You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks relating to an investment in our Shares. These can be categorized into (i) risks relating to our business and our industry; (ii) risks relating to the PRC; and (iii) risks relating to the Global Offering and our Shares.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

We face intense competition in our major markets and continuing pressure to reduce our production costs to remain price competitive.

We compete with a number of large-scale domestic and international lead-acid battery manufacturers, as well as numerous smaller, regional competitors. Our competitors may have greater financial, research and other resources, access to proprietary technology, greater expertise and more extensive technical capabilities, greater pricing flexibility and greater name recognition. In addition, we are exposed to the risk that more specialized manufacturers or multinationals with greater financial resources may enter our market in the future. There may also be significant consolidation in the industry, especially given the large number of smaller-scale battery manufacturers in the PRC market. Moreover, in order to gain market share, our competitors may price their products aggressively, resulting in more intense competition. We cannot assure you that we will be able to compete effectively against current and future competitors, and intensified competition may result in price reduction, negatively affect our profitability and cause loss of market share, any of which could materially and adversely affect our results of operations.

We derive a significant portion of our income from our major customers, particularly UPS and telecommunications customers, and we have no long-term sales contracts with our customers. Our results of operations could be adversely affected if we lose these customers.

For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, sales to our five largest customers in aggregate accounted for approximately 50.9%, 47.5%, 49.8% and 40.8%, respectively, of our total revenue. In the same periods, sales attributable to our largest customer represented approximately 17.7%, 20.8%, 19.0% and 15.7%, respectively, of our total revenue. In each of 2007, 2008, 2009 and the first half of 2010, we made sales to two customers which individually exceeded 10% of our total revenue for that period. Our UPS and telecommunications customers in aggregate accounted for 87.8% and 82.4% of our total sales in the domestic market in 2009 and the first half of 2010, respectively, and OEM customers accounted for 89.2% and 90.2% of our international sales in 2009 and the first half of 2010, respectively. We anticipate that the revenue derived from these major customers will continue to represent a significant portion of our total revenue in the future.

Under common industry practice, we have no long-term sales contracts with our customers. Although we have signed bulk supply framework agreements with some of our major customers, these agreements are negotiated yearly and the customers are not committed to purchase a minimum amount from us. An adverse change in our relationship or a negative change in our customers' businesses or investments may result in a reduction or cessation of their purchases from us. If we are unable to obtain comparable orders in substitution, our business, results of operations and financial condition may be adversely affected.

Our international sales and marketing plans and strategies may not yield the desired results.

Our international sales have historically, and are expected to continue to, constitute a substantial portion of our revenue. The international sale, marketing and distribution of our products, however, expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- increased costs associated with developing and maintaining our marketing and distribution presence in various countries;
- challenges in staffing and managing overseas operations and sales channels effectively;
- challenges in providing customer service and support in these markets;
- difficulties and costs of exporting our products overseas while complying with the different commercial, legal and regulatory requirements of the overseas markets in which we offer our products;
- failure to develop appropriate risk management and internal control structures tailored to overseas operations;
- difficulty in ensuring the compliance by our distributors and customers with the sanctions imposed by the U.S. Office of Foreign Assets Control on various foreign states, organizations and individuals;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- government policies favoring domestic companies in certain foreign markets or trade barriers including export requirements, tariffs, taxes and other restrictions and expenses.

Furthermore, we may consider expanding our international sales channels by acquiring established sales companies. There are no guarantees that these acquisitions will be successful.

If we are unable to effectively manage these risks, they could impair our ability to expand our markets internationally and have a material adverse effect on our business, financial condition, results of operations and prospects.

A key part of our strategy involves continuing to grow our sales in China; however, we depend on the continuing growth of China's economy for this strategy to succeed.

Our future prospects depend in part on the successful growth of our sales to the domestic market in China. Since 2005, we have increasingly focused on building our customers base and expanding our market share in the domestic market, and our domestic sales increased during the Track Record Period. A continuation of this trend requires the continuing development of and investments in the growing sectors in China. If the development of or the investment in these sectors slows down or stops, our results of operations and future prospects may be materially and adversely affected.

Fluctuations in the prices of raw materials, such as lead, could materially and adversely affect our results of operations.

Our production processes require significant amounts of lead, ABS plastic, sulphuric acid, fiberglass separators and other materials, and our success depends significantly on our ability to secure, at acceptable price levels, sufficient and constant supply of principal raw materials for our production. Our raw material costs constituted approximately 89.6%, 89.2%, 85.0% and 85.9% of our total cost of sales in 2007, 2008, 2009 and the six months ended June 30, 2010, respectively. Lead is our most significant raw material, representing 60.8%, 61.8%, 56.6% and 62.4%, respectively, of our total raw material cost in the same periods.

We do not have long-term, fixed-cost supply contracts of raw materials with our suppliers, fluctuations in raw material costs can therefore significantly affect our financial results and profitability. We cannot assure you that we will be able to meet our future raw material requirements at a reasonable cost or to pass any raw material cost increases to our customers.

We rely on our major suppliers for our primary raw materials.

We rely on selected suppliers for our raw material needs, such as lead, ABS plastic, sulphuric acid and fiberglass separators. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our five largest suppliers accounted for approximately 67.1%, 62.4%, 51.5% and 47.4%, respectively, of our total purchases and our largest supplier accounted for approximately 34.7%, 39.0%, 30.5% and 23.9%, respectively, of our total purchases. The concentration of our suppliers results from the fact that lead is our principal raw material and primary component of our cost of sales. Although we maintain several suppliers for lead, as well as for other raw materials, there is no guarantee that we will be able to find an alternative source on commercially reasonable terms in a timely manner, or at all, if any supplier is unwilling or unable to provide us with the raw materials in required quantities and at acceptable costs.

Moreover, some of our suppliers may fail to meet standards required by us or by our customers now or in the future, which could impact our ability to source raw materials. Our inability to find or develop alternative supply sources could result in delays or reductions in production. If any of these events occur, our ability to produce and market our products, and thus our business, could be materially and adversely affected.

If our OEM customers come to view products sold under our brand as competing with their products, they may reduce or cease their purchases from us, and our business may be adversely affected.

A significant amount of our revenue is derived from manufacturing OEM products to be sold by third parties under their own brand. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, 59.0%, 56.7%, 50.1% and 58.6% of our total sales, respectively, were OEM products, and 92.4%, 87.5%, 89.2% and 90.2% of our international sales, respectively, were to OEM customers. However, we also manufacture and sell products under our "Leoch" brand name. If our OEM customers come to view products we sell under our own "Leoch" brand as competing with their products, they may reduce or cease their purchases from us. In such case, our business and results of operations may be adversely affected.

Significant order cancellations, reductions or delays by our customers could materially adversely affect our business.

Our sales are typically made pursuant to individual purchase orders, and for telecommunications customers, we manufacture and deliver products pursuant to their order notices. We usually work with our customers to develop non-binding forecasts of future requirements. Based on these forecasts, we make commitments regarding the level of business that we will seek and accept, the timing of production schedules and the levels and utilization of personnel and other resources. A variety of conditions, both specific to each customer and generally affecting our customers' industries, may cause customers to cancel, reduce or delay purchase orders, order notices and commitments without penalty, except for payment for services rendered or products completed and, in certain circumstances, payment for materials purchased and charges associated with such cancellation, reduction or delay. Significant or numerous order cancellations, reductions or delays by our customers could have a material adverse effect on our business, financial condition or results of operations.

Any economic downturn could have a material adverse impact on our business, results of operations and financial condition.

The global financial crisis that unfolded in 2008 and continued into 2009 resulted in a slowdown in world economies and increased market volatility. The slowdown of the global economy caused a decrease in the demand for some of our products. Moreover, the recent crisis also affected the financial markets and resulted in a tightening of the credit markets and increased volatility in equity markets. If these conditions continue or worsen, they may adversely affect the availability, terms of and cost of borrowings in the future. Any disruptions in our ability to renew existing borrowings or obtain new borrowings may materially and adversely affect our business, financial condition, results of operations and cash flows.

While there are signs that the economies of the markets we serve have begun to recover, we cannot assure you that such recovery will last or that the slowdown and volatility that occurred during the financial crisis will not recur. Any global economic slowdown or financial market turmoil in the future may adversely affect our business and prospects.

If we are unable to successfully develop new technology or new products, our business, results of operations and prospects may be adversely and materially affected.

The battery industry is characterized by technological advancements, new product introductions and evolving customer requirements with respect to criteria such as battery life, terminal placement and electricity discharge capacity. Our competitors are continuously searching for ways to improve the specifications and quality of the batteries they produce, which, if successful, could render our products uncompetitive or obsolete. As a result, we must continue to invest significant human and capital resources in research and development to enhance our existing products and to develop new technologies. For example, we are currently focusing on the development of new products using key specialized technologies, including tubular gel VRLA batteries for wind and solar power storage systems and TPPL VRLA batteries for telecommunications and UPS, as well as spiral pure lead batteries for vehicles. There is, however, no assurance that we will be successful in developing and manufacturing these and other new products in a timely manner or at all. Moreover, products that appear to be promising at the development phases may fail to achieve broad market acceptance for a variety of reasons. If we fail to timely develop products that meet market demands, we may be unable to achieve the growth as expected and may incur expenses relating to the development or acquisition of new technologies that do not lead to commercially viable products, which could materially and adversely affect our financial results, results of operations and prospects.

Furthermore, there can be no assurance that lead-acid batteries will continue to be competitive and remain the primary choice of battery products in, for example, telecommunications systems, UPS and vehicles. If there is a shift in market preference and if we are not able to develop products that meet such demands, our business could be adversely affected.

Spending patterns in the industries we serve could adversely affect our results of operations.

Our results of operations are affected by spending patterns in the industries of our major customers and overall economic conditions in the markets in which we operate. For example, Chinese telecommunications companies have in recent years been developing and expanding their systems, driving demand for our reserve power batteries. Although we have benefited from these events, the increase in spending by telecommunications companies may not continue and the demand for our batteries may decline significantly as these companies complete their expansion and capital expenditure plans. Similarly, there has recently been an increasing emphasis on the production of vehicles that are battery powered, and we hope to benefit from this trend. However, the expected increase in spending by vehicle manufacturers may not materialize or benefit us. More generally, our products are heavily dependent on the demand in the industries we serve, including the telecommunications, UPS, renewable energy and vehicle industries. A weak capital expenditure environment in those industries could have a material adverse effect on our results of operations.

Our sales may be subject to the seasonality of the industries we serve.

Our sales are subject to the seasonality of our customers' purchase patterns. Sales to domestic customers in China tend to be lower around the three Chinese long-holiday periods and sales to international customers tend to slow down around Christmas and New Year. In addition, our larger customers generally concentrate their purchase order placement in certain months each year. These factors may affect our periodic operating results.

Our capacity expansion plans are subject to risks and uncertainties, and may be difficult or expensive to manage.

We have expanded and intend to continue to expand our production capacity to capture market opportunities. Our existing production facilities have operated at high utilization rates during the Track Record Period, and our ability to increase revenue, net income and cash flow therefore depends on our continued expansion. Our ability to increase our production capacity is subject to certain significant risks and uncertainties, including:

- possible inability to raise capital to acquire additional raw materials and equipment and to expand our production facilities;
- potential delays and costs overruns due to increases in raw material prices and problems with equipment vendors; and
- possible delays or denial of required approvals and certifications by relevant government authorities.

In the event such capacity expansion does not occur or is not timely completed, our future plans, profitability and growth may be materially and adversely affected. Our management may also be distracted from oversight of our existing operations to manage the expansion. Furthermore, our projects to add production lines and build new production facilities may not result in the anticipated benefits if completed. Any failure to successfully manage our expansion may make it difficult to effectively compete, develop new products or take advantage of new markets.

We may undertake acquisitions, investments, joint ventures or other strategic alliances, which may have a material adverse effect on our ability to manage our business, and such undertakings may be unsuccessful.

Our growth strategy includes plans to expand our operations through acquisitions or strategic partnerships with other companies in China and overseas. However, we may not be successful in identifying attractive partners or acquisition candidates, and any such failure could limit our ability to expand our business and grow our market share. Even if we are successful at forming partnerships or acquiring other companies, acquisitions of companies or businesses and participation in partnerships are subject to considerable risks, including:

- failure to integrate new operations, personnel, products, services and technologies;
- unforeseen or hidden liabilities, including exposure to lawsuits associated with newly acquired companies;
- diversion of financial or other resources from our existing businesses and technologies;
- disagreements among partners;
- contravention of regulations governing cross-border investment;
- failure to comply with laws and regulations as well as industry or technical standards of the overseas markets into which we expand;
- exposure to operational, regulatory, market and geographic risks and additional capital requirements;
- our inability to generate sufficient revenue to offset the costs and expenses of acquisitions, strategic investments, joint venture formations or other strategic alliances; and
- potential loss of, or harm to, employees or client relationships.

Any of the above risks could significantly impair our ability to manage our business and materially and adversely affect our business, results of operations and financial condition.

Our operations and financial performance may be materially and adversely affected if we experience any major disruptions, damage or destruction at our production facilities.

Our business is dependent on our manufacturing facilities. Our facilities are subject to operating risks and disruptions, such as the breakdown or failure of equipment, labor disputes, natural disasters, industrial accidents and the need to comply with relevant regulations. The occurrence of any of these could significantly affect our operating results. Further, our production involves a significant degree of vertical integration, and disruptions in the processing of materials we use for manufacturing of our products may have repercussions for the remainder of the production process. For example, we produce in house the lead paste and battery grids that are used in the production of electrode plates for our batteries. A breakdown or failure affecting the manufacturing of lead paste or battery grids may adversely affect the production of electrode plates and, ultimately, our products. The loss of or shutdown of any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.

Insufficient electricity supply or an increase in electricity prices could adversely affect our business, financial condition and results of operations.

Our production process requires a continuous supply of electricity. Our production facilities are subject to potential power disruptions and price increases. Any significant power disruption or a significant increase in electricity prices could have a material adverse effect on our business, financial condition and results of operations.

Failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect those rights may be costly and may not be resolved in our favor.

We mainly rely on patent laws to establish, protect and maintain our propriety intellectual property, technologies and other confidential information. The existence of a patent, however, may not necessarily protect us from competition, as any granted patent may be challenged, invalidated or held unenforceable. In addition, it is possible that competitors could, under PRC patent law, apply for and obtain a compulsory license to use our patents if we refuse to grant a license under those patents on reasonable terms. In the event that our granted patents or other intellectual property and our applications do not adequately describe, enable or otherwise provide coverage for our products, technologies or designs, we would not be able to prevent others from developing or commercializing these products, technologies or designs. Competitors may successfully challenge our patents, produce similar products that do not infringe our patents or produce products in countries that do not recognize our patents. Further, changes in either the patent laws or in the interpretation of patent laws may diminish the value of our intellectual property. The occurrence of any of these events could harm our competitive position and decrease our revenue.

For our unpatented proprietary technologies, for which we do not apply for a patent to avoid disclosing details of such technologies, know-how and data, we primarily rely on non-disclosure agreements, confidentiality agreements and other contractual arrangements for their protection. As we rely in part on the good faith of the contracting parties for the effectiveness of these agreements, there is no assurance that these measures will be effective in protecting our proprietary information.

Moreover, our brands and trademarks are critical to our success. Although we have registered our trademarks in the PRC and internationally, given the large geographic area in which we conduct our business, monitoring and preventing unauthorized use are difficult. Any unauthorized use of our brands, trademarks and other similar intellectual property rights could harm our competitive advantages, good will and business.

Litigation may be necessary in the future to enforce our intellectual property rights, the costs for which could be substantial. Enforcement of intellectual property rights may be more difficult and/or less effective in China compared to other jurisdictions, such as the United States or the European Union, that have a longer history of recognizing and enforcing such rights. An adverse outcome in litigation or similar proceedings could adversely affect our business, financial condition and results of operation.

We may be exposed to infringement or misappropriation claims, which, if determined adversely against us, could require us to pay significant damage awards.

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of legal claims relating to the patents covering the proprietary components in our products and services involve complex scientific, legal and factual questions and analyses and, therefore, may have highly uncertain outcomes. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties or redesign our products or services or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our clients or potential clients deferring or limiting their purchase or use of our products or services until resolution of such litigation.

Any problems with product quality or performance could result in a loss of customers and sales and decrease in market share and may subject us to products liability claims.

The success of our business depends on our ability to consistently deliver products with high quality and reliability. If the quality or performance of any of our products deteriorates for any reason, we may be faced with returns or cancellations of orders and customer complaints. Moreover, as our products contain harmful substances, such as lead and acid, any defects or improper performance of our products may directly or indirectly result in serious harm to the environment and people's health, safety and daily lives. If any such harm does result, we could be subject to products liability claims for damages. The costs and resources required to defend such claims could be substantial and, if such claims are successful, we could be responsible for paying some or all of the damages. Although we maintain products liability insurance, the coverage is limited to a fixed amount and may not be sufficient to cover all damages for which we are held liable. Any problems with our product quality may harm our results of operations, adversely affect our reputation among clients and potential clients and decrease our overall market share.

We may experience difficulty in collecting our receivables from our customers and our liquidity and financial condition would be negatively impacted.

As of December 31, 2007, 2008 and 2009 and June 30, 2010, our trade and bill receivables were RMB184.4 million, RMB229.5 million, RMB340.4 million and RMB443.0 million, respectively, and our average receivables turnover days were 56, 52, 79 and 79, respectively. Our receivables and receivables turnover days increased rapidly in the Track Record Period because of increasing sales to telecommunications customers, who, under common industry practice, have a longer credit period and make payments in installments, normally with the majority of the amount due within 60 days of the execution of the purchase order, a subsequent installment made after the integration of our products into the telecommunications equipment and a final installment after the final inspection, usually one year after integration. These types of credit arrangements expose us to the risk of default or delay in payment under the purchase contracts. Such risks may become more prominent in an economic slowdown or recession, which may result in increase in delinquencies, foreclosures and losses. Our inability to collect payments from our clients in a timely and sufficient manner may adversely affect our liquidity, financial condition and results of operations.

We recorded net current liabilities as of December 31, 2008 and June 30, 2010, and we cannot assure you that we will not experience a net current liability position again in the future.

We had a net current liabilities position of approximately RMB25.6 million as of December 31, 2008, mainly due to (a) the capital expenditure needed for the construction and development of new production facilities in Zhaoqing and Anhui, and (b) the purchase of Shenzhen Leoch from a Director in 2008 which led to a significant increase in the amounts due to a Director for the period. We had a net current liabilities position of approximately RMB14.4 million as of June 30, 2010 primarily due to the declarations of dividends by two of our subsidiaries in the aggregate amount of RMB147.7 million to their then shareholders during the period, of which RMB71.3 million had been paid as of June 30, 2010 and RMB76.4 million (comprising dividend payable of RMB68.7 million and withholding tax as other payable of RMB7.6 million) was outstanding and significantly increased our currently liabilities during the period. Our bank borrowings increased as a result of our increase in production volume and working capital requirements as well as the increase in sales to telecommunication customers. We extend a longer credit period to telecommunication customers than customers in other industries. The increase in sales to telecommunication customers resulted in an increase in our receivables turnover period and therefore a need to obtain more bank borrowings to finance working capital. There can be no assurance that we will not experience a net current liabilities position in the future. If we have net current liabilities, the working capital available for our operations may be constrained.

We had negative operating cash flow in the year ended December 31, 2009, and we cannot guarantee that we will be able to generate sufficient net cash inflow from our operations in the future.

We have cash requirements for ongoing operating expenses, working capital, general corporate purposes and interest and principal payments on our outstanding indebtedness. We had negative operating cash flow in the year ended December 31, 2009. Net cash used in operating activities amounted to RMB27.0 million in the year ended December 31, 2009, primarily attributable to profit before tax of RMB159.8 million, offset by increases in trade and bills receivables of RMB121.5 million as a result of the increase in sales volume during 2009, in particular increased sales to telecommunications companies since the beginning of 2009, an increase in inventories of RMB82.1 million associated with our increased sales volume, which led to our increased purchases of raw materials and also an increase in our inventory of work-in-progress, and an increase in prepayments, deposits and other receivables of RMB15.7 million. Our trade and bills payable increased by RMB21.5 million in connection with our increased purchases of raw materials during the year, and other payables and advances from customers increased by RMB12.5 million, relating to increased sea freight and other transportation charges. For further details on changes in our cash flows, please refer to the section headed "Financial Information—Liquidity and Capital Resources—Cash Flow from/(used in) Operating Activities" in this prospectus.

Our ability to generate adequate cash inflows from operating activities may be affected by decreasing sales or downward movements in our product prices. We cannot assure you that we will be able to generate sufficient net cash inflow from our operations in the future. If we are unable to generate sufficient cash from our operations or secure additional financing to meet our obligations, we may be forced to reduce our capital expenditures or may not be able to continue as a going concern. Reduction of our capital expenditures could have a negative impact on our business and would make it more difficult for us to execute our strategy, including our expansion plans, in accordance with our expectations.

Our future success depends on the continuing services of our senior management team and other key personnel, as well as our ability to attract and retain personnel.

Our future success depends heavily upon the continuing services, efforts and performance of all our executive directors and members of our senior management team as set out under the section titled "Directors and Senior Management" of this prospectus. Our management team comprises both experienced engineers and professional managers with extensive experience in the battery industry. If one or more of our senior executives, key research and development personnel or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected.

Furthermore, various parts of our production process are done by manual labor and if we fail to attract and retain sufficient number of workers to meet our needs, our business and prospects may be adversely affected.

We may be subject to civil claims or administrative sanctions for our operations or potential harm to employees caused by our operations and may not be able to meet the increasingly stringent environment protection requirements imposed by the PRC government.

Our production process involves the use of harmful substance, such as lead and acid, which, if handled inappropriately, could be detrimental to the life and health of our employees as well as the environment. We are subject to extensive and changing environmental, health and safety laws and regulations that affect our operations, facilities and products in China.

Lead is the key raw material used in the production of our products, and lead dust and particles are generated during our production process. An excessive intake of lead dust or particles, whether through inhaling or skin contact, could have a harmful effect on health. Lead poisoning may also results from occupations that involve close and frequent contact with or exposure to lead dust or particles. Although we have adopted preventive measures, inherent risks involved in our production activities cannot be completely eliminated. We have found 15, 23, 16 and 7 employees to have an elevated blood lead level in 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively.

Furthermore, waste water containing lead and sulphuric acid, solid waste and fumes are generated during our production process. We are required to comply with the environmental laws, rules and regulations promulgated by the PRC government. These laws, rules and regulations prescribe the standards for the discharge of waste water, solid waste and fumes and empower local governments to impose sanctions on companies failing to comply with such laws, rules and regulations. MWH, an independent environmental consulting company, identified certain issues, including (a) inadequate filings and approvals, (b) inadequate testing and evaluation of air emission and sanitary waste water discharge, and (c) inadequate waste management with respect to engaging qualified waste disposal services. We have acted on MWH's recommendations and have rectified all the issues identified by MWH. For further details, see "Business—Environment, Health and Safety" in this prospectus.

We are required to obtain and maintain various operating permits for the construction and operation of our production facilities. We cannot assure you that we will obtain all the relevant permits. If we fail to obtain the relevant operating permits or cannot renew, modify our operating permits in future, we may be subject to civil and administrative claims that may result in potentially significant monetary damages and fines or suspension of our operations.

As our production may affect the health of our employees and the surrounding environment, our failure to control the pollutants generated as a by-product of our production could subject us to potential civil and administrative claims and may result in potentially significant monetary damages and fines or suspension of our business operations, which may harm our results of operation. If more stringent regulations are adopted in the future, the related compliance costs could be substantial and our results of operation and future prospects may be materially and adversely affected. Any failure to comply with any present or future environmental, health and safety laws and regulations could result in the assessment of damages or imposition of fines against us, suspension of production, cessation of our operations or even criminal sanctions.

The lead-acid battery industry may be adversely affected by the introduction of laws, regulations and policies that govern the recycling and disposal of battery products.

Several developed countries, including the United States and some EU states, have adopted strict environmental regulations relating to the safe disposal and recycling of lead-acid batteries, and have established government-led programs to ensure 100% recycling of lead-acid batteries. Further, some EU states have also implemented programs that encourage the improvement of lead-acid battery production processes to reduce lead emission and the recovery of used batteries for environmentally-friendly recycling. Under some of these programs, relevant authorities have required lead-acid battery manufacturers to bear the costs of such disposal and recycling. While the government in the PRC, where all of our production operations are conducted and we derive approximately half of our revenue, has yet to adopt such stringent regulations on the use and disposal of lead-acid batteries, there is no assurance that it will not introduce similar environment protection programs in the future. The introduction of new PRC laws, regulations and policies in this respect could increase our operating costs and adversely affect the profitability of our business.

We may face accidents in our production process, which could result in significant production interruption, delays or liability claims for substantial damages.

Our processes of production pose certain risks, including industrial accidents or fire, and may result in significant property damage or personal injury. While we have implemented stringent safety procedures in the production to minimize such risks, accidents may still occur. Any accident, regardless of where it occurs, may result in significant production interruption, delays or claims for substantial damages caused by personal injuries or property damages.

Our insurance coverage may be inadequate to protect us from potential losses.

Our operations are subject to hazards and risks normally associated with manufacturing operations. In addition, our products contain harmful substance and may subject us to product liability claims. Currently, we maintain insurance policies with respect to our production facilities, inventories, machinery, equipment, vehicles, as well as logistics insurance for shipment of our goods, personal injury insurance and accident medical insurance for some of our employees and products liability insurance. The coverage, however, may be inadequate to protect us from potential losses. Further, we do not maintain business interruption insurance or third-party liability insurance against claims for personal injury, property damage and environmental liabilities. The occurrence of any of these events may result in interruption of our operations and subject us to significant losses or liabilities. In addition, any losses or liabilities that are not covered by our current insurance policies or are not insured at all may have a material adverse effect on our business, results of operations and financial condition.

Failure to develop appropriate internal control and management structures in line with our rapid growth could result in a material adverse effect on our business, prospects, financial condition and results of operations.

Our business and operations have been expanding rapidly. Significant management resources must be expanded to develop and implement appropriate structures for internal organization and information flow, an effective internal control environment and risk monitoring and management systems in line with our rapid growth as well as to hire and integrate qualified employees into our organization. If we fail to develop appropriate structures as we expand our business and operations, we may not be able to identify unfavorable business trends, and administrative oversights or other risks that could materially and adversely affect our business, prospects, financial condition and results of operations.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and rely on dividends paid by our subsidiaries for our cash requirements, including the funds necessary to service any debt we may incur. Certain of our subsidiaries have incurred debt in their own name and may do so again in the future. The instruments governing the debt may require the lenders' consent prior to the subsidiaries declaring dividends, or otherwise restrict dividends or other distributions by such subsidiaries to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our combined PRC entities only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Under PRC laws, rules and regulations, our combined PRC entities are required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to their statutory capital reserve fund until the accumulative amount of such reserves reaches 50% of their respective registered capital. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their profits for the year to us whether in the form of dividends, loans or advances. Our restricted reserves are not distributable as cash dividends. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, pay dividends, borrow or otherwise fund and conduct our business.

Our non-compliance with certain housing fund and social security contributions regulations in the PRC could lead to the imposition of fines or penalties.

We have not paid, as of the Latest Practicable Date, certain past housing fund and social security contributions in strict compliance with the relevant PRC regulations for and on behalf of our employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC and different levels of acceptance of the housing fund and social security system by our employees. We have not been able to pay housing fund contributions for certain of our employees at Shenzhen Leoch as Shenzhen Human Resources and Social Security Bureau requires employees to have permanent residency in Shenzhen for payment of their housing fund contributions. Furthermore, we also have outstanding housing fund resulting from the relevant employees' unwillingness to make their corresponding contributions which make us unable to open payment accounts for them at the local housing fund administration centre and pay our responsible portions of the contributions. In addition we have not paid outstanding social security contributions as upon consultation with the local authorities for our five production facilities, they allowed us to pay for our employees at the respective minimum wages as required by the social security bureaus in our five production facilities instead of the wages of our employees in strict compliance with the relevant laws. We will pay the outstanding social security contributions if local authorities require us to make such contributions on a base price in strict compliance with the relevant requirements set by the central government authorities. For further details, see "Business—Employees—Housing Fund and Social Security". The total outstanding amount of such past housing fund and social security contributions was approximately RMB18.3 million and RMB4.7 million, respectively, as of June 30, 2010, assuming a two-year statutory limitation period. As of June 30, 2010, we had made provisions in the amount of RMB23.0 million for our liability to pay these contributions and, unless otherwise covered by the said provisions, Mr. Dong has also provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us in any member of the Group in this regard. For further details of Mr. Dong's indemnity, see "Other Information—Indemnities" in Appendix VII to this prospectus.

Pursuant to the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) as amended in 2002, the relevant housing fund authority may order an enterprise to pay outstanding contributions within a prescribed time limit. If the enterprise fails to do so at the expiration of the time limit, a penalty ranging from RMB10,000 to RMB50,000 may be imposed. Therefore, the maximum penalty that we may be subject to in respect of the outstanding housing fund contributions is approximately RMB350,000. Pursuant to the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated in 1999, the relevant social security authority may order an enterprise to pay the outstanding contributions within a prescribed time limit; and if the enterprise fails to do so at the expiration of the time limit, in addition to the outstanding contributions, a late-payment fine of 0.2% per day from the date when the amount became overdue may be imposed. As of the Latest Practicable Date, we had not received any notice from the relevant housing fund or social security authorities ordering us to make payments in respect of such outstanding contributions. However, we cannot assure you that we will not be subject to penalties by relevant PRC authorities for our past non-compliance. Any penalties against us in respect of outstanding housing fund or social security contributions could have an adverse effect on our reputation and cash flow.

Labor disputes could significantly affect our business.

Labor disputes, work stoppages or slowdowns at our production facilities or any of our contract manufacturers or raw material suppliers could significantly disrupt our operations or our expansion plans. Delay caused by any such disruptions could materially and adversely affect our operations or projection for increased capacity, production and revenue, which could have a material adverse effect on our business, results of operations and financial condition.

We may not successfully obtain and maintain the necessary regulatory permits or approvals for the manufacture and sale of our products in certain markets.

Our manufacturing of lead-acid batteries is regulated by the government and is subject to various laws and regulations in China. For example, we are required to obtain a Production Permit for Industrial Products and need to comply with requirements under China's environmental regulations for production involving the use of lead. Our compliance with such requirements and standards can be expensive and could lead to an increase in our production costs.

Although we have been advised by our PRC legal advisers, Zhong Lun Law Firm, that, as of the Latest Practicable Date, we possessed all necessary regulatory permits, approvals and clearances for the manufacturing of our products during the Track Record Period, failure to maintain or renew such permits, licenses, registrations, certificates or approvals could have a material adverse effect on our business, profitability and prospects.

Furthermore, extensive government regulations and delays in granting relevant approvals can significantly hinder the introduction of new products. In addition, the approvals may be granted on a limited basis or subject to modification of our products. The occurrence of any of these events could increase our operating costs and materially and adversely affect our market competitiveness.

If we cannot renew our certifications of battery products and production systems, our business and results of operations may be materially and adversely affected.

We have received various certifications for our battery products and our production systems, including UL, CE, VdS and TLC certifications and ISO/TS 16949 certification. Most of these certifications are subject to renewal every year or after a period of time in accordance with the standards set by the relevant issuing organization and authorities. In the event of non-renewal, delay in renewal or revocation of any of these certifications, our business and results of operations may be materially and adversely affected.

If the application of Shenzhen Kukeng Central Cooperative Joint Stock Company for collective construction land use right is not approved, we may not be able to continue to use the relevant property and may incur relocation costs and losses that could affect our results of operations.

Pursuant to the PRC Land Administration Law, leaseholds with respect to land collectively owned by villagers may not be granted, assigned or leased for non-agricultural construction, except, for transfer according to law of leaseholds by enterprises due to circumstances such as bankruptcy or merger, and provided that the land is in compliance with the master land use plan and was lawfully obtained. Villagers may also use the construction land in compliance with the master land use plan to start up enterprises or joint ventures together with other units or individuals by way of contributing land use right as shares.

The State Council released the Decision on Deepening Reform and Strengthening Land Management (《國務院關於深化改革嚴格土地管理的決定》) in October 2004, which explicitly provides that collectively owned land by villagers may be transferred provided that the land is in compliance with the master land use plan. In line with the Decision, the People's Government of Guangdong Province promulgated the Administrative Rules on the Circulation of Collectively Owned Construction Land Use Right of Guangdong Province (《廣東省集體建設用地使用權流轉管理辦法》) on May 17, 2005, which became effective on October 1, 2005. According to the Administrative Rules, collective construction land use right in compliance with the master land use plan may be granted or leased.

Shenzhen Leoch has leased as its production facility a building with a GFA of 8,842 sq.m. built on a collective land from Shenzhen Kukeng Central Cooperative Joint Stock Company ("Kukeng Company") since August 1, 2001. However, Kukeng Company does not hold a valid collective construction land use right certificate. Kukeng Company filed an application with Bao'an Administration Division of Shenzhen Planning and Land Resources Committee (深圳市規劃和國土資源委員會寶安管理局) to register its collective construction land use right and the ownership of building erected thereon in December 2009. However, as of the Latest Practicable Date, Kukeng Company has not obtained a collective construction land use right certificate for the leased land.

If the application of Kukeng Company for the collective construction land use right is not approved, we may not be able to continue to use the relevant property and we may have to relocate our production facilities. We have received a letter of confirmation from our controlling shareholder, Mr. Dong, that we will be reimbursed for relocation fees and any loss if we are required to relocate. If we have to return the leased building but cannot secure a replacement for our operations at comparable cost, we could incur costs and losses that could materially and adversely affect our results of operations.

We have not obtained formal title certificates to some of the properties we occupy and some of our landlords lack relevant title certificates for properties leased to us, which may materially and adversely affect our rights to use such properties.

As of August 31, 2010, certain of our subsidiaries have not obtained formal title certificates to some of the properties they occupy because of our failure to obtain the project planning permits and construction permits for these properties. According to relevant PRC regulations, governmental authorities may order us to demolish these buildings within a prescribed period of time or, if such demolition is not possible, the authorities may confiscate the buildings or the illegal income derived from such buildings and may impose on us a fine not exceeding 10% of the total construction cost of the buildings. The occurrence of any of the above events would adversely affect our operations carried out in such buildings.

As of August 31, 2010, our landlords have not provided us with the relevant land use right certificates, building ownership certificates and/or real estate certificates with respect to some properties leased to us. If our landlords are not the owner or not authorized by the real owner to lease to the properties to us, we might need to seek alternative premises and incur additional costs relating to such relocations. In addition, we have not registered all the lease agreements with the relevant PRC authorities. Although the lack of registration may not affect the validity of such lease agreements, any third party in good faith may challenge such lease agreements and we may not be able to continue to lease such premises.

Substantially all of our revenue is derived from batteries using lead-acid technology. If the lead-acid battery market does not grow at the rate we expect or at all, or if lead-acid technology is replaced by another technology, our business, profitability and future prospects may be materially and adversely affected.

Our business development depends, in large part, on the continued growth in the demand for lead-acid battery products. Although this market has grown rapidly both internationally and in China, the growth may not continue at the same rate in future periods. Developments in our industry are outside of our control and any reduced demand for lead-acid battery products or any downturn or other adverse changes in the sectors we serve could materially and adversely affect our sales and profitability. Furthermore, as we only produce and sell batteries using lead-acid technology, if there is a shift in market preference or if lead-acid technology is replaced by another technology, our business could be adversely affected. See also "—If we are unable to successfully develop new technology or new products, our business, results of operations and prospects may be adversely and materially affected".

The decrease or unavailability of government grants may adversely affect our results of operations.

During the Track Record Period, our subsidiaries in China received monetary grants and subsidies from local governments in various forms. The amount of all such government grants was RMB0.8 million, RMB7.2 million, RMB17.1 million and RMB3.8 million in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. Among the government grants, electricity cost subsidies comprised RMB5.5 million and RMB10.0 million in the years ended December 31, 2008 and 2009, respectively. On May 28, 2010, the People's Government of Jiangsu Province released the Notice on the Termination of Electricity Costs Subsidy Policy for Economic Development Zones of a Provincial or Higher Level in the North Jiangsu Area (《省政府辦公廳關於停止蘇北地區省級以上開發區電費綜合補貼政策的通知》(蘇政辦發[2010]68號), "Jiangsu Notice"). In accordance with the Jiangsu Notice, electricity cost subsidies for the enterprises in the Economic Development Zones of a provincial or higher level in the North Jiangsu Area was terminated starting June 1, 2010. As a result, we may not continue to receive the electricity subsidy or other government grants at the same level as we have in the past or at all. The decrease or unavailability of government grants may adversely affect our results of operations.

RISKS RELATING TO THE PRC

Changes in the economic, political and social conditions in the PRC may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We conduct substantially all of our business and operations in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government's economic reforms have emphasized the independence of enterprises, the use of market mechanisms, and the improvement of corporate governance, the PRC government continues to exercise significant control in regulating industry developments, allocating resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the economy of China has experienced significant growth over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to guide the allocation of resources. While some of these measures may benefit the overall economy of China, they could have a negative effect on us or the industries we serve. For example, our financial results may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. The PRC government has also recently implemented certain measures, including recent interest rate increases, in an attempt to control the rate of economic growth. These measures may decrease economic activities in China or create barriers to our access to capital, which in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

Any changes in the PRC economic, political and social conditions may have a material and adverse effect on our present and future operations.

A slowdown of China's economy may adversely affect our business, results of operations and financial condition.

The success of our business strategy depends, in large part, on the continuing fast-paced growth of China's economy. We depend on the development of and investment in various growing sectors of the Chinese economy, such as telecommunications, renewable energy, vehicles to drive the demand for our products. Despite fiscal stimulus measures since the financial crisis in 2008, there remain uncertainties regarding economic conditions, and those uncertainties could lead to a decrease in business and investment activities nationwide. This could in turn reduce the demand for our products and adversely affect our business, results of operations and financial condition.

We may be deemed a PRC resident enterprise under the New Enterprise Income Tax Law and be subject to the PRC taxation on our worldwide income.

We are a Cayman Islands holding company with substantially all of our operations conducted by our operating subsidiaries in China. Under the New Enterprise Income Tax Law ("EIT Law") and its implementation regulations, both of which became effective on January 1, 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "tax resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations, "de facto management bodies" is defined as the bodies that have, in substance, overall management control over the production and business, personnel, accounts and properties of an enterprise. There are no detailed guidelines issued by the State Administration of Taxation for determining the location of "de facto management bodies" in an offshore entity which is not controlled by a Chinese enterprise or Chinese group enterprise. As a result, it is unclear what factors will be considered by the PRC tax authorities to determine whether we are a company with our "de facto management body" in the PRC. As a substantial number of our management personnel are located in the PRC, and a substantial portion of our revenue arise from our subsidiaries in the PRC, if the PRC tax authorities consider our Company to be a PRC tax resident enterprise, we may be subject to PRC enterprise income tax at the rate of 25% on our worldwide income, including the dividend income we receive from our subsidiaries, which may have an adverse impact on our financial condition, results of operations and prospects.

Our Hong Kong subsidiary is subject to PRC withholding tax under the New Enterprise Income Tax Law and we may not be able to enjoy the preferential tax rate of 5%.

Under the EIT Law and its implementation regulations, China-sourced income of foreign enterprises that are "non-PRC resident enterprises" that do not have an establishment or place of business in China or, despite the existence of such establishment or place in China, the relevant income is not actually connected with such establishment or place in China, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty with China that provides a different withholding arrangement.

Under an arrangement between China and the Hong Kong Special Administrative Region, which became effective on January 1, 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC company to a Hong Kong resident enterprise if such Hong Kong entity is a "beneficial owner" and such entity directly owns at least 25% of the equity interest of the PRC company. The Notice of the State Administration of Taxation on How to Comprehend and Determine the "Beneficial Owners" in Tax Treaties (《國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知》), effective from October 27, 2009, provides certain conditions under which a company cannot be defined as a "beneficial owner" under the treaty, and further provides that an agent or "conduit company" (defined as a company registered in the country of domicile to satisfy the organizational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management) shall not be deemed a "beneficial owner". If the PRC tax authorities determine that our Hong Kong subsidiary is a "conduit company", we may not be able to enjoy a preferential withholding tax rate of 5%.

We may not continue to receive preferential tax treatment currently available to us, and the increase in enterprise income tax could decrease our net income and materially and adversely affect our financial condition and results of operations.

Our operations in China currently receive certain favorable tax treatment under government policies that promote foreign investment or manufacturing in certain areas or of certain products in China. Under the former PRC Income Tax Law for foreign invested enterprises and foreign enterprises and its implementing rules, an income tax rate of 33% was generally imposed on foreign invested enterprises prior to the implementation of the EIT Law on January 1, 2008, although foreign invested enterprises which engage in manufacturing and planned to be in operation for ten years or more were, from the year they turn profit, exempt from certain income tax in the first two years and enjoyed a fifty percent reduction in the third to fifth year. The EIT Law sets a unified enterprise income tax rate of 25% and unified tax deduction standards for domestic-invested enterprises and foreign-invested enterprises alike. The PRC State Council, however, adopted certain transitional measures for enterprises that enjoyed reductions and exemptions from regular tax rates or otherwise received preferential tax treatment before the promulgation of the EIT Law. These transitional measures give existing enterprises that were entitled to preferential income tax treatment under the former tax laws, the benefit of a gradual increase in income tax rate in the five years after January 1, 2008. Enterprises that were entitled to preferential treatment under the former income tax laws may continue to enjoy such treatment for the remainder of the period specified by the former income tax laws. The preferential treatment of enterprises which had not begun enjoying such treatment as of January 1, 2008 because they have not made a profit will be deemed to begin in 2008 regardless of profitability.

Under the EIT Law and the transition notice, as well as other preferential tax schemes, our main operating subsidiaries are eligible to receive certain exemptions from enterprise income tax and are taxed at preferential rates in 2010 as set out below instead of the 25% full tax rate:

- Jiangsu Leoch: At 12.5% (last year of half EIT exemption treatment; to be 25% in 2011 and 25% in 2012)
- Zhaoqing Leoch: At 12.5% (full EIT exemption for 2008 and 2009; half EIT exemption from 2010 to 2012)

- Anhui Leoch Battery: At 12.5% (full EIT exemption for 2008 and 2009; half EIT exemption from 2010 to 2012)
- Dongguan Leoch: At 15% (being the tax rate for high and new technology enterprises; to be 25% in 2011 and 25% in 2012 if not recognized as a high and new technology enterprise in these years)
- Shenzhen Leoch: At 22% (to be 24% in 2011 and 25% in 2012)

The PRC government or provincial government could eliminate or reduce the preferential tax treatment in the future, which, would lead to an increase in our effective tax rate. Upon the eventual lapse of the preferential Enterprise Income Tax rates of our PRC subsidiaries, our effective tax rate will increase in the future. As a result, our financial condition and results of operation could be materially and adversely affected.

Our future restructuring may face uncertainties under the Notice on Strengthening Enterprise Income Taxation on Non-resident Enterprises with respect to Gains from Equity Transfer ("Notice 698") released in December 2009 by the State Administration of Taxation.

Pursuant to Notice 698, an offshore enterprise which interposes an intermediate holding company for its investment in a PRC subsidiary will be required to report the indirect transfer of the equity interest of the PRC subsidiary to the Chinese local tax bureau if the effective tax rate of the jurisdiction over the transferee is less than 12.5%, or that jurisdiction does not tax foreign income of the transferee. The Chinese tax authorities will examine the nature of the offshore transfer through the reporting documents and determine whether such transfer constitutes evasion of Chinese taxation through an abusive arrangement without reasonable commercial purpose. Based on the "substance over form" principle, the Chinese tax authorities may re-characterize the transfer and disregard the existence of the intermediate holding company. Once the intermediate holding company is disregarded, the transfer should be effectively treated as a non-resident enterprise transferring the PRC subsidiary's equity, and subject any transfer gain to Chinese withholding tax. However, there is uncertainty as to the application of Notice 698. For example, while the term "indirect transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction over a wide range of foreign entities having no direct relation to China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting to the tax bureau. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. Our PRC legal advisers, Zhong Lun Law Firm, has advised us that no indirect transfer of equity interest in a PRC subsidiary, as defined under Notice 698, has been conducted in the course of our reorganization. However, if we conduct certain transactions which involves such indirect transfer in the future, we may be subject to the risk of being taxed under Notice 698 and we may be required to expend valuable resources to comply with Notice 698 or to establish that we should not be taxed under Notice 698, which may have a material adverse effect on our financial condition and results of operations.

Fluctuation in the exchange rates of the Renminbi may affect the amount of our export revenue and have a material adverse effect on your investment.

The exchange rates between the Renminbi and the Hong Kong dollar, the U.S. dollar and other foreign currencies are affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall by as much as 0.5% each day. On June 19, 2010, the PBOC announced its intention to allow the RMB to move more freely against the basket of currencies, which increases the possibility of significant fluctuations in the value of the RMB in the future and thus the unpredictability associated with the RMB exchange rate.

Fluctuation of the value of the RMB will affect the amount of our export revenue. Most of our international sales are denominated in U.S. dollars. Since our reporting currency is the RMB, fluctuations of the RMB against those currencies between price quotation and payment may subject us to exchange losses. Furthermore, there remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in an appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currency. This may adversely affect our competitiveness in the international market as our products will become more expensive relative to those from other countries.

Moreover, as we rely on dividends paid to us by our operating subsidiaries, any significant revaluation of the Renminbi may have a material adverse effect on the value of dividends payable in foreign currency terms. To the extent that we need to convert the proceeds from the Global Offering and future financing into the Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

The PRC's legal system is still evolving and the uncertainties as to the interpretation and enforcement of PRC laws could have a material adverse effect on us.

Most of our business and operations are conducted in China, and thus we are governed primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes and past court decisions have limited precedential value and are cited for reference only. Since the late 1970s, the PRC government has made significant progress in the development of its laws and regulations governing economic matters, such as foreign investment, company organization and management, business, tax and trade. As these laws and regulations are still evolving and there are only limited number of non-binding court cases, however, there exist uncertainties about the interpretation and enforcement of the laws and regulations. For the same reasons, any legal protections available to us under these laws and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on foreign laws against us and our directors and senior management.

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a substantial majority of our directors and senior management reside within China. As a result, it may not be possible for investors to effect service of process outside China upon the substantial majority of our directors and senior management. Moreover, China does not have treaties with the United States, the United Kingdom or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. Therefore, recognition and enforcement in China of judgments by a court in any of these jurisdictions may be difficult.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds we receive from this offering to make loans or additional capital contributions to our PRC operating subsidiaries.

In utilizing the proceeds we receive from this offering in the manner described in "Future Plans and Use of Proceeds", as an offshore holding company with PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Loans by us to domestic PRC enterprises must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterpart.

Any capital contributions to our PRC subsidiaries must be approved by the Ministry of Commerce in China or its local counterpart. On August 29, 2008, SAFE promulgated Circular 142, a notice regulating the conversion by a foreign-invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The notice requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its oversight over the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested company. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used, unless the Company submits a statement that such loans have been used within the approved business scope in accordance with provisions of the relevant contract. Violations of Circular 142 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Rules.

We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to our future loans or capital contributions to our direct or indirect subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC nationals may subject our PRC resident shareholders to personal liability, limit our ability to inject capital into our consolidated PRC subsidiaries, limit the ability of our consolidated PRC entities to distribute profits to us, or otherwise adversely affect us.

Pursuant to the State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or Circular 75, PRC residents are required to register with the local SAFE branch before establishing or controlling any company, referred to in the circular as an SPV, outside of the PRC for the purpose of capital financing and to register again after completing an investment in or acquisition of any operating subsidiaries in the PRC, which we refer to herein as a "round-trip investment". Also, any change of shareholding or any other material capital alteration in such SPV must be filed within 30 days starting from the date of shareholding transfer or capital alteration.

Mr. Dong, a PRC resident, established Leoch Power Supply in Hong Kong and Honour Label in the BVI on August 18, 2004 and February 28, 2005, respectively, and both entities completed the round-trip investment in May 2005. However, he did not submit a foreign exchange registration within the required time frame of Circular 75. Mr. Dong applied for a post-facto foreign exchange registration of overseas investment at the local SAFE branch in Shenzhen and received approval for the registration on September 21, 2010.

Our PRC counsel advised us that there remain substantial uncertainties in the interpretation and implementation of Circular 75 and its implementation rules. If the relevant authorities in China later determine that our post-facto registration is invalid and that Mr. Dong had not otherwise complied with Circular 75, Mr. Dong may be subject to fines, administrative penalties and other legal sanctions. This may, as a result, limit our ability to inject capital into our consolidated PRC entities or limit the ability of our consolidated PRC entities to distribute profits to us, any of which may materially and adversely affect our business and financial condition.

Governmental control over the conversion of foreign exchange may affect the value of your investment and limit our ability to utilize our cash effectively.

Substantially all of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (《個人外匯管理辦法實施細則》), or the Individual Foreign Exchange Rules, issued on January 5, 2007 by the SAFE and relevant guidance issued by the SAFE in March 2007, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to obtain the approval of the SAFE and complete certain other procedures related to the share options or other share incentive scheme. On March 28, 2007, the SAFE issued the Operating Rules on the foreign Exchange Administration of the Involvement of Domestic Individuals in the Employee Stock Ownership Plans and Share Option Schemes of Overseas Listed Companies (Hui Zong Fa [2007] No. 78, "Circular 78"). Circular 78 frames a set of general requirements on the participation of Chinese citizens in employee share option plans of overseas listed companies. However, no detailed administrative rules have been issued by the SAFE in connection with the registration process and therefore the requirements of the local branches of the SAFE vary significantly. In addition, foreign exchange income from the sale of shares or dividends distributed by the overseas listed company must be remitted into a foreign currency account of such PRC citizens or exchanged into Renminbi. We adopted the Pre-IPO Share Option Scheme on May 25, 2010 and have granted certain options to a number of our employees. Our PRC citizen employees who have been granted share options or restricted share units, or our PRC option holders, will be subject to the Individual Foreign Exchange Rules upon the listing of our Shares on the Stock Exchange. If we or our PRC option holders fail to comply with these regulations, we or our PRC option holders may be subject to fines and legal or administrative sanctions.

China Securities Regulatory Commission ("CSRC") or other relevant PRC government authorities may have a different interpretation of the New M&A Rules and may determine that its approval is required with respect to this offering.

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006. This New M&A Rule, among other things, includes provisions that purport to require an SPV that is formed for purposes of overseas listing of equity interests in PRC companies and is controlled directly or indirectly by PRC companies or individuals to obtain the approval of CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange. The New M&A Rule has no retrospective effect and does not apply to foreign-invested enterprises established before September 8, 2006.

Given the facts that, (i) Jiangsu Leoch, a foreign invested enterprise, was duly established on March 11, 2003, (ii) Zhaoqing Leoch, a foreign invested enterprise, was duly established on May 9, 2005, and (iii) Anhui Leoch Battery, a foreign invested enterprise, was duly established on July 26, 2006, our PRC legal advisers, Zhong Lun Law Firm, has advised us that each of Jiangsu Leoch, Zhaoqing Leoch and Anhui Leoch Battery is a foreign invested enterprise duly established before September 8, 2006 and, therefore, prior CSRC approval for the listing and trading of our securities on the Stock Exchange is not required. However, we cannot rule out the possibility that CSRC or other relevant PRC government authorities may have a different interpretation of the New M&A Rules and may determine that its approval is required with respect to this offering. If the CSRC or other relevant PRC government authorities subsequently determine that such approvals were required, it is uncertain whether we would be able to, and how long it would take us to, obtain these approvals. Furthermore, our failure to obtain or delay in obtaining the approvals would subject us to regulatory actions or other sanctions from the regulatory authorities. For example, they could impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from this offering into the PRC, restrain our ability to pay dividends outside of the PRC or take other actions that could have a material adverse effect on our business, as well as the trading price of our securities. The regulatory authorities could also require us, or make it advisable for us, to delay or terminate this offering before settlement and delivery of the securities offered by this prospectus.

New Labor Laws in the PRC may adversely affect our results of operations.

On June 29, 2007, the PRC government promulgated a new labor law, the Labor Contract Law of the PRC (the "New Labor Contract Law"), which became effective on January 1, 2008. We have reviewed and updated our standard employment contract as necessary in accordance with the law. The New Labor Contract Law imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce, the New Labor Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner. In addition, as a result of the New Labor Contract Law, our labor costs may increase, which would in turn lead to an increase in our cost of sales. We may not be able to pass these increases on to our customers. Furthermore, if we are subject to large penalties or fees related to the New Labor Contract Law or our labor costs increase, our business, financial condition and results of operations may be materially and adversely affected.

Our business may be adversely affected by a recurrence of SARS or an outbreak of other epidemics, such as influenza A (H1N1) and avian flu (H5N1), and natural disasters.

Any recurrence of Severe Acute Respiratory Syndrome (SARS) or an outbreak of any other epidemic, such as influenza A (H1N1) and avian flu (H5N1), in the places where we operate may result in material adverse effect to our business.

Natural disasters or other catastrophic events, such as earthquakes, floods or severe weather conditions affecting the regions in which we operate could, depending upon their magnitude, significantly disrupt our business operations or cause a material economic downturn in the affected area, which in turn could materially and adversely affect our business, results of operations and financial conditions.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

After the Global Offering, the price of our Shares may be volatile, and you may be unable to resell your Shares at or above the Offer Price, or at all.

There has been no public market for our Shares prior to this Global Offering, and we cannot assure you that an active public trading market for our Shares will develop or be sustained. The Offer Price may bear no relationship to the market price of the Shares after the Global Offering. The market price of the Shares after the Offering may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the battery industry, developments relating to the PRC and our major markets, and the condition of the securities markets in Hong Kong, China, the United States and elsewhere in the world.

Volatility in the global financial markets could cause significant fluctuations in the prices of our shares.

The market prices of our Shares may fluctuate significantly and rapidly as a result of the general condition of the global financial market. In recent years, stock markets have experienced significant price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry fluctuations may adversely affect the market price of our shares.

We will continue to be controlled by our Controlling Shareholders, whose interests may not align with those of our other shareholders.

Immediately following the Global Offering, our Chairman, Mr. Dong, will beneficially own approximately 75.0% of our outstanding Shares, or approximately 72.3% of our outstanding Shares if the International Underwriters exercise the Over-allotment Option in full. The interests of our Controlling Shareholders may differ from the interests of our other shareholders. The Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, the election of Directors and other significant corporate actions, and the power to prevent or cause a change in control. Without the consent of our Controlling Shareholders, we may not be allowed to enter into transactions that could be beneficial to us and our other shareholders. We cannot assure you that our Controlling Shareholders will act completely in our interests or that conflicts of interest will be resolved in our favor.

Any future issuance of Shares by us may dilute your shareholding and future sales of a substantial number of our Shares may adversely affect the price of our Shares.

Any future capital issuances to expand our business or otherwise may lead to the dilution of investors' shareholding in our Company. We may also issue additional Shares pursuant to our Share Option Scheme. Purchasers of our Shares may experience dilution in the net tangible asset book value per share of their Shares if we issue additional Shares or securities convertible into Shares in the future at a price which is lower than the net tangible asset book value per Share.

Future sales of a substantial number of our Shares, or the possibility of such sales, could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings. Upon the expiry of the lock-up period, there may be a sale of large number of our Shares. We cannot predict what effect, if any, any perception or actual occurrence of such significant future sale will have on the market price of our Shares.

Our historical dividend payments should not be taken as an indication of our future dividend policy or our payment of dividends in the future.

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. The Board will review dividend policy from time to time in light of various factors such as our results of operations, our cash flows, our financial conditions, our Shareholders' interests, general business conditions and strategies, our capital requirements, the payment by our subsidiaries of cash dividends to us and other factors the Board may deem relevant in determining whether dividends are to be declared and paid.

On April 6, 2010, Anhui Leoch Battery, based on its distributable profit as of March 31, 2010, declared a dividend of RMB36.3 million to its then shareholder, Uplus. On April 20, 2010, Jiangsu Leoch, based on its distributable profit as of March 31, 2010, declared a dividend of RMB111.4 million to its then shareholder, D&P. As of the Latest Practicable Date, total dividends of RMB147.7 million were fully paid. These historical dividend payments should not be regarded as an indication of future dividend policy or our payment of dividends in the future.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to taxes under PRC tax laws.

Under the EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC "resident enterprise", it is unclear whether the dividends we pay in respect to our Shares, or the gain you may realize from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax, which may materially and adversely affect the value of investment in our Shares.

Investors may face difficulties in protecting their interests because we are incorporated under Cayman Islands law, and Cayman Islands law may provide different remedies to minority shareholders when compared with the laws of Hong Kong and other jurisdictions.

We were incorporated under Cayman Islands law and our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedents in other jurisdictions. As a result, remedies available to our minority Shareholders may be different from those under the laws of other jurisdictions. Please refer to "Summary of the Constitution of the Company and Cayman Companies Law" in Appendix VI to this prospectus.

Forward-looking information may prove inaccurate.

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words "anticipate", "believe", "expect", "intends", "plans", "prospects", "going forward" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.