transfers, Jiuhoa Power was held as to 85% by Chaowei Power, 7.5% by Mr. Qian Haichun, 5% by Mr. Hu and 2.5% by Mr. She.

On 29 October 2009, the registered capital of Jiuhoa Power was increased to RMB10 million, and the shareholding of each shareholder were adjusted pursuant to the shareholders' resolution dated 25 October 2009. Under the capital increase and the shareholding adjustment, each of Chaowei Power, Mr. Qian Haichun, Mr. Hu and Mr. She agreed to contribute RMB8 million, RMB1.25 million, RMB0.5 million and RMB0.25 million respectively. After such capital increase and shareholding adjustment were completed, Jiuhoa Power was held as to 80% by Chaowei Power, 12.5% by Mr. Qian Haichun, 5% by Mr. Hu and 2.5% by Mr. She. At the same time, Jiuhoa Power changed its name into Anhui Chaowei Power Co., Ltd.* (安徽超威電源有限公司).

Beijing Li Xian Feng

In order to strengthen our leading position in the industry in China, we are actively exploring diversified advanced battery technologies, such as Li-ion batteries by way of acquisition of enterprises with relevant technologies and staff and seeking corporation with science and technologies institute. In April 2007, Beijing Li Xian Feng Technology Development Co., Ltd.* (北京鋰先鋒科技發展有限公司) ("**Beijing Li Xian Feng**") was established as a domestic company in the PRC with a registered capital of RMB20 million, which was then owned as to 99% by Mr. Wang Jin (王進) and 1% by Mr. Bao Yutong (鮑玉桐) ("**Mr. Bao**").

Pursuant to the equity transfer agreements dated 8 February 2009, Mr. Wang Jin (王進) agreed to transfer 50.49% and 48.51% equity interests in Beijing Li Xian Feng to Mr. Qiao Fenghua (喬鋒華) ("**Mr. Qiao**") and Ms. Zhong Lijuan (鍾麗娟) ("**Ms. Zhong**") at the consideration of approximately RMB10.1 million and RMB9.7 million respectively by reference to the registered capital of Beijing Li Xian Feng. Upon the completion of such equity transfer, Beijing Li Xian Feng was owned as to 50.49% by Mr. Qiao Fenghua, 48.51% by Ms. Zhong Lijuan and 1% by Mr. Bao Yutong.

Pursuant to the shareholders' resolution of Beijing Li Xian Feng dated 8 February 2009, Chaowei Power agreed to contribute RMB15 million to the registered capital of Beijing Li Xian Feng in three phases, by 6 March 2009, 31 March 2009 and 20 January 2010 respectively. Upon completion of the contribution of RMB15 million to the registered capital of Beijing Li Xian Feng, Chaowei Power shall have an equity interest of approximately 42.86% in Beijing Li Xian Feng.

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As of 31 March 2009, Chaowei Power has completed the contribution of RMB10 million to the registered capital of Beijing Li Xian Feng. On 1 September 2009, Mr. Qiao, Ms. Zhong and Mr. Bao transferred all their respective equity interest in Beijing Li Xian Feng to Chaowei Power for consideration of approximately RMB4.9 million, RMB4.7 million and RMB0.1 million respectively, which were determined by reference to the net assets value of Beijing Li Xian Feng. Upon completion of such transfers, Beijing Li Xian Feng became a wholly-owned subsidiary of Chaowei Power.

On 30 October 2009, Chaowei Power transferred 99.97% and 0.03% of the equity interest in Beijing Li Xian Feng to Ms. Zhong Lijuan (鍾麗娟) and Ms. Guan Hongmin (管宏敏) for consideration of approximately RMB19.7 million and RMB5,900, which were determined by reference to, among other factors, the total actual investment made by Chaowei Power in Beijing Li Xian Feng and the net assets value of Beijing Li Xian Feng. Upon the disposal of the interest in Beijing Li Xian Feng, Chaowei Power's obligation to contribute to the registered capital of Beijing Li Xian Feng has ceased. We disposed the equity interest in Beijing Li Xian Feng shortly after completion of the acquisition mainly because, initially, our plan was to integrate the operations and the research and development team of Beijing Li Xian Feng with our existing ones at our headquarters in Changxing, Zhejiang after the acquisition. However, upon taking control of the operations of Beijing Li Xian Feng, the integration plan of Beijing Li Xian Feng into our existing business, including the proposal to relocate the operating facilities and the staff of Beijing Li Xian Feng to Changxing County, Zhejiang Province did not work out as we had hoped since, among other reasons, (i) the majority of the staff of Beijing Li Xian Feng were unwilling to relocate away from Beijing; (ii) the operations of Beijing Li Xian Feng were still under the research and development stage at that time and Beijing Li Xian Feng not yet in a position to undertake large scale commercial production and (iii) as confirmed by the Directors, the relevant local administrative authority of Airport Management Committee in Shunyi District, Beijing* (北京市順義區空港管理委員會) had indicated to Beijing Li Xian Feng that, certain preferential treatment provided by such authority to Beijing Li Xian Feng, namely, a cash subsidy of approximately RMB2 million, for Li-ion battery related project would need to be returned should Beijing Li Xian Feng be relocated away from Beijing. In view of the circumstance, we considered that the operations of Beijing Li Xian Feng could not meet our development needs thus it would be to the benefit of our Group to divest our interest in Beijing Li Xian Feng and focus on our other business development plans. After arm's length discussion with Ms. Zhong Lijuan (鍾麗娟), who was a major shareholder of Beijing Li Xian Feng prior to our acquisition and Ms. Guan Hongmin (管宏敏), we have mutually decided to dispose the entire interest in Beijing Li Xian Feng to Ms Zhong and Ms. Guan Hongmin (管宏敏). Our total investment in Beijing Li Xian Feng was approximately 19.7 million and the disposal consideration of our equity interests was approximately 19.7 million, and according to the Accountants' Report in Appendix I to this Prospectus, we recorded a disposal gain of approximately RMB3.2 million for the disposal of the interests in Beijing Li Xian Feng. We consider such disposal did not have any material adverse impact of our operations. In addition, we are also exploring other opportunities to gain a foothold in the Li-ion batteries industry, including collaborations with Ningbo Engineering Institute* (寧波工程學院) which owns advanced expertise in the Li-ion batteries industry, which still enables us to explore diversified and advanced battery technologies.

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In order to prevent future unsatisfactory acquisition, we will plan our acquisition and expansion plans more thoroughly and cautiously, including conducting more in-depth pre-acquisition researches into our acquisition target, conducting feasibility studies of our acquisition plans, engaging professional advisers as and when appropriate to advise on our acquisition plans with a view to help us to negotiate and enter into acquisition documents with favourable terms and covering various contingency situations. In addition, where appropriate, we will consult the persons and parties who may be affected by our development plans and will take into consideration the potential impact to them.

History of our Company and our other subsidiaries

Our Company

Our Company was incorporated in the Cayman Islands on 18 January 2010. At the time of establishment, it was wholly-owned by Offshore Incorporations (Cayman) Limited. On the same date, Offshore Incorporations (Cayman) Limited transferred the entire equity interest in our Company to Mr. Zhou for a consideration of US\$1.00 at par value.

Chaowei BVI

Chaowei Power Group Limited (“**Chaowei BVI**”) was incorporated in the BVI on 15 January 2010. It is an investment holding company and a direct wholly-owned subsidiary of our Company and the sole shareholder of Chaowei HK.

Chaowei HK

Chaowei Power (Hong Kong) Limited (“**Chaowei HK**”) was incorporated in Hong Kong on 22 January 2010. It is an investment holding company and an indirect wholly-owned subsidiary of our Company and the sole shareholder of Chaowei Power and Chaowei Technology.

Chaowei Technology

Chaowei Technology was incorporated in Hong Kong on 29 January 2010. It is an investment holding company, the major activities of which is to hold the intellectual property rights of our Group. It is a wholly-owned subsidiary of Chaowei HK which is in turn an indirect wholly-owned subsidiary of our Company. Chaowei Technology will hold some of the new intellectual property rights registered outside China by our Group.

INVESTMENT BY LEHMAN BROTHERS

On 6 August 2007, Lehman Brothers, United Holdings, Chaowei Power, Changxing Zhongcheng, Jiangsu Chaowei, Henan Chaowei, Shandong Chaowei, Allied Crown, Mr. Zhou and Ms. Fang Jianjun entered into a note purchase agreement (as amended on 10 August 2007 and 31 October 2007) (collectively the “**Lehman Note Purchase Agreement**”) pursuant to which Lehman Brothers agreed to purchase a convertible note (the “**Lehman Convertible Note**”) from United Holdings for a consideration of US\$25 million.

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On 31 October 2007, the Lehman Convertible Note was converted into 416,667 series A preferred shares in the capital of United Holdings (the “**Lehman Preferred Shares**”). On the same date, each of Fame Smart and Investgain entered into a deed of share charge pursuant to which the shares in United Holdings held by each of Fame Smart and Investgain were charged in favour of Lehman Brothers as security against due performance of the obligations of United Holdings under the then shareholders agreement of United Holdings which provided for certain protection of Lehman Brothers as holders of the Lehman Preferred Shares.

On 12 February 2010, among others, the liquidators of Lehman Brothers, United Holdings and Mr. Zhou entered into a redemption agreement, pursuant to which United Holdings agreed to redeem the Lehman Preferred Shares from Lehman Brothers for a consideration of US\$33 million, which was determined after arm’s length negotiation between the parties. On 5 March 2010, after payment of the redemption price of US\$33 million in full, among others, the liquidators of Lehman Brothers, United Holdings, Mr. Zhou and certain PRC subsidiaries of our Group entered into a deed of termination and release, pursuant to which the parties agreed to terminate, among others, the Lehman Note Purchase Agreement with effect from 5 March 2010. Upon termination, each of such documents shall become null and void and of no further force and effect, and the share charges created under the deed of share charges by Fame Smart and Investgain in favour of Lehman Brothers shall be released and discharged. After such redemption and termination, Lehman Brothers ceased to have any interest in United Holdings.

INVESTMENT BY HONY CAPITAL

Hony Capital is an investment fund which is structured as an exempted limited partnership established in the Cayman Islands. Based on the limited partnership interests of Honu Capital, Legend Holdings Limited, the controlling shareholder of Lenovo Group Limited (stock code: 992), via its wholly-owned subsidiary, Right Lane Limited, is the single largest investor in Honu Capital, with a holding of approximately 14.3% of the value of the fund. In addition to Legend Holdings Limited, Honu Capital has 75 other investors with interest ranging from 0.02% to 7.15% of the value of the fund. On 12 February 2010, Castle Lead, a company wholly-owned by Honu Capital, and United Holdings, entered into the Castle Lead Loan Agreement pursuant to which Castle Lead agreed to provide a loan in the amount of US\$33 million to United Holdings, which was to be used by United Holdings solely to redeem the Lehman Preferred Shares from Lehman Brothers.

On 5 March 2010, after completion of the redemption of the Lehmen Preferred Shares, Castle Lead, United Holdings, Mr. Zhou, Investgain, Fame Smart, among others, entered into the Castle Lead Subscription Agreement pursuant to which Castle Lead agreed to subscribe for 383,167 ordinary shares in the share capital of United Holdings (representing approximately 20.36% of the total issued share capital as enlarged by the issuance of the said 383,167 shares to Castle Lead), for a total consideration of US\$41,056,000. Under the Castle Lead Subscription Agreement, the payment of the subscription price by Castle Lead was to be made by conversion of the US\$33 million loan provided by Castle Lead under the Castle Lead Loan Agreement on 3 March 2010, and payment of the balance of US\$8,056,000 was made by way of cash on 5 March 2010.

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Pursuant to a shareholders agreement entered into among Castle Lead, United Holdings, Investgain, Fame Smart, Allied Crown, Mr. Zhou and Mr. Gao Xinkun and the amended and restated articles of association of United Holdings in connection with the Castle Lead Subscription Agreement, Castle Lead was granted certain minority protection rights, including pre-emptive rights to purchase new shares of United Holdings, a right of first refusal for shares of United Holdings proposed to be disposed by other shareholders, a tag-along right for shares of United Holdings to be transferred by Investgain, Fame Smart or Allied Crown, the right to appoint one director to the board of directors of United Holdings and prior approval rights with respect to certain activities that United Holdings and its subsidiaries may undertake in the future. All such minority protection rights will be cancelled upon the Listing. Saved as disclosed in this section, no other special rights were granted to Castle Lead.

As set out in the paragraph headed “Reorganization” below, upon completion of the Reorganization, Castle Lead held a total of 20,000 shares in our Company, representing approximately 20% of the total issued share capital of our Company immediately before the Capitalization Issue and Completion of the Global Offering. Assuming there are no diluting issuances by our Company such as consolidation, subdivision or capitalization of our Shares immediately upon the Capitalization Issue and completion of the Global Offering, Castle Lead will hold a total of 150,000,000 Shares, representing a shareholding of 15% in our Company. The Shares held by Castle Lead will not be counted towards part of public float.

The price per Share paid by Castle Lead was approximately US\$0.27 (equivalent to approximately HK\$2.10) (the “**Castle Lead Investment Price**”). Based on the indicative Offer Price range, the Castle Lead Investment Price represents a discount of approximately 3.7% to HK\$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 27.6% to HK\$2.90 per Share, being the upper end of the stated Offer Price range.

The investment risks that Castle Lead were subject to when making the investment in our Group back in February 2010 were different from the risks which the investing public may have to bear in the context of the Global Offering. The Castle Lead Investment Price reflected the illiquidity of the Shares, the historical financial performance of our Group, the strategic value added by Castle Lead to our Company, the lock-up arrangement applicable to the Shares held by Castle Lead, as set out below and the bargaining positions of the parties at that time.

The proceeds from the investment by Castle Lead in United Holdings were partially used to complete the redemption of the Lehman Preferred Shares from Lehman Brothers and partially as general working capital of our Group. We believe that the presence of Castle Lead as our investor has added strategic value to our Group including boosting the profile of our Company and our Shareholder base, reinforcing good corporate governance practices and generally enhancing accountability and transparency of our Company. In addition, our Directors believe that Castle Lead and Hony Capital’s experience in previous investments will also benefit the development of our Group.

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Lock-up

Each of Hony Capital and Castle Lead has jointly and severally undertaken that without the prior written consent of our Company and the Global Coordinator, it shall not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”) dispose of any of the Shares or other securities of our Company. Further details are set out under the paragraph headed “Undertakings” in the section headed “Underwriting” in this prospectus.

2009 Net Profit Adjustment

Under the Castle Lead Subscription Agreement, Mr. Zhou, Investgain, Fame Smart, Mr. Gao and Allied Crown (collectively “**Existing UH Shareholders**”) and United Holdings have undertaken to Castle Lead that if the audited consolidated net profit of our Group for the financial year ended 31 December 2009 is less than RMB200 million (the “**2009 Performance Benchmark**”), United Holdings and the Existing UH Shareholders shall make a cash compensation to Castle Lead calculated in accordance with a pre-determined formula stipulated in the Castle Lead Subscription Agreement by reference to the difference between the audited consolidated net profit of our Group for the year ended 31 December 2009 and the 2009 Performance Benchmark, the shareholding percentage of Castle Lead in United Holdings, a price-to-earnings ratio agreed between Castle Lead and United Holdings and the prevailing exchange rate of Renminbi against United States dollars as of the date of payment. Given that the audited consolidated net profit of our Group for the year ended 31 December 2009 exceeded the 2009 Performance Benchmark, no cash compensation has been paid to Castle Lead.

The above references to the 2009 Performance Benchmark and the price-to-earnings ratio are simply benchmarks that Castle Lead agreed with the other shareholders of United Holdings for the purposes of determining whether any cash compensation needs to be made to Castle Lead under the Castle Lead Subscription Agreement, which is solely a private arrangement agreed among United Holdings, the Existing UH Shareholders and Castle Lead and does not constitute any guarantee or forecast of the future profitability of our Group.

INFORMATION REGARDING CASTLE LEAD

Castle Lead is a wholly-owned subsidiary of Hony Capital and was a special purpose company incorporated for the purpose of investing in our Group. Prior to the completion of the Share Subscription Agreement, Castle Lead and Hony Capital were Independent Third Parties. Hony Capital is a private equity fund and an exempted partnership registered under the laws of the Cayman Islands. Hony Capital is principally engaged in investments across a broad range of sectors including financial services, consumer industry, infrastructure, pharmaceuticals and franchising, as well as both light and heavy industries in the PRC.

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ECONOMIC INTEREST OF CERTAIN EMPLOYEES OF OUR GROUP

In order to reward the services of and certain members of our senior management, employees and consultants of our Group, on 20 December 2006, Mr. Zhou and each of 58 then senior management, employees and consultants of our Group entered into a transfer agreement (collectively the “**2006 Transfer Agreements**”), pursuant to which Mr. Zhou agreed to transfer an aggregate of 27.8% of the equity interest in Chaowei Power to the 58 then senior management, employees and consultants of our Group for an aggregate consideration of approximately RMB14.2 million, which was determined by reference to the net profit of Chaowei Power of approximately RMB50.95 million for the year ended 31 December 2005.

Among the 58 participants to the 2006 Transfer Agreements, Mr. Zhou Mingsong (周明松) and Mr. Chen Tixian (陳體銜) are members of our senior management having interest ranging from 0.35% and 0.4% in the shareholding of Chaowei Power respectively, and Mr. Zhou Zhaoxue (周昭雪) and Mr. Xu Nian (徐年) are both cousins of Mr. Zhou, having interest ranging from approximately 0.2% and 0.3% in the shareholding of Chaowei Power respectively. Save as disclosed above, none of our Directors, our senior management and their respective associates was a party to the 2006 Transfer Agreements.

Among the 58 participants to the 2006 Transfer Agreements, four consultants of our Group individually were entitled to equity interests in Chaowei Power ranging from approximately 0.2% to 1% and in aggregate were entitled to approximately 3.2% of the equity interest in Chaowei Power. Save for their interest in Chaowei Power set out above, all such consultants were Independent Third Parties. In their capacity as consultants to our Group, they provided certain services to our Group, including (i) technology consultancy services, which mainly included assistance to our Group on the research and development of environment-friendly enclosed battery formation processing* (內化成工藝); (ii) manufacturing technology consultancy services, which mainly included assistance to Jiangsu Chaowei in putting the enclosed battery formation process* (內化成工藝) to actual operation; (iii) finance consultancy services, which mainly included assistance to our Group in the improvement and enhancement of the financial system and establishment of the KingDee K/3 ERP System* (金蝶K/3 ERP系統); and (iv) tax consultancy services, which mainly included guidance to our Group on preparation of tax filing.

Pursuant to the terms of the 2006 Transfer Agreements, it was commercially agreed between the parties, taking into account, among other things, the financial resources of members of our senior management team, employees and consultants of our Group, the said 58 then senior management, employees and consultants of our Group were only required to pay 30% of the total consideration for their respective portion of equity interest to Mr. Zhou within three months from the date of the 2006 Transfer Agreements with the balance of 70% of the total consideration to be satisfied by off-setting half of all future dividends to be received by them from time to time until the full balance is paid. As of the Latest Practicable Date, 48.43% of the total consideration payable under the 2006 Transfer Agreements had been paid.

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It was the consensus between the parties to the 2006 Transfer Agreements that the transfers of shareholding in Chaowei Power stipulated under the 2006 Transfer Agreements were to have effect immediately after execution of the 2006 Transfer Agreements. In addition, under such arrangement, the outstanding balances of the consideration payable were personal debts owing from such participants to Mr. Zhou personally, and the consensus between the parties was that the rights of the participants as shareholders of Chaowei Power shall not be affected notwithstanding full consideration has not yet been paid.

It is expected that the remaining balance of 51.57% consideration payable to Mr. Zhou will be paid only after the Listing by Jolly Pride's share in the future dividends of our Company (if any) or upon Jolly Pride disposing of its shareholding in our Company.

Following the signing of the 2006 Transfer Agreements, the said 58 individuals were not registered as shareholders of Chaowei Power. According to the then applicable PRC law, Chaowei Power, which was a sino-foreign joint venture enterprise established in the PRC, was not allowed to have individuals registered as its shareholders. Accordingly, such participants were not eligible to be registered as shareholders of Chaowei Power. Notwithstanding the restriction in registration as shareholders of Chaowei Power at the relevant time, due to their trust towards Mr. Zhou, the participants to the 2006 Transfer Agreements agreed that Mr. Zhou shall hold their interest in Chaowei Power on their behalf pending finalization of our Group's listing plan, but did not propose nor explore other alternative arrangements.

Five of the 58 participants to the 2006 Transfer Agreements left our Group after signing the 2006 Transfer Agreements. Subsequently Mr. Zhou, in his personal capacity and not acting on behalf of our company, discussed and negotiated with each of these five persons to acquire their respective entitlement in the shareholding of Chaowei Power. After arm's length negotiations between the parties, Mr. Zhou and each of the five individuals reached a private agreement under which Mr. Zhou acquired each of their entitlement in the shareholding of Chaowei Power in cash in amounts determined on a case-by-case basis, which have taken into account various factors such as the relevant individual's length of service at our Group and contribution to our Group and other circumstances specific to the relevant individual. Pursuant to written confirmations provided by each of these five individuals dated between 14 May 2008 and 28 February 2010, each of them has agreed and confirmed that all their rights under the 2006 Transfer Agreements have been terminated.

It was always the consensus that the remaining individuals shall have a share in the economic interests in our Group after our listing plan has been finalized. However, since the signing of the 2006 Transfer Agreements, our management has considered, but not decided on, different proposals to achieve listing of our Group. At the same time, there have been various major developments in our Group, including investment by various outside investors such as Lehman Brothers and Hony Capital. It was not until late 2009 that our management have finalized the listing plan of our Group. Accordingly, on 10 March 2010, each of the remaining 53 persons who were party to the 2006 Transfer Agreements signed a letter of confirmation and undertaking (the "**2010 Confirmation Letters**") pursuant to which each of them has clarified, confirmed and undertaken that, among other things:

1. all references to shareholding in Chaowei Power under the 2006 Transfer Agreements were indeed references to the economic interest represented by

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the corresponding shareholding in Chaowei Power but not any other rights enjoyed by shareholders of Chaowei Power. Specifically, apart from acquiring the above-mentioned economic interest, none of the 53 individuals had acquired or otherwise was entitled to any other rights as shareholders of Chaowei Power including but not limited to the rights to vote and participate in general meetings. It was the consensus between Mr. Zhou and each of the 53 remaining individuals that they will only be entitled to share part of the economic interest in our Group but not other rights as Shareholders of our Company in view of their trust towards Mr. Zhou in taking care of their interest. In addition, such individuals are not interested in participating in the management of the affairs of the Group in the capacity as Shareholders.

2. the consensus between Mr. Zhou and each of the 53 individuals was that their entitlement in the economic interest in Chaowei Power shall, upon determination of the final shareholding structure for the overseas listing of the Group, be translated into a corresponding entitlement in the economic interests in the shares of our Company. As the listing plan of our Group was not finalized until early 2010, the relevant procedures (including but not limited to the signing of the formal trust and or other legal documents) to reflect the consensus and arrangement agreed between Mr. Zhou and the 53 individuals under the 2006 Transfer Agreements (as clarified by the 2010 Confirmation Letters) were not effected between the date of the 2006 Transfer Agreements and the 2010 Confirmation Letters.
3. Following the determination of the listing plan of our Group, the parties agreed (in the form of the 2010 Confirmation Letters) that the consensus and arrangement intended under the 2006 Transfer Agreements shall be realized by way of an arrangement under which the 53 individuals shall be entitled to enjoy the economic interests of a corresponding aggregate 9.52% interest in the shares in our Company prior to the Listing.

Accordingly, on 14 June 2010, Mr. Zhou and Jolly Pride entered into a trust deed (the “**Jolly Pride Trust Deed**”) in favour of 53 employees of our Group, pursuant to which the economic interest in the Shares which Jolly Pride holds and will hold from time to time shall belong to the said 53 employees of our Group who were parties to the 2006 Transfer Agreements and the 2010 Confirmation Letters and that all other rights as Shareholder (including but not limited to voting and participation in shareholders’ meetings) shall not be exercisable by the said 53 employees and shall be exercised by Jolly Pride exclusively.

Jolly Pride has undertaken to our Company that, without the prior written consent of our Company and the Global Coordinator, it shall not, whether directly or indirectly, at any time during the period of fifteen months from the Listing Date dispose of any of the Shares or other securities of our Company which are derived therefrom pursuant to any rights issue, capitalization issue or other form of capital reorganization or any interest in any company or entity holding any of our Shares in which it is interested on the Listing Date.

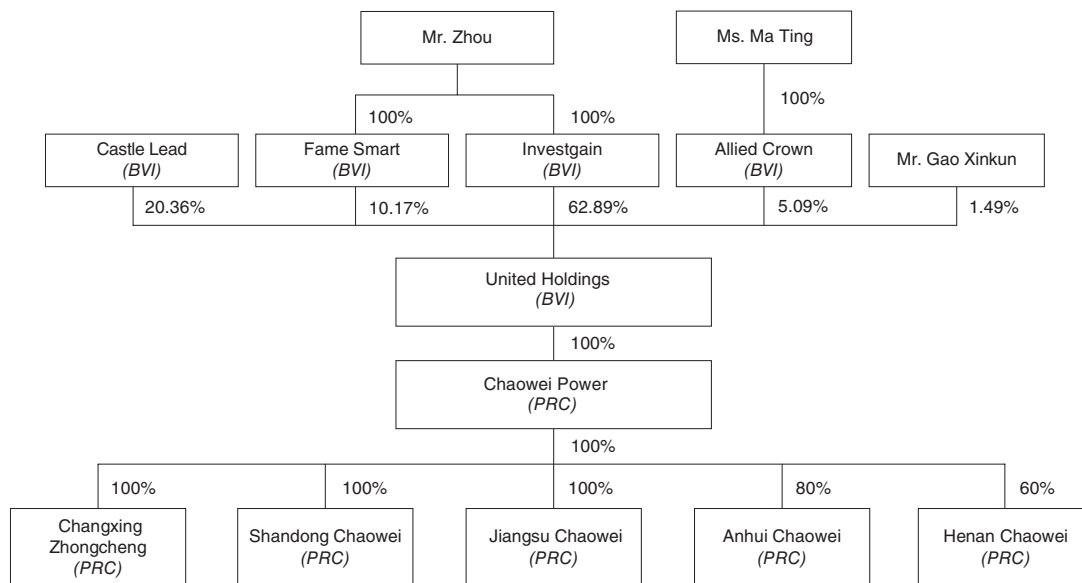
HISTORY AND DEVELOPMENT

Our PRC legal advisers, Zong Heng Law Firm, have advised that (i) the transfer of economic interest in Chaowei Power under the above mentioned 2006 Transfer Agreements as confirmed by the 2010 Confirmation Letters is valid and enforceable in accordance with the laws of the PRC and does not contravene any laws of the PRC; and (ii) subject to registration by the said 53 individuals with the Zhejiang province branch of SAFE upon the Jolly Pride Trust Deed becoming effective after Listing (Zong Heng Law Firm has advised there shall be no legal obstacle for arranging such registration), the transfer of economic interests in shares in our Company through the Jolly Pride Trust Deed is valid and enforceable in accordance with the laws of the PRC and does not contravene any laws of the PRC.

REORGANIZATION

Our Company was incorporated under the laws of the Cayman Islands on 18 January 2010. To prepare our corporate structure for the Listing and to facilitate our growth and expansion strategy, we underwent the Reorganization.

Set out below is the shareholding structure of our Group before the Reorganization:



REORGANIZATION AT THE LEVEL OF UNITED HOLDINGS

On 9 March 2010, each of Noble Avenue, a company wholly-owned by Mr. Ding Zixuan (丁自選), and Treasure Sea, a company wholly-owned by Mr. Lam Kong (林剛), subscribed for 14,386 and 19,114 shares of US\$1 each in the share capital of United Holdings for a total subscription price of approximately US\$1.5 million and approximately US\$2.1 million respectively, which was determined by reference to the estimated valuation of our Group as agreed between the parties, representing approximately 0.75% and 1.0% in the total issued share capital of United Holdings as enlarged by the issuance of new shares to Noble Avenue and Treasure Sea. Each of Mr. Ding Zixuan and Mr. Lam Kong were Independent Third Parties to our Company prior to the subscription of shares in United Holdings.

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On 9 March 2010, Mr. Gao Xinkun (高鑫坤), a member of our senior management team, transferred 28,009 shares of US\$1 each in the capital of United Holdings, representing approximately 1.46% of its total issued share capital, to Wide Fame, a company wholly-owned by himself, for a consideration of US\$1, since such transfer did not change the ultimate beneficial ownership of such interest.

On 9 March 2010, Fame Smart, a company wholly-owned by Mr. Zhou, transferred 92,535 and 92,535 shares of US\$1 each in the capital of United Holdings, representing approximately 4.83% and 4.83% of its total issued share capital, to each of High Joy, a company wholly-owned by Mr. Zhou Longrui (周龍瑞), the father of Mr. Zhou, and Shiny Century, a company wholly-owned by Ms. Yang Yunfei (楊雲飛), the mother of Mr. Zhou, for a consideration of approximately RMB2.6 million and RMB2.6 million respectively, which was determined after taking into account the personal relationship between Mr. Zhou, Mr. Zhou Longrui and Ms. Yang Yunfei.

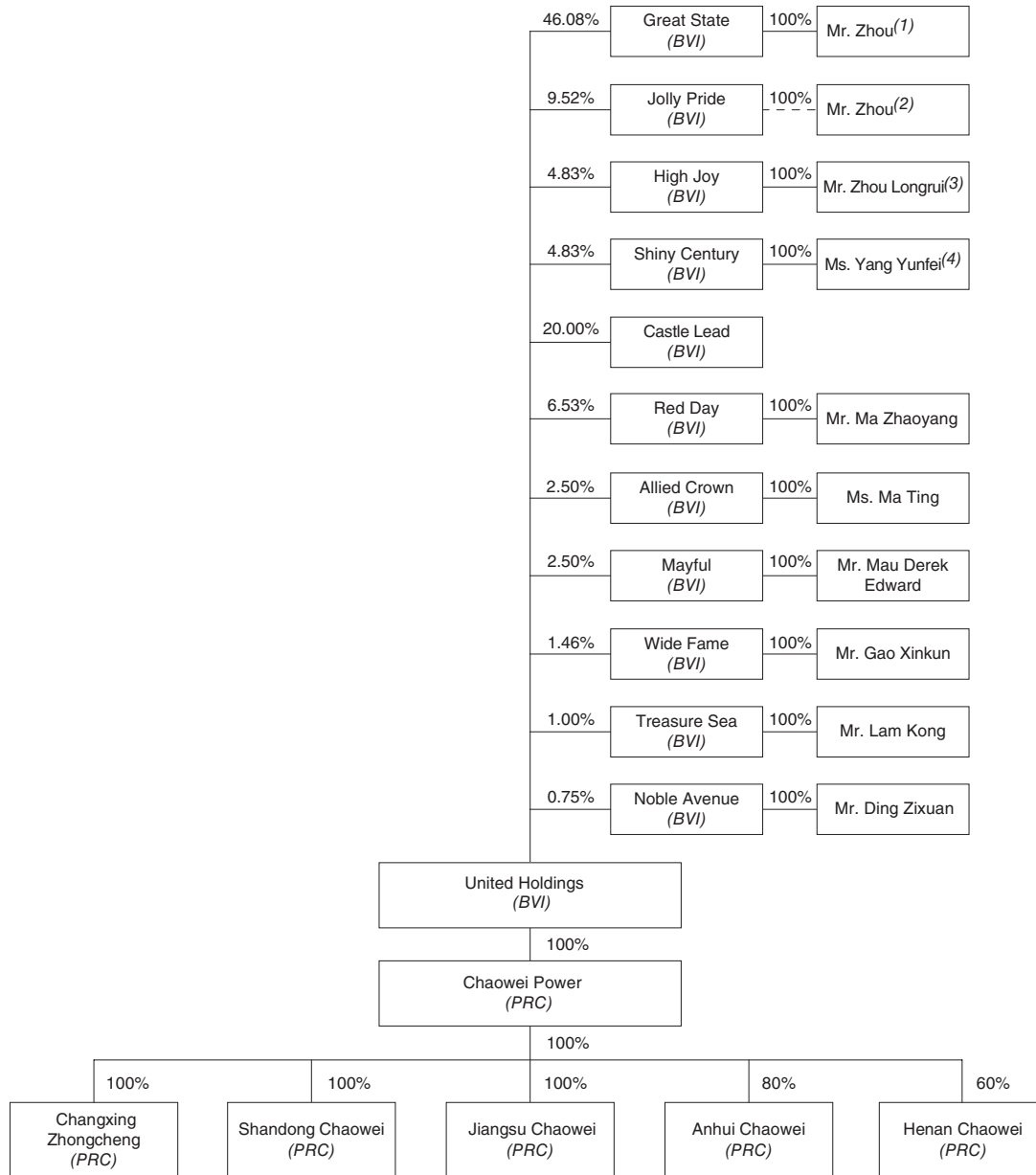
On 9 March 2010, Fame Smart transferred 6,513 shares of US\$1 each in the capital of United Holdings, representing approximately 0.34% of its total issued share capital, to Red Day, a company wholly-owned by Mr. Ma Zhaoyang (馬朝陽) for a consideration of approximately US\$0.7 million, which was determined by reference to the estimated valuation of our Group as agreed between the parties. Mr. Ma Zhaoyang and Red Day were Independent Third Parties to our Company prior to the acquisition of shares in United Holdings from Fame Smart and Investgain.

On 9 March 2010, Investgain, a company wholly-owned by Mr. Zhou, transferred 118,591 shares of US\$1 each in the capital of United Holdings, representing approximately 6.19% of its total issued share capital, to Red Day for a consideration of approximately US\$12.7 million, which was determined by reference to the estimated valuation of our Group as agreed between the parties.

On 9 March 2010, Investgain transferred 882,770 and 182,420 shares of US\$1 each in the capital of United Holdings, representing approximately 46.08% and 9.52% of its total issued share capital, to Great State and Jolly Pride, a company wholly-owned by Mr. Zhou but which was intended to be used as the vehicle to hold the Shares in our Company for the benefit of certain of our employees after Listing pursuant to the Jolly Pride Trust Deed, for a consideration of US\$1, which was determined on the basis that there was no change in beneficial ownership thereunder, and US\$1, which was determined taking into account that the purpose of the transfer of shares in United Holdings was to facilitate the establishment of a structure stipulated under the Jolly Pride Trust Deed, respectively.

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Upon completion of the above Reorganization steps, the shareholding structure of our Group was as follows:



Notes:

1. Mr. Zhou is the son of Mr. Zhou Longrui and Ms. Yang Yunfei.
2. Pursuant to the Jolly Pride Trust Deed, the economic interest in the Shares which it holds and will hold from time to time shall belong to 53 employees of our Group and that all other shareholder rights (including but not limited to voting and participation in shareholders' meetings) in relation to the Shares shall be enjoyed by Jolly Pride exclusively. Mr. Zhou is the sole director and sole shareholder of Jolly Pride.
3. Mr. Zhou Longrui is the spouse of Ms. Yang Yunfei and the father of Mr. Zhou.
4. Ms. Yang Yunfei is the spouse of Mr. Zhou Longrui and the mother of Mr. Zhou.

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REORGANIZATION AT THE LEVEL OF OUR COMPANY

On 15 January 2010, Chaowei BVI was incorporated in BVI. On 18 January 2010, our Company subscribed for 100 shares of US\$1.0 in the capital of Chaowei BVI and Chaowei BVI became a wholly-owned subsidiary of our Company.

On 18 January 2010, our Company was incorporated in the Cayman Islands. At the time of incorporation, Offshore Incorporations (Cayman) Limited subscribed for 1 share of US\$1.0 in the capital of our Company. On the same date, the said 1 share in our Company was transferred to Mr. Zhou at par. At the same time, Mr. Zhou subscribed for an additional 99 shares of US\$1.0 each in the capital of our Company, and our Company became wholly-owned by Mr. Zhou as a result.

On 22 January 2010, Chaowei HK was incorporated in Hong Kong. At the time of incorporation, Chaowei BVI subscribed for 10,000 shares of HK\$1.0 each in the capital of Chaowei HK, and Chaowei HK became a wholly-owned subsidiary of Chaowei BVI.

On 29 January 2010, Chaowei Technology was incorporated in Hong Kong. At the time of incorporation, Chaowei HK subscribed for 10,000 shares of HK\$1.0 each in the capital of Chaowei Technology, and Chaowei Technology became a wholly-owned subsidiary of Chaowei HK.

On 9 March 2010, the par value of the shares of our Company was subdivided from US\$1.0 each to US\$0.01 each, and the authorized share capital of our Company was changed from US\$50,000 divided into 50,000 shares of US\$1 each to US\$50,000 divided into 5,000,000 shares of US\$0.01 each. Before the subdivision, our Company has an issued share capital of US\$100 with 100 shares of US\$1 each. As a result of such subdivision, the 100 shares of US\$1 each in our Company held by Mr. Zhou became 10,000 shares of US\$0.01 each. On the same date, Mr. Zhou subscribed for an additional 90,000 shares of US\$0.01 each in our Company at par. Upon completion of such subdivision and subscription, our Company became wholly-owned by Mr. Zhou with 100,000 shares of US\$0.01 each issued.

On 9 March 2010, Mr. Zhou and each of Great State, High Joy, Shiny Century, Jolly Pride, Wide Fame, Red Day, Treasure Sea, Noble Avenue, Allied Crown and Castle Lead entered into a share transfer agreement (the “**Chaowei Cayman Transfer Agreement**”) pursuant to which Mr. Zhou transferred (i) 46,078 Shares to Great State; (ii) 4,830 Shares to High Joy; (iii) 4,830 Shares to Shiny Century; (iv) 9,522 Shares to Jolly Pride; (v) 1,460 Shares to Wide Fame; (vi) 6,530 Shares to Red Day; (vii) 1,000 Shares to Treasure Sea; (viii) 750 Shares to Noble Avenue; (ix) 5,000 Shares to Allied Crown; and (x) 20,000 Shares to Castle Lead. Each of the transfers under the Chaowei Cayman Transfer Agreement was at par value. Upon completion of the Chaowei Cayman Transfer Agreement, our Company became owned as to (i) 46.08% by Great State; (ii) 4.83% by High Joy; (iii) 4.83% by Shiny Century; (iv) 9.52% by Jolly Pride; (v) 1.46% by Wide Fame; (vi) 6.53% by Red Day; (vii) 1.0% by Treasure Sea; (viii) 0.75% by Noble Avenue; (ix) 5% by Allied Crown; and (x) 20% by Castle Lead.

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On 9 March 2010, upon completion of the Chaowei Cayman Transfer Agreement, United Holdings and Chaowei HK entered into an equity interest transfer agreement (the “**Chaowei Power Transfer Agreement**”) pursuant to which United Holdings transferred its entire interest in Chaowei Power to Chaowei HK for a consideration of US\$1, which was determined on the basis that there was no change in beneficial ownership thereunder. Upon completion of the Chaowei Power Transfer Agreement, Chaowei Power became a wholly-owned subsidiary of Chaowei HK.

On 25 March 2010, Allied Crown transferred 2,500 shares of US\$0.01 in the capital of our Company, representing approximately 2.50% of its total issued share capital to Mayful, a company wholly-owned by Mr. Mau Derek Edward for a consideration of approximately US\$5.1 million, which was determined by reference to the estimated valuation of our Group as agreed between the parties.

INFORMATION REGARDING OUR OTHER INVESTORS

In the course of the Reorganization, we have introduced certain new investors by way of issuing of new shares or transfer of existing shares. A summary of the background of each of our investors other than Castle Lead are set out below:

1. Mr. Zhou Longrui (周龍瑞), the father of Mr. Zhou, became a beneficial owner of our Group initially by way of High Joy, a company wholly-owned by himself, acquiring an interest in United Holdings from Fame Smart, a company wholly-owned by Mr. Zhou, on 9 March 2010. The Shares held by High Joy do not enjoy any special rights and will not be counted towards part of public float as High Joy will be a connected person of the Company under the Hong Kong Listing Rules after Listing. The price per Share paid by High Joy was approximately US\$0.01 (equivalent to approximately HK\$0.08). Based on the indicative Offer Price range, the price paid by High Joy represents a discount of approximately 96.3% to HK\$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 97.2% to HK\$2.90 per Share, being the upper end of the stated Offer Price range.
2. Ms. Yang Yunfei (楊雲飛), the mother of Mr. Zhou, became a beneficial owner of our Group initially by way of Shiny Century, a company wholly-owned by herself, acquiring an interest in United Holdings from Fame Smart, a company wholly-owned by Mr. Zhou, on 9 March 2010. The Shares held by Shiny Century do not enjoy any special rights and will not be counted towards part of public float as Shiny Century will be a connected person of the Company under the Hong Kong Listing Rules after Listing. The price per Share paid by Shiny Century was approximately US\$0.01 (equivalent to approximately HK\$0.08). Based on the indicative Offer Price range, the price paid by Shiny Century represents a discount of approximately 96.3% to HK\$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 97.2% to HK\$2.90 per Share, being the upper end of the stated Offer Price range.

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3. Mr. Gao Xinkun (高鑫坤), a member of our senior management team, became a beneficial owner of our Group initially by way of himself acquiring an interest in United Holdings on 31 October 2007 through subscription of shares in United Holdings at the time of investment by Lehman Brothers into our Group. The Shares held by Wide Fame do not enjoy any special rights and will be counted towards part of the public float as Wide Fame will not be a connected person of the Company under the Hong Kong Listing Rules. The price per Share paid by Wide Fame was approximately US\$0.0036 (equivalent to approximately HK\$0.03). Based on the indicative Offer Price range, the price paid by Wide Fame represents a discount of approximately 98.6% to HK\$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 99.0% to HK\$2.90 per Share, being the upper end of the stated Offer Price range.
4. Mr. Ma Zhaoyang (馬朝陽) became a beneficial owner of our Group initially by way of Red Day, a company wholly-owned by himself, acquiring an interest in United Holdings from each of Fame Smart and Investgain, both companies wholly-owned by Mr. Zhou on 9 March 2010. The Shares held by Red Day do not enjoy any special rights and will be counted towards part of the public float as Red Day will not be a connected person of the Company under the Hong Kong Listing Rules. The price per Share paid by Red Day was approximately US\$0.27 (equivalent to approximately HK\$2.10). Based on the indicative Offer Price range, the price paid by Red Day represents a discount of approximately 3.7% to HK\$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 27.6% to HK\$2.90 per Share, being the upper end of the stated Offer Price range.
5. Ms. Ma Ting (馬亭) became a beneficial owner of our Group initially by way of Allied Crown, a company wholly-owned by herself, acquiring an interest in United Holdings from Mr. Lo Wah Wai (盧華威), a then shareholder of United Holdings, on 4 July 2007 at the time of preparation of the investment by Lehman Brothers into our Group. The Shares held by Ms. Ma Ting (馬亭) do not enjoy any special rights and will be counted towards part of public float as Allied Crown will not be a connected person of the Company under the Hong Kong Listing Rules after Listing. The price per Share paid by Allied Crown was approximately US\$0.033 (equivalent to approximately HK\$0.26). Based on the indicative Offer Price range, the price paid by Allied Crown represents a discount of approximately 88.1% to HK\$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 91.0% to HK\$2.90 per Share, being the upper end of the stated Offer Price range.
6. Mr. Mau Derek Edward became a beneficial owner of our Group initially by way of Mayful, a company wholly-owned by himself, acquiring an interest in our Company from Allied Crown, a company wholly-owned by Ms. Ma Ting, on 25 March 2010. The Shares held by Mayful do not enjoy any special rights and will be counted towards part of the public float as Mayful will not be a connected person of the Company under the Hong Kong Listing Rules. The price per Share paid by Mayful was approximately US\$0.27 (equivalent to approximately HK\$2.10). Based on the indicative Offer Price range, the price paid by Mayful represents a discount of approximately 3.7% to HK\$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 27.6% to HK\$2.90 per Share, being the upper end of the stated Offer Price range.

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7. Mr. Lam Kong (林剛) became a beneficial owner of our Group initially by way of Treasure Sea, a company wholly-owned by himself, acquiring an interest in United Holdings through subscription of shares in United Holdings on 9 March 2010. The Shares held by Treasure Sea do not enjoy any special rights and will be counted towards part of the public float as Treasure Sea will not be a connected person of the Company under the Hong Kong Listing Rules. The price per Share paid by Treasure Sea was approximately US\$0.27 (equivalent to approximately HK\$2.10). Based on the indicative Offer Price range, the price paid by Treasure Sea represents a discount of approximately 3.7% to HK\$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 27.6% to HK\$2.90 per Share, being the upper end of the stated Offer Price range.
8. Mr. Ding Zixuan (丁自選) became a beneficial owner of our Group initially by way of Noble Avenue, a company wholly-owned by himself, acquiring an interest in United Holdings through subscription of shares in United Holdings on 9 March 2010. The Shares held by Noble Avenue do not enjoy any special rights and will be counted towards part of the public float as Noble Avenue will not be a connected person of the Company under the Hong Kong Listing Rules. The price per Share paid by Noble Avenue was approximately US\$0.27 (equivalent to approximately HK\$2.10). Based on the indicative Offer Price range, the price paid by Noble Avenue represents a discount of approximately 3.7% to HK\$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 27.6% to HK\$2.90 per Share, being the upper end of the stated Offer Price range.

Each of Mr. Ma Zhaoyang (馬朝陽), Ms. Ma Ting (馬亭), Mr. Mau Derek Edward, Mr. Lam Kong (林剛) and Mr. Ding Zixuan (丁自選) is a personal acquaintance of Mr. Zhou from his own social and business network, while Mr. Gao Xinkun (高鑫坤) is a member of our senior management team who joined our Group in October 2005. Each of Mr. Ma Zhaoyang (馬朝陽), Ms. Ma Ting (馬亭), Mr. Mau Derek Edward, Mr. Lam Kong (林剛) and Mr. Ding Zixuan (丁自選) decided to invest in our Group based on their own assessment on the future prospects of and as a result of arm's length negotiation with our Group and/or Mr. Zhou. Each of Mr. Gao Xinkun (高鑫坤), in his own name, and Ms. Ma Ting (馬亭), through Allied Crown, has invested in our Group since 2007 at the same time as the investment of Lehman Brothers into our Group. Even though each of Mr. Ma Zhaoyang (馬朝陽), Mr. Mau Derek Edward, Mr. Lam Kong (林剛) and Mr. Ding Zixuan (丁自選) only signed investment documents to invest in our Group shortly before our submission of the application for the Listing on the Stock Exchange, negotiations with them had been continuing for several months before execution of the formal investment documents. In addition, it was the parties' consensus that they would only invest in our Group after completion of the redemption of the Lehman Preferred Shares and the investment by Hony Capital.

We consider that the introduction of the various investors into our Group is favourable to the long-term development of our Group. The enlargement of our Shareholder base by the introduction of these investors who have different backgrounds and experience can ensure important business decisions are only made after thorough discussions from different perspectives. In addition, and in particular, we consider that (i) giving Mr. Zhou Longrui (周龍瑞) and Ms. Yang Yunfei (楊雲飛), each an executive Director, and Mr. Gao Xinkun (高鑫坤), a member of our senior management team, a stake in our Group can align their personal interest with that of our Group and is beneficial to the growth and development of our Group; (ii) Mr. Ma Zhaoyang (馬朝陽) is an experienced

HISTORY AND DEVELOPMENT

businessman and can provide advice on general corporate strategic planning; (iii) Ms. Ma Ting (馬亭) delegated the management of her investment in our Group to her relative, Mr. Qu Xiangjun (屈向軍) who has significant experience in the investment industry and he can provide inputs to our business decisions from time to time; (iv) both Mr. Mau Derek Edward and Mr. Lam Kong (林剛) have experience in overseas sales, distribution and marketing; and (v) Mr. Ding Zixuan (丁自選) has significant experience in investment industry and industry experience in energy-related businesses.

Lock-up

Each of our Controlling Shareholders, Mr. Zhou Longrui (周龍瑞), High Joy, Ms. Yang Yunfei (楊雲飛), Shiny Century, Mr. Gao Xinkun (高鑫坤) and Wide Fame has undertaken to, our Company and the Global Coordinator that, without the prior written consent of our Company and the Sponsor, it shall not, whether directly or indirectly, at any time during the period of fifteen months from the Listing Date dispose of any of the Shares or other securities of our Company which are derived therefrom pursuant to any rights issue, capitalization issue or other form of capital reorganization (the “**Relevant Shares**”) or any interest in any company or entity holding any of our Shares in which each of them is interested on the Listing Date. Each of Mr. Ma Zhaoyang (馬朝陽), Red Day, Ms. Ma Ting (馬亭), Allied Crown, Mr. Mau Derek Edward, Mayful, Mr. Lam Kong (林剛), Treasure Sea, Mr. Ding Zixuan (丁自選) and Noble Avenue has undertaken that without the prior written consent of our Company and the Global Coordinator, it shall not, whether directly or indirectly, at any time during the period of six months from the Listing Date dispose of any of the Shares or other securities of our Company which are derived therefrom pursuant to any rights issue, capitalization issue or other form of capital reorganization (the “**Relevant Shares**”) or any interest in any company or entity holding any of our Shares in which each of them is interested on the Listing Date.

CONTROL OF OUR GROUP

Our Controlling Shareholder, Mr. Zhou confirmed that he is not and has not been a full-time government official of any country.

SAFE REGISTRATION

According to the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicle* (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “**SAFE Circular 75**”), which was issued by SAFE on 21 October 2005, and effective on 1 November 2005:

- domestic residents who plan to establish or control an offshore special purpose vehicle must conduct foreign exchange registration with the local foreign exchange authority;
- domestic residents who have contributed their assets or shares of a domestic enterprise into an offshore special purpose vehicle, or have raised funds offshore after such contribution, must conduct foreign exchange registration for the modification of the record concerning the offshore special purpose vehicle with the local foreign exchange authority; and

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- domestic residents who are the shareholder of an offshore special purpose vehicle are required to go through registration for the modification of the record with the local foreign exchange authority within 30 days from the date of any major capital change event, such as an increase/decrease of capital, share transfer, share swap, merger or division, long term equity or debt investment or foreign guarantee where no round-trip investment is involved.

Our PRC legal advisers, Zong Heng Law Firm, have advised that each of Mr. Zhou, Mr. Zhou Longrui, Ms. Yang Yunfei, Mr. Gao Xinkun, Mr. Ma Zhaoyang, being the relevant ultimate beneficial shareholders of our Group and domestic residents of the PRC, have completed their foreign exchange registration of overseas investments at the Zhejiang Branch of SAFE and confirmed that the SAFE Circular 75 has been duly satisfied.

OUR CORPORATE REORGANIZATION AND THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

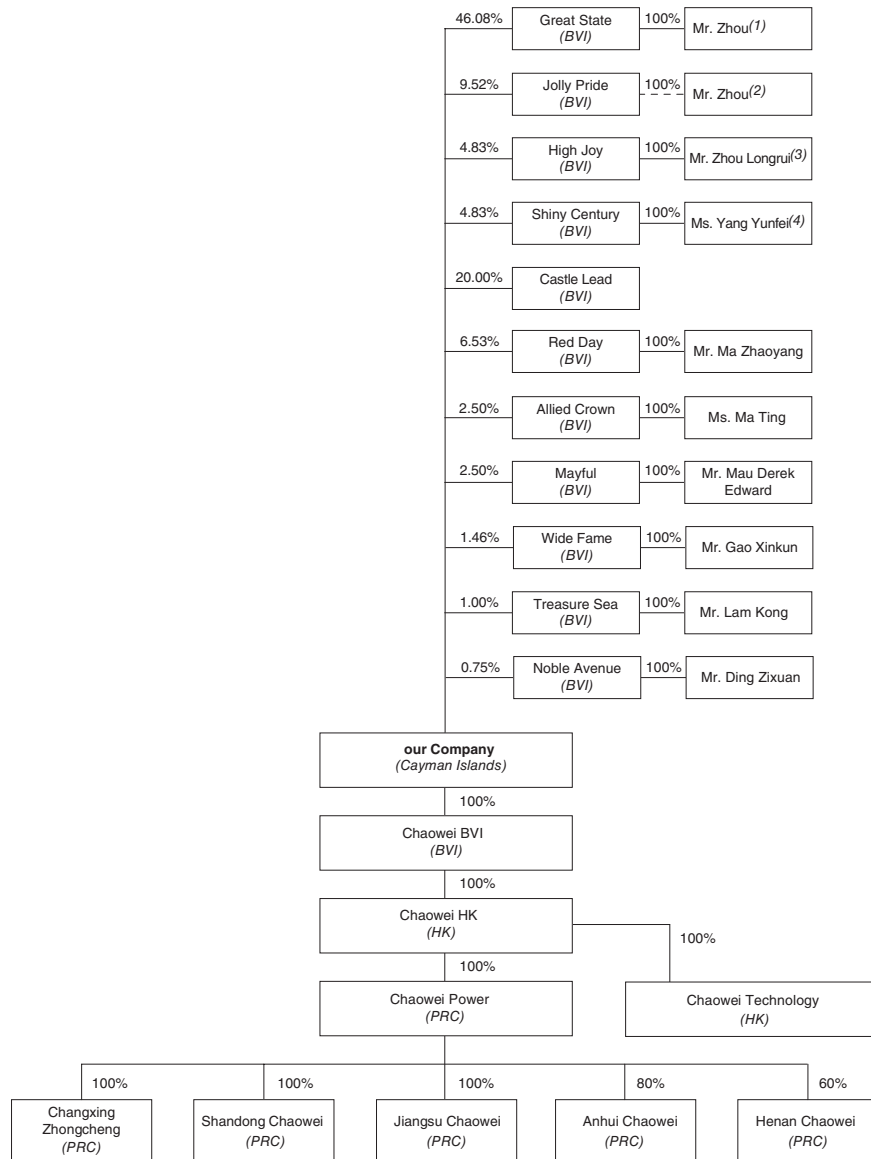
Under the Rules on the Acquisition of Domestic Enterprises by Foreign Investors in the PRC* (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”), a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into an foreign-invested enterprise, or subscribes for new equity via an increase of registered capital thereby converting it into a foreign-invested enterprise; (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. The acquisition shall be based on the appraisal result on the equity or assets to be acquired. According to Article 15 of the M&A Rules, where parties to an acquisition are related including where the control is only de facto, the parties must “provide an explanation on the purpose of the acquisition and whether the appraisal result is consistent with fair market value”. Avoiding this requirement by using trusts, nominees, or other means is prohibited.

Our PRC legal advisers, Zong Heng Law Firm, have advised that pursuant to Instruction Handbook for Foreign Investment Entry Administration* (外商投資准入管理指引手冊) promulgated by the Department of Foreign Investment Administration of MOFCOM* (中華人民共和國商務部外資管理司) in December 2008, for those sino-foreign equity joint ventures (“**EJV**”) incorporated before the date when the M&A rules were taken into effect, i.e. 8 September 2006, transfer of equity interest from the domestic shareholders to the foreign shareholders of the EJV should be regulated by Provisions for the Alteration of Investors’ Equities in Foreign-funded Enterprises* (外商投資企業投資者股權變更的規定) (“**Equities Alteration Provisions**”) instead of the M&A rules, regardless of whether the domestic shareholders and the foreign shareholders are related parties. Our PRC legal advisers, Zong Heng Law Firm, have advised that M&A rules do not apply to the acquisition of the 100% equity interest in Chaowei Power by United Holdings, and such acquisition should be regulated by Equities Alteration Provisions, which should be approved by the competent authority, i.e. Changxing Bureau of Foreign Trade & Economic Cooperation Department of Commerce of Zhejiang Province* (浙江省商務廳長興縣外經貿局) issued a confirmation letter on 8 February 2010 confirming that the approval made by Changxing Bureau of Foreign Trade & Economic Cooperation is valid, and such acquisition should be regulated by Equities Alteration Provisions.

Our PRC legal advisers, Zong Heng Law Firm, have advised that all approvals or permits required under PRC laws and regulations in connection with each stage of the Corporate Reorganization and the Listing of our Company have been obtained.

HISTORY AND DEVELOPMENT

CORPORATE AND SHAREHOLDING STRUCTURE OF OUR GROUP IMMEDIATELY BEFORE THE GLOBAL OFFERING



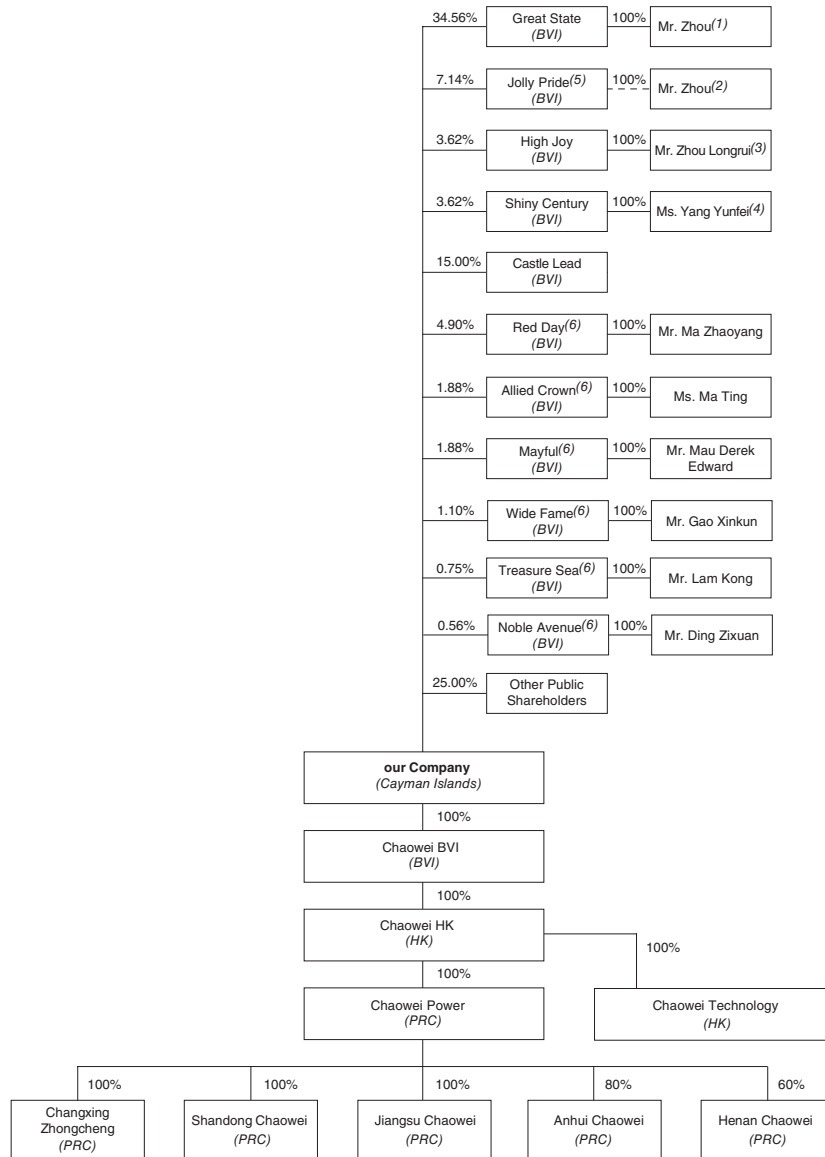
Notes:

1. Mr. Zhou is the son of Mr. Zhou Longrui and Ms. Yang Yunfei.
2. Pursuant to the Jolly Pride Trust Deed, the economic interest in the Shares which it holds and will hold from time to time shall belong to 53 employees of our Group and that all other shareholder rights (including but not limited to voting and participation in shareholders' meetings) in relation to the Shares shall be enjoyed by Jolly Pride exclusively. Mr. Zhou is the sole director and sole shareholder of Jolly Pride.
3. Mr. Zhou Longrui is the spouse of Ms. Yang Yunfei and the father of Mr. Zhou.
4. Ms. Yang Yunfei is the spouse of Mr. Zhou Longrui and the mother of Mr. Zhou.

HISTORY AND DEVELOPMENT

CORPORATE AND SHAREHOLDING STRUCTURE OF OUR GROUP UPON COMPLETION OF THE GLOBAL OFFERING

Set out below is the shareholding structure of our Group upon completion of the Capitalization Issue and the Global Offering:



Notes:

1. Mr. Zhou is the son of Mr. Zhou Longrui and Ms. Yang Yunfei
2. Pursuant to the Jolly Pride Trust Deed, the economic interest in the Shares which it holds and will hold from time to time shall belong to 53 employees of our Group and that all other shareholder rights (including but not limited to voting and participation in shareholders' meetings) in relation to the Shares shall be enjoyed by Jolly Pride exclusively. Mr. Zhou is the sole director and sole shareholder of Jolly Pride.

HISTORY AND DEVELOPMENT

3. Mr. Zhou Longrui is the spouse of Ms. Yang Yunfei and the father of Mr. Zhou.
4. Ms. Yang Yunfei is the spouse of Mr. Zhou Longrui and the mother of Mr. Zhou.
5. The Shares held by Jolly Pride will not be counted towards part of the public float of our Company for the purpose of the Hong Kong Listing Rules after the Listing.
6. The Shares held by each of Red Day, Allied Crown, Mayful, Wide Fame, Treasure Sea and Noble Avenue will be counted towards part of the public float of our Company for the purpose of the Hong Kong Listing Rules after the Listing.