OVERVIEW

We are a leading manufacturer and developer of lead-acid batteries in China. According to Asia Battery Association, we were the largest lead-acid battery exporter in China with a 5.8% market share based on export revenue in 2009. In addition, we were the third largest reserve power lead-acid battery manufacturer in China based on revenue in 2009, with a 3.7% market share in China's highly fragmented reserve power battery market. Reserve power batteries accounted for 28.4% of China's domestic lead-acid battery market in terms of sales volume in 2009. With more than 1,500 models of reserve power batteries, SLI batteries and motive power batteries, and battery products ranging in capacity from 0.251 Ah to 4,025 Ah, we offer one of the broadest lines of lead-acid batteries among Chinese battery manufacturers, according to Asia Battery Association. Our products are used by a growing number of domestic and international customers in various applications, including telecommunications systems, UPS, automobiles, motorcycles and other vehicles, renewable energy storage systems, and other consumer and industrial products.

Since we commenced operations in 1999, we have established a proven track record of robust growth. We initially focused on the international market, quickly established our company as a leading lead-acid battery exporter, and in 2009 were China's largest exporter of lead-acid battery products. Competing in the international market has facilitated our efforts to improve our product quality, develop and deploy new technologies, build strong relationships with customers and establish our reputation as a manufacturer of high quality battery products. Following the successful development of our export business, we began to leverage the experience we had gained to increase our market share in China's domestic market. We have since become a major supplier to key customers in China's telecommunications industry such as China Mobile, China Unicom, China Telecom and ZTE, who were all among our top five customers in 2009 and in aggregate contributed 14.4%, 22.7%, 35.1% and 24.2% of our total revenue in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. Our domestic sales have increased rapidly in recent years, growing from RMB421.8 million in 2007 to RMB625.4 million in 2009, representing a CAGR of 21.8%, and by 34.4% from RMB269.2 million for the six months ended June 30, 2009 to RMB361.8 million for the six months ended June 30, 2010.

To meet the increasing demand for our products, we have expanded our production capacity significantly during the Track Record Period, and operated five production facilities with a total of 46 production lines and an aggregate annual installed production capacity of approximately 5.1 million KVAh as of June 30, 2010. Our production facilities are strategically located in Guangdong, Jiangsu and Anhui provinces in China, in close proximity to many of our suppliers and customers, and are operated as one centralized production system. Our vertically integrated production process covers all major steps in the battery manufacturing process, from confection of lead alloy ingots to assembly of finished products. We also design and produce ourselves the molds that are required tools in the battery manufacturing process.

We believe we are a leader in developing and deploying lead-acid battery technologies in China. Our growing research and development team consists of more than 300 researchers and technicians, and we work closely with domestic and international battery experts and battery research institutions to develop new technologies. Our strong research and development capabilities have allowed us to produce a broad range of battery products employing most of the key lead-acid battery technologies, including advanced gel VRLA and TPPL VRLA technologies, and enhanced our ability to deliver customized products in a short period of time. We continuously pursue technological advancement and innovation of our products, which is evidenced in part by the 38 patents we held in China and one patent in Hong Kong as of the Latest Practicable Date.

We have a global sales operation, and our products are sold throughout China and around the world. Our Shenzhen headquarters serves as the central coordinator for our more than 200-member sales team present in China and the United States and our distributors in 14 other countries. Our sales efforts have allowed us to generate sales in all provinces, municipalities and autonomous regions in China and in more than 100 countries. In China, our sales are primarily made under our own brand name and we have established an extensive sales and marketing network with presence in 29 locations across the country. Internationally, OEM sales, which during the Track Record Period constituted the majority of our international sales, are primarily coordinated by our Shenzhen headquarters. International sales under our brand name and our related marketing efforts are supported by our five international offices and warehouses, as well as our distributors. Our client focused sales and customer service teams have helped us to develop long-term relationships with key lead-acid battery customers, including major telecommunications companies in China. Internationally, our customers include leading international battery manufacturers, and our products are also used by BMW in its motorcycles, Jaguar in its automobiles and Mattel in its toys. Although they are not our direct customers, our batteries have passed the certification of BMW, Jaguar and Mattel after they visited our production facilities and reviewed our quality control functions and are imprinted with their trademarks.

For the years ended December 31, 2007, 2008 and 2009, our sales volumes were 1.9 million KVAh, 2.3 million KVAh and 2.7 million KVAh, respectively, representing a CAGR of 19.2%. For the same periods, our revenue was RMB1,129.1 million, RMB1,499.0 million and RMB1,391.5 million, respectively, representing a CAGR of 11.0%, and our profit for the year was RMB51.6 million, RMB74.8 million and RMB145.3 million, respectively, representing a CAGR of 67.8%. For the six months ended June 30, 2010, our sales volume reached 1.8 million KVAh. Our revenue increased by 57.2% from RMB600.6 million for the six months ended June 30, 2009 to RMB944.4 million for the six months ended June 30, 2010, and our profit increased by 118.2% from RMB58.2 million for the six months ended June 30, 2009 to RMB127.0 million for the six months ended June 30, 2010.

OUR COMPETITIVE STRENGTHS

We believe our rapid growth and strong market position are largely attributable to the following competitive strengths, which distinguish us from our competitors.

Leading market position in China with a track record of robust growth

According to Asia Battery Association, we are the largest lead-acid battery exporter in China based on export revenue in 2009 and the third largest reserve power lead-acid battery manufacturer in China based on revenue in 2009. Our market share in China's lead-acid battery export market was approximately 5.8%, and our share of China's reserve power battery market was approximately 3.7%, each based on revenue in 2009. Reserve power batteries accounted for 28.4% of China's domestic lead-acid batteries market in terms of sales volumes in 2009. Our proven track record is demonstrated by our success both internationally and in China's domestic markets. When we commenced operations in 1999, we initially focused on the international market, quickly established us as a leading lead-acid battery exporter, and in 2009 were China's largest exporter of lead-acid battery products. Internationally, our customers include leading international battery manufacturers, and our products are used by BMW in its motorcycles, Jaguar in its automobiles and Mattel in its toys. Following the successful development of our export business, we began to leverage the experience we had gained to increase our market share in China's domestic market. We have since become a major supplier to key customers in China's telecommunications and UPS industries. In particular, in the telecommunications industry, we were the second largest battery supplier to China Unicom based on its purchase volume in 2009. We are also the third largest supplier to China Mobile, based on China Mobile's planned purchases for the full year 2010.

We have experienced significant growth in recent years while increasing our profitability. Over 2007, 2008 and 2009, our sales volume grew at a CAGR of 19.2%, and our profit for the year grew at a CAGR of 67.8%. Our revenue increased by 57.2% from RMB600.6 million for the six months ended June 30, 2009 to RMB944.4 million for the six months ended June 30, 2010, and our profit increased by 118.2% from RMB58.2 million for the six months ended June 30, 2009 to RMB127.0 million for the six months ended June 30, 2010.

Strong research and development capabilities

We believe we are a leader in developing and deploying battery technologies in China. We employ a team of more than 300 researchers and technicians, who are led by a core research and development management group that has an average of more than 21 years of experience in the battery industry and has worked with leading battery companies. Further, our research and development team works closely with leading international experts in the battery industry, including Dr. Magdy Abdel Reihim and Dr. Geoffrey J. May. Dr. Reihim is a world recognized leader in battery technology, having published a large number of papers and holding more than 30 international patents on lead-acid battery technology during his more than 20 years of experience in the battery industry. Dr. May has more than 30 years of experience in the industry, having served as the chief technology officer of FIAMM S.p.A. ("FIAMM"), a leading lead-acid battery manufacturer based in Italy that specializes in reserve power batteries for the telecommunications industry.

To support our research and development effort, we have established two modern research centers with advanced equipment to complement our human assets. For example, we have charge/discharge testing equipment that can test the battery life of 186 batteries of various capacities simultaneously, as well testing equipment that can simulate various environmental and atmospheric conditions, such as temperature, humidity and vibration extremes, that our battery products are subjected to while in use. We also collaborate with institutions and universities, including South China Normal University, which has a strong reputation in battery technology research. To foster the exchange of battery technology and continue to benefit from the expertise of outside researchers, we have established our Jiangsu research center as a post-doctoral work center. Our research and development costs were RMB9.3 million, RMB6.3 million, RMB10.9 million and RMB8.0 million in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively.

As a result of our research and development efforts, we offer a broad range of high quality products employing most of the current lead-acid battery technologies, including flooded, AGM VRLA, flat plate gel VRLA, as well as advanced tubular gel VRLA and TPPL VRLA, technologies. Our strong research and development capabilities also enable us to respond quickly to customers' specialized requirements. Our efforts have also led to our holding 38 patents in China and one patent in Hong Kong as of the Latest Practicable Date.

Vertically integrated production and centralized operations

We combine a highly vertically integrated production process with centralized systems for sales and marketing, procurement, production planning, and logistics to improve the efficiency of our operations and reduce our costs. Our vertically integrated production covers all major battery manufacturing steps, from confection of lead alloy ingots to assembly of finished products. We also design and produce ourselves the molds that are required tools in the battery manufacturing process. We believe vertical integration of our manufacturing process provides us with several significant competitive advantages. First, as we control the production process ourselves rather than relying on third parties, we are able to improve and better control the quality of our products. Second, we are able to reduce production cost and increase profitability. Third, we are able to design and manufacture customized products in short time frames.

To further control our costs, we have centralized our sales and marketing, procurement, production planning, and logistics systems across our five production facilities in China. Our sales and marketing are coordinated by our central sales department at our Shenzhen headquarters to maintain price control, increase the quality of customer service and build a uniform market image. Under our centralized procurement system, we place most of the raw material purchases for our five production facilities together, allowing us to negotiate favorable bulk purchase contracts and reduce raw material costs. Our centralized production planning allows our sales department to place an order with the production facility that has the necessary raw materials in stock and capacity, which helps us to optimize the production schedule and maximize utilization of our production facilities. Centralized logistics enhances our ability to manage inventories, coordinate shipments and reduce transportation cost. Collectively, we believe our integrated production process and operations make us a highly efficient competitor in the lead-acid battery market.

Broad range of high quality products

We offer one of the broadest lines of lead-acid batteries among battery manufacturers in China. We have more than 1,500 battery models with battery capacity ranging from 0.251 Ah to 4,025 Ah:

- By application, our products are generally categorized as reserve power batteries, SLI batteries and motive power batteries, and are used in telecommunications systems, UPS, automobiles and motorcycles, renewable energy storage systems, and other consumer and industrial products;
- By technology, we utilize flooded, AGM VRLA, flat plate gel VRLA, tubular gel VRLA and TPPL VRLA technologies.

Our broad product range enables us to serve as a one-stop shop for lead-acid batteries, which helps us to attract new customers, better meet the continuously evolving needs of our existing customers and reduce our customers' need to work with multiple battery manufacturers.

The high quality of our battery products is well recognized by our domestic and international customers. For example, we are a major supplier to China Mobile, China Unicom, China Telecom and ZTE in China, who were all among our top five customers in 2009 and in aggregate contributed 14.4%, 22.7%, 35.1% and 24.2% of our total revenue in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. Internationally, we are a key OEM supplier to leading international battery companies located in the United States, Europe and other markets, including Power-Sonic Corp. ("Power-Sonic") and GS Yuasa. In addition, our batteries are used by BMW in its motorcycles, Jaguar in its automobiles and Mattel in its toys. The quality of our products and the effectiveness of our quality control procedures are reflected in the certifications we have received in various markets, including the United States' UL certification from Underwriters Laboratories Inc., the European Union's CE certification from EMTEK Shenzhen Co., Ltd. and Germany's VdS certification from VdS Schadenverhutung GmbH. These certifications allow us to sell our products in the respective countries. We have also received ISO/TS16949 certification from TUV Reheiuland Cert GmbH, a requisite certification for supplying to the automobile and motorcycle industries, and TLC certification from China Telecommunication Technology Labs, a requisite certification for supplying to the telecommunications industry in China.

Extensive global sales and service network

We have a global sales operation, and our products are sold throughout China and around the world. Our Shenzhen headquarters serves as the central coordinator for our more than 200-member sales team present in China and the United States and our distributors in 14 other countries. We are also in the process of establishing new sales offices in the U.K. and Singapore to further strengthen our international operations. Our sales efforts have allowed us to generate sales in all provinces, municipalities and autonomous regions in China and in more than 100 countries around the world. In China, we have established an extensive sales and marketing network with a sales presence in 29 major cities. Our international sales and marketing efforts are supported by our five international offices and warehouses, as well as our distributors.

We believe our physical presence throughout China and in the key overseas markets has helped us build strong relationships with our customers. This presence enables us to provide full support across the service cycle to our customers, from battery design and manufacturing to after sales customer service. As a result, we believe we are recognized by key customers in a number of our target industries not only as a leading supplier of high-quality lead-acid batteries, but also as provider of prompt and comprehensive after-sale services. Our extensive sales and marketing network also allows us to stay in close contact with developments in the local market and with particular industry sectors to continue to grow our customer base.

Experienced and stable management team

Our management team combines extensive international experience with in-depth local knowledge in China. With an average of more than 16 years of industry experience, our management has expertise in key areas of battery design, manufacturing and sales. Mr. Dong Li, our founder, chairman and chief executive officer, has participated in the development of more than 20 patented battery inventions and designs. Mr. Philip Armstrong Noznesky, who leads our sales in the U.S. market, has over 40 years of experience in the U.S. battery industry. Mr. Xiong Zhenglin, our vice president in charge of research and development, has more than ten years of experience in technology development for battery manufacturing. Our senior management, who on average has been with us for more than seven years, has led the development and growth of our business and our successful expansion in both domestic and international markets. We believe that our management team has the vision as well as the capability to continue to capture market opportunities and effectively implement our growth strategies.

OUR STRATEGIES

Our goal is to become a leading global lead-acid battery manufacturer and developer. To achieve our goal, we intend to pursue the following strategies.

Further penetrate China's high-growth sectors

According to Asia Battery Association, China is one of the fastest growing lead-acid battery markets in the world, and is projected to grow at a CAGR of 18.2% from 2009 to 2012. By focusing our product development and sales and marketing efforts on China's high-growth sectors, we intend to significantly increase our sales in China. In particular,

- we plan to solidify our strengths in the telecommunications and UPS sectors by leveraging our existing relationships with major customers and our market leading position. We also plan to increase our production capacity for batteries used in the telecommunications and UPS sectors by adding more production lines, especially those for TPPL VRLA batteries in the next few years; and
- we also plan to expand in selected growing sectors, including automobiles, motorcycles and renewable energy storage, by capitalizing on our experience in the international market and our extensive sales network in China. For the automobile and motorcycle sectors, we will focus on SLI batteries using flooded and AGM technologies. In addition, we have appointed dedicated teams to develop new technologies and products, including spiral pure lead batteries. For renewable energy storage sector, our focus is on flat plate and tubular gel VRLA technologies. In this regard, we plan to add more production lines in the next few years.

These high-growth sectors present significant opportunities for us to diversify our product lines and revenue base, and to further increase our market share in China.

We intend to continue to expand our sales and service network in China by establishing additional sales and service offices across the country. In addition, we intend to further solidify our market position by promoting our brand through targeted and cost effective marketing efforts.

Continue to expand in the international market

We plan to increase our penetration of developed markets while selectively targeting emerging markets that present compelling opportunities. We consider North America and Europe to be our key overseas markets, and we aim to further increase sales, expand presence and promote recognition of our products in these markets. We have a two-pronged strategy to help us achieve these goals. First, we plan to continue to expand our sales and service network and employ additional local sales representatives to strengthen our sales efforts and expand our brand footprint. Second, we will seek to strategically explore the acquisition of companies that are complementary to our operations and can help us to broaden our product lines and boost sales. For emerging markets that we target, we plan to deploy dedicated sales teams with strong connections to and understanding of the culture of the target countries to promote our sales. We believe that our experience in China's domestic market will provide us with a key competitive advantage in capitalizing on emerging market opportunities.

In addition to geographic expansion, we also intend to expand our customer base in certain overseas markets by penetrating additional key industries, such as telecommunications where we have built significant expertise domestically, by leveraging our sales network and capitalizing on the quality of our battery products.

Capitalize on our research and development expertise

We believe that our focused research and development efforts will play a crucial role in maintaining our competitiveness. We therefore plan to continue to expand our research and development team, upgrade our research facilities, deepen our cooperation and exchange with leading industry groups and academic institutions that have significant expertise in battery technology, and expand training of our technical personnel.

To maintain our competitiveness in the lead-acid battery industry, we plan to remain focused on the development of new products that use key specialized technologies, including tubular gel VRLA batteries for renewable energy storage systems, TPPL VRLA batteries for telecommunications systems and UPS, and spiral pure lead batteries for vehicles. We have begun the production of tubular gel VRLA batteries and expect to begin the trial production of TPPL VRLA batteries in the fourth quarter of 2010. We are targeting trial production of spiral pure lead batteries by the end of 2011. We expect that the production and sales of new, technologically advanced products will contribute significantly to our effort in expanding our customer and revenue bases. We support the further education and development of our human resources, and require our research and development team to attend regular training events and overseas technical and industry conferences.

Expand our production capacity and optimize efficiency

We intend to continue to expand our production capacity for our existing product portfolio, and build capacity to produce new battery products, by constructing new plants and deploying new production lines. In particular, we intend to build our capacity to produce tubular gel VRLA batteries for renewable energy storage systems, TPPL VRLA batteries for telecommunications systems and UPS, and spiral pure lead batteries for vehicles. In addition, we plan to install equipment in our facilities that will allow us to advance our vertical integration by producing various components, such as terminals, separators and gel. To maintain our profitability during our expansion, we plan to monitor demand for our products and production levels to maintain our historically high utilization rates while we ramp up these new facilities and production lines. We also intend to increase the level of automation in our production lines by upgrading our equipment, which in turn will help us to optimize the efficiency of our production processes and lower our costs. To increase our production capacity and optimize efficiency, we plan to utilize approximately 60%, or approximately HK$848.2 million, of the net proceeds to us from the Global Offering to construct plants, deploy production lines and purchase equipment.

OUR PRODUCTS

We manufacture more than 1,500 standard and customized lead-acid battery models, with battery capacity ranging from 0.251 Ah to 4,025 Ah. Our products have a broad-range of uses and applications and serve a variety of industries. Our products include reserve power batteries, SLI batteries and motive power batteries with flooded, AGM VRLA, flat plate gel VRLA, tubular gel VRLA and TPPL VRLA technologies. Our best selling products are reserve power batteries with AGM VRLA technologies principally used in telecommunications, UPS and other consumer and industrial product applications.

The following table illustrates the major models of our products and their applications, not including any customized products we design for specific customers or applications:

Type	Technology	Model Series	Voltage (v)	Battery Capacity (Ah)	Application	Picture
RESERVE POWER	AGM VRLA	• LP General Use Series • LPX High Current Series • LPL Long Life Series • LPS Renewable Energy Series • LPF Front Terminal Series	2V, 4V, 6V, 8V, 12V	0.251 ~ 4,025	Telecommunications; UPS; renewable energy; consumer products; switchgear and electrical control systems	 
	Gel VRLA	• LPG Series • LPFG Front Terminal Series	2V, 4V, 6V, 12V	13.2 ~ 3,200.1	Telecommunications; UPS; renewable energy; switchgear and electrical control systems	
	Tubular Gel	• OPzV Series	2V	200 ~ 3,000	Telecommunications; renewable energy; consumer products; switchgear and electrical control systems	
	Flooded	• OPzS Series	2V	200 ~ 3,000	Telecommunications; renewable energy; consumer products; switchgear and electrical control systems	
	TPPL VRLA	• EP Series	12V	18 ~ 207	Telecommunications; UPS; renewable energy	
SLI	Flooded	• JIS Series • DIN Series • BCI Series • Dry-charged Series	6V, 12V	2 ~ 220	Automobiles	
		• Ships Series • Dry-charged Series			Ships/Boats	
		• Conventional Series • LB High Performance Series			Motorcycles	

Type	Technology	Model Series	Voltage (v)	Battery Capacity (Ah)	Application	Picture
	AGM VRLA	• Lean-liquid PP/Wet Series • LT PP/Dry Series • EB PP/Dry Series • LT ABS/Wet Series • EB ABS/Wet Series	6V, 12V	2.3 ~ 100	Automobiles Motorcycles	 
MOTIVE POWER	AGM VRLA	• LPC General Cycle Series • GF Series • EV Series	6V, 8V, 12V	3.5 ~ 390	Electric industrial vehicles; small portable equipment	 
	Flooded	• DT Series • DIN Series • BS Series • DIN High Rate Series • BS High Rate Series	2V, 6V, 8V 12V	110 ~ 1,550	Electric industrial vehicles; light electric vehicles	 
	Tubular Gel	• PzV Series	2V	110 ~ 1,200	Electric industrial vehicles; light electric vehicles	

Our results of operations have been and are expected to be substantially affected by the types of products we sell and our product mix. The continued growth in our profit during the Track Record Period, despite the decline in our revenue in the year ended December 31, 2009, was principally due to an increase in the sale of batteries to telecommunications customers, as well as increases in the sale of renewable energy storage and SLI batteries. As telecommunications batteries generally have a higher profit margin, they have been and will continue to be key drivers in our growth. The following table sets forth our revenue based on the end use of our products during the Track Record Period.

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)
Revenue										
Reserve power	1,084.5	96.0	1,430.1	95.5	1,246.7	89.5	539.8	89.9	821.0	86.9
of which:										
UPS	641.3	56.8	828.5	55.3	564.0	40.5	251.9	41.9	443.1	46.9
Telecommunications	203.4	18.0	335.9	22.4	486.3	34.9	196.8	32.8	210.1	22.2
Renewable energy storage	8.0	0.7	14.4	1.0	32.3	2.3	5.5	0.9	11.9	1.3
Other consumer and industrial products	231.8	20.5	251.3	16.8	164.1	11.8	85.6	14.3	155.9	16.5
SLI	27.2	2.4	48.3	3.2	90.8	6.5	41.9	7.0	76.3	8.1
Motive power	3.1	0.3	6.1	0.4	2.8	0.2	1.4	0.2	7.1	0.8
Other[(1)]	14.3	1.3	14.5	0.9	51.2	3.8	17.5	2.9	40.0	4.2
TOTAL	1,129.1	100.0	1,499.0	100.0	1,391.5	100.0	600.6	100.0	944.4	100.0

Note:

(1) Other includes sale of battery components and electric vehicles. As of the Latest Practicable Date, we have ceased sales of electric vehicles.

Reserve Power Batteries

Reserve power batteries, from which the majority of our revenue is derived, are used to provide backup or standby power for critical facilities or electrical equipment in the event of a loss of power from the primary power source. Many industries and applications rely on reserve power batteries. The main industries in which our reserve power batteries are used and their various applications include the following:

- *Telecommunications*. Our reserve power batteries serve as stored energy systems to power central telephone exchanges, cellular infrastructure and other wireless and wireline systems operated by major telephone and internet backbone providers. For telecommunications applications, our batteries are designed to provide high reliability and extended operation.
- *UPS*. Our reserve power batteries are used in battery systems to maintain uninterrupted power supply for computers and computer-controlled equipment. UPS batteries normally provide power in the event of a loss of power from the primary external AC power source, typically to provide for the orderly shut-down of computer equipment to protect against loss of data or to ensure operation of equipment during power outages on a short-term basis until emergency generators are able to start operating at sufficient levels to power the equipment. Our reserve

power batteries are widely used by financial institutions, hospitals and electric utility companies in their UPS systems.

- *Renewable energy storage*. Our reserve power batteries are used in wind or solar energy farms to store electricity generated by an attached solar or wind power generation system.
- *Other consumer and industrial products*. Our reserve power batteries have a number of uses in other consumer electronics and industrial products. Our customers include manufacturers and end-users of the following:
  - — Corporate and residential alarm systems, emergency lighting, toys, jump-starters, test equipment, recreational vehicles and medical devices.
  - — Switchgear and electrical control systems applications, such as standby power systems to maintain operability of electric utility generation, transmission and distribution systems.

SLI Batteries

Starting, lighting and ignition batteries are used primarily to provide the substantial electricity required for starting up motor vehicles, including automobiles and motorcycles, ships and boats.

Motive Power Batteries

Motive power batteries are used primarily to provide power for electric vehicles, power tools and other portable equipment.

The primary applications of motive power batteries include:

- Electric industrial vehicles, such as forklifts used in the manufacturing and logistics industries, mining equipment, including scoops, coal haulers, shuttle cars and locomotives, and ground support equipment used at airports, ports and railway stations, such as baggage tuggers, pushback tractors and belt loaders.
- Light electric vehicles, such as golf carts, electric bicycles, electric wheelchairs, electric carts and toy cars.
- Small portable equipment, including power tools and portable instruments.

CUSTOMERS

We serve more than 2,000 domestic and international customers and our products are sold throughout China and to more than 100 countries around the world. Our sales to the international market have historically constituted a larger share of our total revenue when compared sales to the domestic market, although our domestic sales have increased rapidly in recent years. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our international sales accounted for 62.6%, 62.8%, 55.1% and 61.7%, respectively, of our total revenue, while our sales to the domestic market in China in the same periods were 37.4%, 37.2%, 44.9% and 38.3% of our total sales revenue, respectively.

The following table sets forth our revenue during the Track Record Period based on the geographic locations of our customers and their percentage of total revenue.

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)
Geographic Location										
China	421.8	37.4	557.3	37.2	625.4	44.9	269.2	44.8	361.8	38.3
European Union	277.0	24.5	332.9	22.2	248.4	17.9	112.5	18.7	192.9	20.4
United States	204.0	18.1	333.8	22.3	256.2	18.4	117.8	19.6	167.2	17.7
Other Asian countries/areas	159.9	14.2	209.7	14.0	202.2	14.5	78.3	13.0	182.7	19.3
Other countries	66.4	5.8	65.3	4.3	59.3	4.3	22.8	3.9	39.8	4.3
TOTAL	1,129.1	100.0	1,499.0	100.0	1,391.5	100.0	600.6	100.0	944.4	100.0

In the domestic market, we principally focus on the telecommunications and UPS industries. Our major customers include China Mobile, China Unicom, China Telecom and ZTE in the telecommunications industry, who were all among our top five customers in 2009 and in aggregate contributed 14.4%, 22.7%, 35.1% and 24.2% of our total revenue in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. We believe our product quality and after-sales services have allowed us to establish close and long-term relationships with our customers, and become one of their principal battery suppliers. In particular, in the telecommunications industry, we were the second largest battery supplier to China Unicom by its purchase volume in 2009, and we are the third largest supplier to China Mobile, based on China Mobile's planned purchases for the full year 2010.

In the international market, OEM customers accounted for 92.4%, 87.5%, 89.2% and 90.2% of our export sales for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. Our major OEM customers include leading international battery manufacturers, such as Power-Sonic and GS Yuasa. In addition, our batteries are used by BMW in its motorcycles, Jaguar in its automobiles and Mattel in its toys. Although they are not our direct customers, our batteries are certified by BMW, Jaguar and Mattel and imprinted with their trademarks. We also sell products internationally to our distributors. Sales to distributors, which accounted for less than 5% of our revenue during the Track Record Period, are made at prices and on commercial terms comparable to our other customers.

For many of our customers, including non-direct customers such as BMW and Jaguar, we must pass their stringent quality control process before we may become their supplier. Prospective customers tour our production facilities, review our quality control functions, evaluate our research and development capabilities, and discuss other operating aspects of our business with our management. If a prospective customer wishes to work with us, we normally enter into a sales contract with them, often for a relatively small initial amount of products. We undertake a series of tests on the performance of the products that we will produce for the new customer and then begin to supply these products to the customer in small batches. Our customers will perform their own tests and evaluations on these first batches, and will certify us as a supplier when they ascertain the quality and consistency of our products and quality control processes. The time that this process takes varies for different product models, different industries and different customers. For example, it usually takes three months for Chinese telecommunications customers and one to two months for the UPS industry customers to complete the quality assessment process and award the certification. For motorcycle manufacturers, it can take six months to one year.

We have a broad and expanding customer base, and our marketing team is continuously seeking to form relationships with new companies to whom we can sell our battery products. However, we do have certain customers that we depend on for a significant percentage of our revenue. For each of the years and the six-month period ended June 30, 2010 of the Track Record Period, sales to our five largest customers in aggregate accounted for 50.9%, 47.5%, 49.8% and 40.8%, respectively, of our total sales revenue, while sales to our largest customer accounted for 17.7%, 20.8%, 19.0% and 15.7%, respectively, of our total revenue.

As of the Latest Practicable Date, none of our Directors, senior management or their respective associates, or any Shareholder of our Company, who, to the best of the Directors' knowledge, owns 5% or more of our issued shares, had any interest in any of our five largest customers during the Track Record Period, except for Shenzhen Marshell Power Supply, which is owned by Mr. Dong and was one of our five largest customers in the year ended December 31, 2007. In the year ended December 31, 2007, sales of products to Shenzhen Marshell Power Supply were RMB127.8 million, representing 11.3% of our total revenue. As of the Latest Practicable Date, we have ceased all sales to Shenzhen Marshell Power Supply.

Pricing

We set the prices of our products based on a variety of factors, including market conditions, manufacturing costs, fluctuations in raw material prices (particularly lead prices) and the volume of our customers' purchases. For international sales, we also consider foreign exchange conditions. We apply the same pricing policy to all our customers including our telecommunication customers and distributors.

Over 70% of our sales contracts, generally those with telecommunications customers and UPS customers, contain a base price and a pricing mechanism by which the actual sales price is determined based on the market price of lead at the time of a particular order. Under these contracts, the price of our products is adjusted upward or downward when the price of lead, as quoted on the Shanghai Metals Market, increases or decreases beyond a certain range, usually 3% to 5%, when the order is placed. In general terms, we estimate that for contracts that have the pricing adjustment mechanism, when the price of lead changes by RMB1,000 per ton, our battery prices change by 3% to 4%. In addition, our international sales contracts are priced by reference to the RMB exchange rate published by the Bank of China (www.boc.cn) and the Pacific Exchange Rate Service (http://fx.sauder.ubc.ca/data.html). These mechanisms help to protect our profitability.

Terms of Sales and Credit Policy

We do not enter into long-term sales contracts. With the exception of telecommunications customers, in general we manufacture the products when we receive a purchase order, and shipment is usually made within two to three months after an order is received. For new or less established customers and for our international distributors, we normally receive full payment before shipment. For our major customers, we generally require payments to be made within 30 to 60 days after shipment or monthly settlement. We also establish credit limits for many customers, and once the limit is reached, such customers are required to settle their accounts before further product shipments are made.

For telecommunications customers, we are awarded an annual framework purchase agreement through public tender under common industry practice. Each framework purchase agreement sets out a base sales price and the pricing mechanism that is used to adjust the sales price if the price of lead rises or falls beyond a certain range. We produce and deliver the products pursuant to an order notice, which specifies the quantity and type of batteries to be delivered. In accordance with market practice employed by the telecommunications industry, we are normally required to deliver our products before the customer signs the purchase order, which normally takes place within four weeks after delivery. While the lead price relevant to the pricing mechanism may be determined as of the date of the order notice, we sometimes further negotiate the final sales price depending on the quantity of a particular order or the customer's specifications, and sign a purchase order with the customer to finalize the sales price. Payments are made in installments as specified in the framework agreements and purchase orders. We normally receive approximately 70% to 80% of the total order amount within 60 days of signing the purchase order, and receive a subsequent installment half a year to one year after integration of our products into the telecommunications equipment, which is usually completed within two months after signing the purchase order. We then normally receive a final installment of approximately 5% to 10% of the total order amount after the final inspection, which is usually carried out one year after integration.

Our Directors confirm that during the Track Record Period, we did not experience significant order cancellations, reductions or delays by our customers.

We periodically review the payment status of our accounts receivable, closely monitor the accounts of customers with longer credit terms, and take appropriate measures to collect overdue accounts. We typically make full provisions for a bad debt if it remains overdue for more than one year, except for telecommunications customers, for which we determine on a case by case basis based on the contract. During the Track Record Period, we did not experience any substantial bad debts or doubtful accounts.

SALES AND MARKETING

We have established a strong China based sales and service network to promote our products. In addition to our sales headquarters in Shenzhen, we have sales representative offices in 29 major cities across the country. All of these locations are staffed with after-sale customer service personnel that provide support for our customers and carry out maintenance of our products. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our domestic sales to China accounted for 37.4%, 37.2%, 44.9% and 38.3% of our total sales revenue, respectively. The following map illustrates the major cities in China where we have sales representative offices:

Internationally, our team of sales professionals services our customers in the United States, Europe and elsewhere outside China. OEM sales, which over the Track Record Period have comprised the majority of our international sales, are coordinated primarily by our Shenzhen headquarters. Sales of products under our brand, on the other hand, are carried out by our office and warehouse locations in Los Angeles, Atlanta and North Smithfield in the United States, as well as our Shenzhen headquarters. We are also in the process of establishing new sales offices in the U.K. and Singapore to further strengthen our international operations. As of the Latest Practicable Date, we had 16 employees in the United States, and we have sent three employees from our Shenzhen headquaters to each of the U.K. and Singapore to prepare for the establishment of sales offices in these countries. In addition, to help expand our brand presence internationally, we have established relationships with distributors in 14 countries, including Burundi, Columbia, Denmark, Ethiopia, Indonesia, Russia, Rwanda, Saudi Arabia, Slovenia, Spain, Tanzania, Thailand, Uganda and Yemen. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our international sales accounted for 62.6%, 62.8%, 55.1% and 61.7% of our total sales revenue, respectively. Most of our international sales are transacted in U.S. dollars. We update our product prices periodically to take into account various factors including changes in foreign exchange rates. As a result, we do not enter into any hedging transactions to manage potential fluctuations in foreign currency as our Directors believe that we do not have significant foreign currency risk exposure.

The following map illustrates the countries into which our international product sales are made:

Our sales and marketing team makes significant effort to keep in close contact with our customers after order shipment. For our major customers or those who have long-term relationships with us, we have appointed dedicated teams that serve them. Our service technicians also make periodic inspection and maintenance visits with our customers. As of the Latest Practicable Date, we had more than 200 sales representatives and after-sales personnel serving our customers.

Our marketing approach has been developed to be highly responsive to the needs of our customers. We aim to build close relationships with our customers by providing services to them from the time we begin to work with them on product design, throughout manufacturing process, and with timely after-sales customer support. The physical proximity of our sales and service locations to our customers allows us to maintain frequent contact with them to better understand and timely respond to the customers' evolving needs. Through our sales and services network, we gather and analyze market information, promote our brand, establish and maintain customer relations, and identify potential customers. We also engage in marketing activities such as attending industry-specific conferences and exhibitions to promote our products and brand name. These efforts help us to identify new opportunities to expand our customer base. In addition, we generate new customers through referrals or by participating in bidding processes. Because of our reputation in the industry, potential new customers also contact us directly.

AFTER-SALE SERVICES AND PRODUCT WARRANTY

Domestic Market in China

We utilize our nationwide sales and service network throughout China to provide after-sale services. During the warranty period, our service technicians make periodic on-site visits to provide maintenance and technical support. In addition, we operate a 24-hour, toll-free service hotline to respond to any service request. If the issue cannot be resolved over the phone, our technicians will make an on-site visit within 12 hours in areas where we have a sales and service location or within 24 hours for other areas. Our geographic proximity to our clients enables us to timely dispatch technicians and provide repair or replacement products when necessary. We maintain a written record of the results of periodic visits and repair services to evaluate our service team and for the purpose of improving quality control.

Our warranties range from one to five years depending on the size and capacity of the battery. The warranties typically cover regular maintenance services and parts and labor for non-maintenance repair. We also provide complimentary technical consulting services to our clients on the operation, maintenance and management of equipment during the warranty period. During the Track Record Period, the aggregate cost associated with after sales services and product warranty in the domestic market was RMB1.2 million. We have not experienced any material disputes arising from or in connection with the quality of our products in China.

International Market

We provide after-sales services to our international customers through our Shenzhen headquarters and our international offices and warehouses in the United States. Our technicians make periodic visits to major customers for inspection and maintenance. We also rely on our distributors to provide after-sale service in their respective countries. Following their resale of our products, our distributors make periodic visits to their major customers for inspection and maintenance at their own cost. If an exchange of any damaged or defective products is necessary, we ship the new products to the distributor and the distributor ships them to the end users, and we and the distributor bear our respective shipping costs. The warranties for our international sales range from one to three years depending on the size and capacity of the battery. During the Track Record Period, we did not incur any significant costs associated with after-sale service and product warranty in the international market. We have not experienced any material disputes arising from or in connection with the quality of our products sold internationally.

RESEARCH AND DEVELOPMENT

We dedicate significant resources to research and development to improve the performance of our existing products, create customized products for our customers, and develop new products and technologies.

Our research and development efforts are primarily implemented by our internal research team with the support of industry experts and consultants. Our research and development team comprises more than 300 staff members, consisting of researchers in our research and development department and technicians in our production department supporting the implementation of technologies in the production process, who are led by a core research and development management with an average of 21 years of experience in the battery industry and who have worked with leading international battery companies. Our research efforts are supported by international experts in the battery industry. For instance, we have engaged Dr. Magdy Abdel Reihim and Dr. Geoffrey J. May, two well-known industry experts, as consultants, and they have played an important role in guiding our current research efforts, particularly in the areas of tubular gel VRLA and TPPL VRLA batteries. Dr. Reihim is a world recognized leader in battery technology, having published a large number of papers and holding more than 30 international patents on lead-acid battery technology during his more than 20 years of experience in the battery industry. He has headed the research and development department of Sonnenschein GmbH, a leading battery manufacturer in Germany, and served as a consultant for leading battery manufacturers around the world. Dr. Reihim holds a doctorate degree in metallurgy from the Technical University in Berlin, Germany. We have engaged Dr. Reihim to provide general technical support and guidance on AGM and gel VRLA development and production. He makes quarterly visits to our production facilities in China each year, for which we pay him a per day salary for the time he spends with us.

Dr. May has more than 30 years of experience in the industry, having served as the chief technology officer of FIAMM. He currently heads FOCUS Consulting, a battery consultancy based in the U.K., through which he advises leading battery manufacturers, telecommunications companies and IT companies on battery technologies. Dr. May was educated at the University of Cambridge, where he received a doctorate degree in physical metallury. We have engaged Dr. May to provide technical support for the development and design of TPPL VRLA batteries until we commence successful production of batteries using this technology. Based on his experience and qualifications and the potential contribution of the TPPL technology to our business, we have agreed to pay Dr. May a lump sum payment for assisting us on the development of the technology and design of the batteries and an additional fee for advising on the set up of production equipment and production process. He makes periodic visits to our office and production facilities to provide guidance at various stages of the project. For both Dr. Reihim and Dr. May, the results of these research and development efforts belong to us and their renumeration is not based on the revenue generated by those efforts. We support the further education and development of our human resources, and require our research and development team to attend regular training events and overseas technical and industry conferences.

To support our research and development effort, we have established two advanced research centers with state-of-the-art equipment to complement our human assets. For example, we have charge/discharge testing equipment that can test the battery life of 186 batteries of various capacities simultaneously, as well testing equipment that can simulate various environmental and atmospheric conditions, such as temperature, humidity and vibration extremes, that our battery products are subjected to while in use. We also collaborate with institutions and universities, including South China Normal University in Guangzhou, which has a strong reputation in battery technology research and is ranked as a "Key University of the Province" by the Guangdong provincial government and as one of the "National Key Universities and Colleges in the 21st Century" by the Ministry of Education of the PRC. We have jointly established a production-research platform with South China Normal University, which provides assistance in finalizing assessment materials, technical guidance on our battery research and development projects, suggestions on product development, and training to our technical staff. South China Normal University also sends tutors and research students for participation in our research activities from time to time. To foster the exchange of battery technology and continue to benefit from the expertise of outside researchers, we have established our Jiangsu research center as a post-doctoral work center.

Our research and development efforts have helped us to develop new products and implement new technologies into production, including, among others, tubular gel batteries and TPPL VRLA. We are also focusing on developing products that feature spiral pure lead VRLA technologies for use in vehicles. Further, our research and development efforts have improved the quality and performance of our products, such as their energy density and discharge capacity, and we have developed products that use container formation and front terminal designs. Finally, we aggressively pursue innovation and technological advancement of our products, which is evidenced in part by the 38 patents we hold in China and one patent in Hong Kong.

We emphasize a client-driven approach in developing new and improved products and technologies. In addition to projects we conduct in response to industry trends, our research and development projects are often initiated to address special requirements from our customers. We have found client-initiated research projects to be beneficial in understanding our clients' needs and producing batteries with strong market acceptance, as well as strengthening our client relationships. We have a track record of developing and delivering prototypes of customized products based on our customers' requirements in a short period of time, in most cases within six to seven weeks.

Our research and development costs were RMB9.3 million, RMB6.3 million, RMB10.9 million and RMB8.0 million in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. We plan to use approximately 10%, or approximately HK$141.4 million, of net proceeds to us from the Global Offering for research and development of new products and new technologies. See section headed "Future Plans and Use of Proceeds" in this prospectus.

PRODUCTION FACILITIES

Production Facilities

We have five production facilities in China. As of June 30, 2010, we operated a total of 46 production lines. In 2007, 2008 and 2009 and the six months ended June 30, 2010, the aggregate lead-acid battery output of all of our production facilities was 1.9 million KVAh, 2.2 million KVAh, 2.7 million KVAh and 1.9 million KVAh, respectively. Our Jiangsu, Zhaoqing and Anhui production facilities are standalone and fully vertically integrated, while our Shenzhen and Dongguan production facilities are battery assembling facilities that utilize electrode plates produced at our Zhaoqing production facility.

The following table sets forth our actual production volume compared to our estimated production capacity as well as our utilization rate during the Track Record Period.

	For the year ended December 31,									For the six months ended June 30,		
	2007			2008			2009			2010		
	Installed Capacity (KVAh in thousands) [1]	Production (KVAh in thousands)	Utilization Rate (%)	Installed Capacity (KVAh in thousands) [1]	Production (KVAh in thousands)	Utilization Rate (%)	Installed Capacity (KVAh in thousands) [1]	Production (KVAh in thousands)	Utilization Rate (%)	Installed Capacity (KVAh in thousands) [1]	Production (KVAh in thousands)	Utilization Rate (%)
Production facility												
Jiangsu	1,200.0	1,120.0	93.3	1,350.0	1,160.0	85.9	1,350.0	1,180.0	87.4	800.0	770.3	96.3
Zhaoqing	–	–	–	250.0	230.0	92.0	600.0	520.0	86.7	520.0	469.1	90.2
Anhui	–	–	–	120.0	100.0	83.3	300.0	260.0	86.7	330.0	233.2	70.7
Dongguan	400.0	400.0	100.0	400.0	360.0	90.0	400.0	380.0	95.0	200.0	195.6	97.8
Shenzhen	400.0	400.0	100.0	350.0[2]	350.0	100.0	350.0	350.0	100.0	175.0	208.0	118.9[3]
TOTAL	2,000.0	1,920.0	96.0	2,470.0	2,200.0	89.1	3,000.0	2,690.0	89.7	2,025.0[4]	1,876.2	92.7

Notes:

(1) Installed capacity at each production facility equals the sum of the production capacity of all of its production lines. The production capacity of each production line for a period is calculated as its daily production capacity multiplied by the number of days in such period since its commissioning. For example, a 300 KVAh production line commissioned on May 15, 2008 had an installed annual capacity of 69,300 KVAh (300 KVAh x 231 days) in 2008 and an annual production capacity of 109,500 KVAh (300 KVAh x 365 days) in 2009.

(2) Shenzhen's installed capacity decreased in 2008 because one of the production lines was moved to our Zhaoqing production facility.

(3) Shenzhen's utilization rate exceeded 100% due to overtime work.

(4) As of June 30, 2010, our aggregate annual installed capacity was approximately 5.1 million KVAh, calculated as our aggregate daily installed capacity on June 30, 2010 multiplied by 365 days.

Jiangsu Production Facility. Our Jiangsu production facility was established in 2003 and commenced operation in the same year. The production facility is located in Jinhu County Industrial Park in Jinhu County, Jiangsu Province and has a GFA of approximately 94,701 sq.m. As of June 30, 2010, the Jiangsu production facility had a total of 19 production lines for reserve power, SLI and motive power products, with an aggregate annual installed capacity of approximately 2.1 million KVAh. The Jiangsu production facility had 2,343 employees as of June 30, 2010.

Zhaoqing Production Facility. Our Zhaoqing production facility was established in 2005 and commenced operation in 2008. The production facility is located in Zhaoqing High-tech Development Zone in Zhaoqing City, Guangdong Province and has a GFA of approximately 86,024 sq.m. As of June 30, 2010, the Zhaoqing production facility had a total of 13 production lines for reserve power and motive power products, with an aggregate annual installed capacity of approximately 1.6 million KVAh. The Zhaoqing production facility had 2,529 employees as of June 30, 2010.

Anhui Production Facility. Our Anhui production facility was established in 2006 and commenced operation in 2008. The production facility is located in Suixi Economic and Development Zone in Huaibei City, Anhui Province and has a GFA of approximately 44,380 sq.m. As of June 30, 2010, the Anhui production facility had a total of six production lines for reserve power products, with an aggregate annual installed capacity of approximately 0.7 million KVAh. The Anhui production facility had 949 employees as of June 30, 2010.

Dongguan Production Facility. Our Dongguan production facility was established in 2002 and commenced operation in the same year. The production facility is located in Nancheng Industrial Park in Dongguan City, Guangdong Province and has a GFA of approximately 10,000 sq.m. As of June 30, 2010, the Dongguan production facility had a total of four production lines for reserve power and motive power products, including an exclusive production line for Mattel, with an aggregate annual installed capacity of approximately 0.4 million KVAh. The Dongguan production facility had 595 employees as of June 30, 2010. The Dongguan production facility is an assembling facility and sources electrode plates from our Zhaoqing production facility.

Shenzhen Production Facility. Our Shenzhen production facility was established in 1999 and commenced operation in the same year. The production facility is located in Tongfuyu Industrial Park in Shenzhen City, Guangdong Province and has a GFA of approximately 8,842 sq.m. As of June 30, 2010, the Shenzhen production facility had four production lines for reserve power products, with an aggregate annual installed capacity of approximately 0.4 million KVAh. The Shenzhen production facility has 520 employees as of June 30, 2010. The Shenzhen production facility is an assembling facility and sources electrode plates from our Zhaoqing production facility.

Our Directors confirm that during the Track Record Period, we did not experience major disruptions, damage or destruction at our production facilities.

Equipment

We employ modern equipment in our production processes which we believe utilize technologies that are up to current market standards used by leading international battery manufacturers. We believe the equipment we employ is critical to our business because it plays a significant role in determining the quality of the products we manufacture.

Our principal production equipment includes lead powder grinding machines, plate casting machines, pasting machines, cast-on strap machines, heat-sealing machines, welding machines, formation chargers, optical emission spectrometers, and atomic absorption spectrophotometers, which we purchase from domestic and international manufacturers

We regularly inspect, maintain and repair our equipment. In addition, we extensively service our equipment once a year during a scheduled shut-down for up to two days. We generally schedule the service on public holidays to minimize potential disruption to production. We rely on our in-house employees and vendor technicians for maintenance and repairs. We have not experienced any major difficulties or delays in sourcing or purchasing the equipment we need to manufacturer our products.

Expansion Plans

We have received the title certificate and been granted land use rights of a parcel of land with a site area of approximately 20,353 sq.m. next to our Anhui production facility. We have also signed letters of intent to purchase a parcel of land with a site area of approximately 85,228 sq.m. near our Zhaoqing production facility and a parcel of land with a site area of approximately 269,333 sq.m. near our Anhui production facility. We intend to use these new areas for the production of our battery products. We also plan to add more production lines at our Zhaoqing, Anhui and Jiangsu production facilities in 2011 and 2012.

Our PRC legal advisers, Zhong Lun Law Firm, have advised us that to add production lines, we may need to obtain approvals or permits from the local office of NDRC and Environmental Administration. We intend to obtain all applicable approvals and permits in due course for the implementation of our expansion plans. With respect to the additional parcels of land, depending on the details of implementation, we may need to obtain applicable licenses and approvals from competent governmental authorities, such as local offices of NDRC, Ministry of Commerce and Environmental Administration. Based on our experience, it usually takes less than 12 months for us to complete and commence operations at a new production facility, which includes the time for construction of buildings and structures, implementation of production equipment, and obtaining all necessary licenses and approvals.

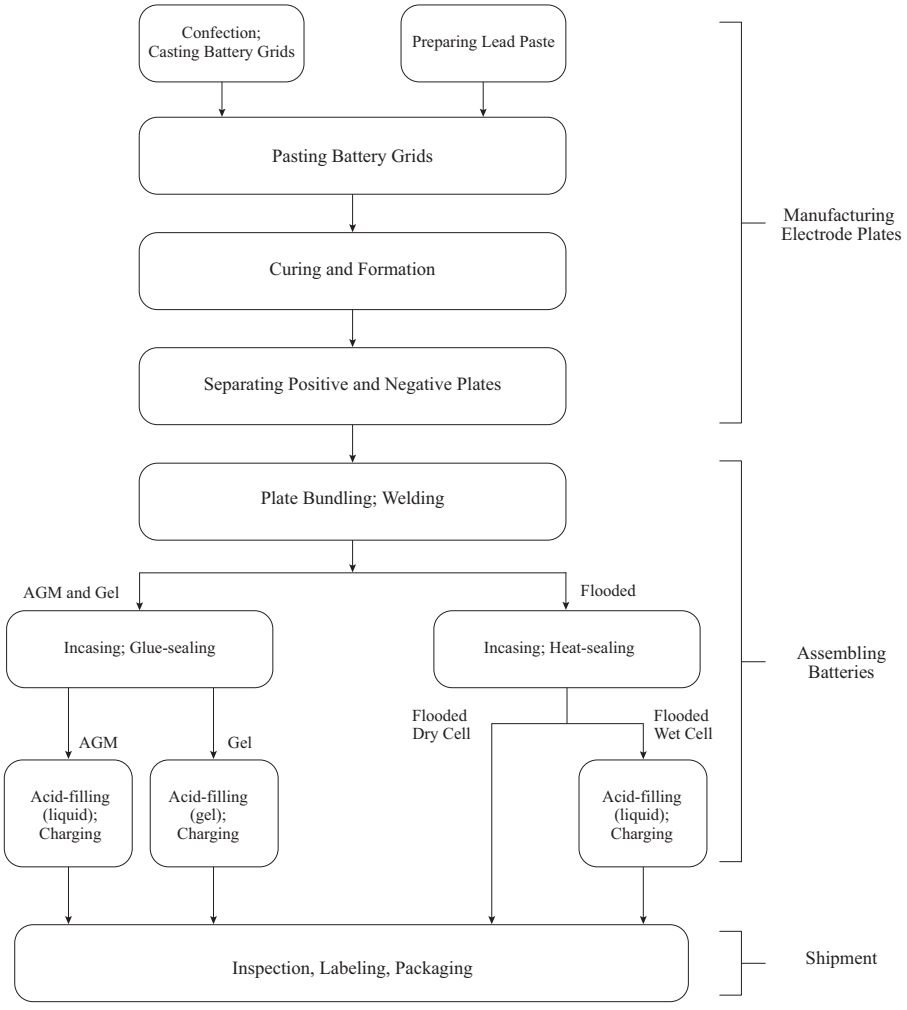
PRODUCTION PROCESS

Our production process is highly vertically integrated. We carry out all the key steps in the battery manufacturing processes in house, from the confection of lead alloy ingots to make lead paste and production of electrode plates, to the assembly and packaging of batteries. We manufacture in house most value-adding key components of a lead-acid battery, including lead alloy ingots, battery grids and battery cases. Supported by our research and development capabilities, we also design and produce molds for battery grids and battery cases. We intend to further expand our manufacturing capacity to include terminals, separators and gel.

We have implemented automation for various parts of our production process. For AGM VRLA and gel VRLA batteries, we have automated the processes of melting lead ingots, coating lead paste, formation, charging and welding. For TPPL VRLA batteries, the entire production process, including lead strip casting, lead strip punching, TTP welding and heat-sealing, is completely automated. We are currently planning the automation of our tubular gel battery production lines and will continue to identify production processes where automation will increase our productivity and consistency.

Production Process for Flooded, AGM VRLA and Gel VRLA Batteries

The follow flowchart shows the principal steps involved in the manufacturing of our flooded, AGM VRLA and gel VRLA batteries.



The key stages in production process include:

Confection and Casting Battery Grids. In the confection stage, lead is melted into liquid form then mixed with chemical additives and other metals such as tin. The liquid lead is then cast into lead alloy ingots. Then lead alloy ingots are melted into liquid and cast into grids in a furnace. Based on the molds, battery grids are produced in different sizes for different product specifications.

Preparing Lead Paste. In this stage, lead is ground into lead powder, diluted and then combined with sulphuric acid and other chemicals to make lead paste.

Pasting Battery Grids. In this stage, the battery grids are coated with lead paste by automated coating machines to ensure even pasting.

Curing and Formation. Once coating is completed, the battery grids undergo a curing and drying process with correct humidity and temperature and then the electrode plates are put into an acid tank for formation (charging). In this stage, the electrode plates are immersed into sulfuric acid where they receive their first charge of electricity.

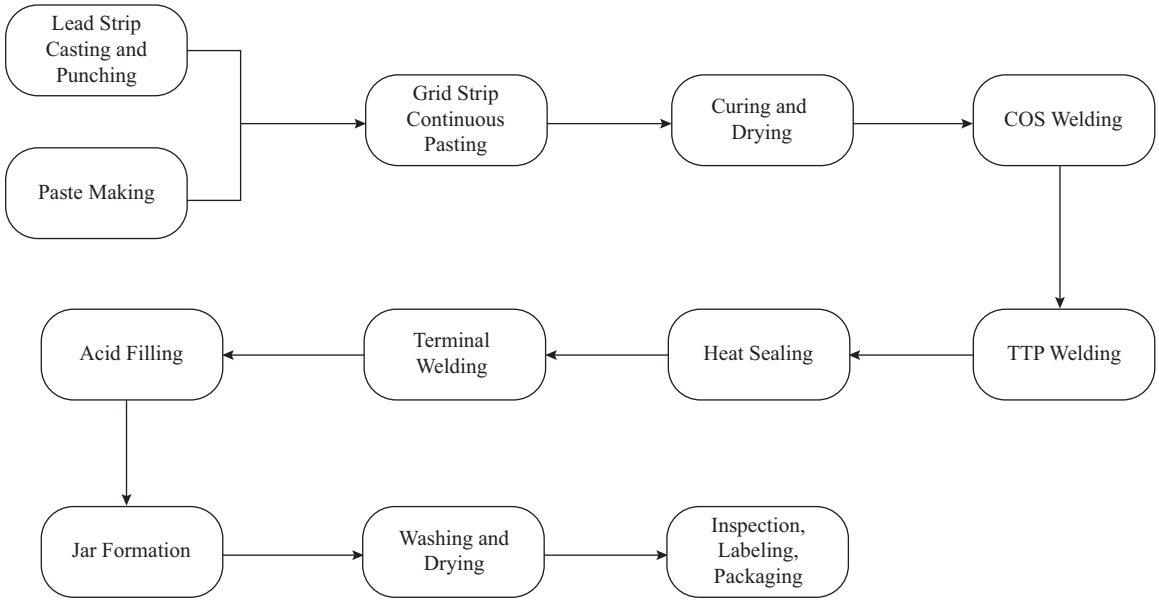
Seperating, Plate Bundling, Welding, Incasing and Sealing. Pairs of positively charged and negatively charged electrode plates, or positive tubular plates and negative flat plates for tubular batteries, are separated by a fiberglass separator and bound together. The various positive and negative plates are then connected together by an automated welding machine. The electrode plates are then installed into the plastic battery casing and sealed by heat or glue.

Acid Filling and Charging. Electrolyte, in liquid form for AGM VRLA and flooded batteries and in gel form for gel VRLA batteries, is then added to the semi-finished battery products by automatic acid feeders. The batteries are then charged with electricity, which takes 18 to 24 hours depending on their capacity.

Inspection, Labeling and Packaging. In the final stage, the charged batteries are then cleaned and sealed, then left still for a period of time. After testing, the batteries are labeled and ready for shipment.

Production Process for TPPL VRLA Batteries

The follow flowchart shows the principal steps involved in the manufacturing of our TPPL VRLA products.



The key stages in production process include:

Lead Strip Casting and Punching. Pure lead is cast into thin lead strip and the grid pattern is made formed by punching.

Paste Making. In this stage, lead is ground into lead powder, diluted and then combined with sulphuric acid and other chemicals to make lead paste.

Grid Strip Continuous Pasting. In this stage, the grids are pasted continuously and divided into individual plates with a rotary die cutter, flash dried, stacked and then cured and dried.

Assembling. In this stage, pairs of positively charged and negatively charged electrode plates are separated by a fiberglass separator and bound together. The plates are then connected together by cast-on-strap (COS) automated welding operation. The plate group elements are boxed and the cells are welded together by a computer-controlled partition welder. The lid is then sealed in place by an automated heat sealing machine and the battery is filled with cold acid under vacuum.

Jar Formation. In this stage, the plate groups are inserted into battery containers which are immersed in water-cooled tanks, called jar formation.

Washing and Drying. At this final stage, the batteries are charged, washed, dried and left still for a period of time.

Inspection, Labeling and Packaging. After testing, the batteries are labeled and ready for shipment.

RAW MATERIALS AND UTILITIES

Raw Materials

During the Track Record Period, our total cost of raw materials was RMB886.4 million, RMB1,160.8 million, RMB945.7 million and RMB607.3 million, respectively, constituting 89.6%, 89.2%, 85.0% and 85.9%, respectively, of our total cost of sales. The major raw materials used in our production include lead, ABS plastic, sulphuric acid and fiberglass separators. Purchases of our major raw materials are made through our procurement center, which allows us to negotiate more favorable bulk supply contracts and ensure consistency in the quality of raw materials.

Lead constitutes the largest share of our raw material costs, comprising approximately 60.8%, 61.8%, 56.6% and 62.4% of our cost of raw materials in 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. We purchase lead from suppliers in China, particularly in Henan, Hunan and Yunan provinces where the major lead manufacturers are located. Fluctuation in the supply and the price of lead in the international market has a direct impact on the supply and price of lead in China.

Under the contracts with our lead suppliers, the price of each shipment is based on the lead price published on the Shanghai Metals Market. To protect ourselves from the risk of price fluctuations, many sales contracts with our customers have a similar pricing mechanism, where prices of our products are adjusted if the lead price on the Shanghai Metals Market rises or falls beyond a certain range. For more details, see "—Customers—Pricing" above.

As of the Latest Practicable Date, we have not experienced any major disruption in raw material supplies that have interfered with our operations.

Inventory

We have implemented a centralized inventory control system and the level of inventory is determined based on the needs of all of our production facilities. Our centralized sales center will generally assign an order to the production facility that has the necessary raw materials readily available to maximize efficiency and minimize our upfront cost. Under our centralized inventory system, we are able to monitor the amount of inventory for all production materials at all of our production facilities and make periodic adjustments by moving excess from one to another. For lead and ABS plastic, which are generic materials used for all products and are processed at our production facilities for specific use, our production facilities generally maintain an average inventory of seven days.

Electricity

Our production requires electricity, particularly during formation and at the final charging stage of the production process. During 2007, 2008 and 2009 and the six months ended June 30, 2010, our expenses incurred for the consumption of electricity amounted to RMB37.9 million, RMB51.2 million, RMB58.7 million and RMB36.9 million, respectively, representing 3.8%, 3.9%, 5.3% and 5.2% of our cost of sales, respectively.

We generally take advantage of the off-peak hour electricity discount by conducting most of our battery charging activity at night, when demand for electricity is lower. Our Zhaoqing, Jiangsu and Anhui production facilities have dedicated electricity transmission lines from electrical substations to ensure power supply. Further, our Shenzhen production facility is equipped with a back-up power generator. During the Track Record Period, we did not experience any shortage of supply of electricity that caused material interruption of our production operations.

SUPPLIERS

We select our suppliers through a set of standardized procedures that we have established to help ensure that our raw materials and other supplies meet our quality control standards. After identifying a potential supplier, we will first test their products and then conduct on-site visits to their facilities. If we retain a potential supplier, we normally initially enter into small volume purchase contracts and undertake a series of tests of the products they supply before issuing larger quantity orders. A supplier must pass our quality control procedures before it can become a preferred supplier and be eligible for long-term contracts. In addition, the quality of our suppliers' products and services are subject to random testing and reviewed annually to ensure continuing satisfaction of our order specifications and compliance with our quality standards.

We have developed a complete supply chain utilizing numerous material and equipment suppliers. With the exception of ABS plastic materials, which are sourced from Korean and Taiwanese suppliers, we purchase most of our major production materials from domestic suppliers in China. We maintain at least two suppliers for each of the major raw materials for our production to mitigate the risk of reliance. We have more than 50 suppliers for lead, our most significant raw material. We have more than three years of business relationships with most of our suppliers.

Our supply contracts are generally set for a period of one year. With the exception of lead, terminals and connectors, raw material prices are pre-determined for the entire contract period. The prices of lead, terminals and connectors, which are produced from metals, are calculated based on the price of the relevant metals on the Shanghai Metals Market. For lead, we are normally required to make payments within seven days of delivery. For ABS plastic and other materials, we generally enjoy credit periods up to 60 days.

In 2007, 2008 and 2009 and the six months ended June 30, 2010, purchases from our five largest suppliers accounted for 67.1%, 62.4%, 51.5% and 47.4%, respectively, of our total purchase, while purchases from our largest supplier accounted for 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. While we have a number of lead suppliers, our larger suppliers currently comprise a significant percentage of our total supply expenditures.

Except for Dongguan Leoch Power Supply and Shenzhen Marshell Green Power, both among the five largest suppliers and owned by Mr. Dong, as of the Latest Practicable Date, none of our Directors, senior management, or their respective associates, or any Shareholders of our Company, who, to the best of the Director's knowledge, owns 5% or more of our issued shares, has any interest in any of our five largest suppliers in the Track Record Period.

Purchases from Dongguan Leoch Power Supply were RMB139.3 million, RMB138.0 million, RMB107.4 million and RMB53.5 million, and comprised 14.8%, 12.4%, 11.2% and 7.6% of our total raw material purchases in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. Our purchases from Dongguan Leoch Power Supply mainly comprised electrode plates which were supplied to our Dongguan and Shenzhen production facilities, as they do not produce electrode plates in their production. Dongguan Leoch Power Supply ceased production in June 2010 and hence it is expected that we will not purchase any materials from Dongguan Leoch Power Supply after Listing. The supply of electrode plates to our Dongguan and Shenzhen production facilities will be supported by our Zhaoqing production facility.

Purchases from Shenzhen Marshell Green Power were RMB55.1 million, RMB35.2 million, RMB27.9 million and RMB23.2 million, and comprised 5.8%, 3.2%, 2.9% and 3.3% of our total raw material purchases in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. Our purchases from Shenzhen Marshell Green Power mainly comprised battery cases and accessories which form the casing of our products. The battery cases and accessories purchased from Shenzhen Marshell Green Power are supplied to our Dongguan and Shenzhen production facilities

which are battery assembly facilities and do not produce battery casing in their production. Shenzhen Marshell Green Power is principally engaged in the manufacturing of electric vehicles and related products. Shenzhen Marshell Green Power possesses injection moulding machines for its production and utilizes its surplus production capacity to produce battery cases and accessories exclusively for us and do not sell to any other parties. We will continue to purchase battery cases and accessories from Shenzhen Marshell Green Power after Listing. Please refer to the section titled "Connected Transactions" in this prospectus for further information.

QUALITY CONTROL AND RECOGNITION

We enforce strict quality control procedures throughout the production process. Our quality control procedure consists of four elements: equipment control, raw material control, production process control and product control.

- *Equipment control.* We employ automated computerized controls in curing, acid-filling and charging our batteries to ensure consistency in the production parameters. Our equipment is calibrated periodically to ensure its accuracy.
- *Raw material control.* All raw materials must undergo laboratory testing and only those meeting our strict requirements are used in production. We also carefully source our raw materials from reputable suppliers and perform annual reviews on the quality of the materials provided to us.
- *Production process control.* Production process control consists of a multi-point check system from the beginning through the end of our production process. In addition, each assembly line is inspected by a dedicated inspector who makes continuous adjustments to ensure all semi-finished products meet the quality specification.
- *Product control.* 100% of our batteries undergo a computerized four-function test, namely, inner resistance test, high-pressure sealing test, instantaneous high-rate discharge test and closed circuit voltage test.

We believe these four elements are essential to our quality control. We also provide ongoing training to our employees to ensure effective application of our quality control procedures.

Our quality control team consists of more than 200 employees who are responsible for implementing the above quality control procedures by inspecting the quality and origins of raw materials, observing and checking our production process, performing tests on semi-finished and finished products and monitoring our customer support services. A majority of the senior management of our quality control team has more than 10 years of work experience in the quality control field. Our quality control staff attend training courses of ISO standards organized by China Certification Center for Quality Mark on quality management system and environmental management system. We also conduct internal training to employees on battery testing techniques.

Our rigorous quality control measures have received certifications and recognitions under PRC and international standards. For instance, all of our production facilities have received ISO9001:2000 certification, a quality management system certification. Our Dongguan and Jiangsu production facilities are ISO/TS16949 certified by TUV Reheiuland Cert GmbH. ISO/TS16949 is a quality management standard that is required for suppliers to the automobile and motorcycle industry. In China, we have received the TLC Certification from China Telecommunication Technology Labs, a requisite certification to supply to the telecommunications industry, as well as passing the stringent quality reviews and obtained qualifications from major telecommunications companies. Furthermore, we have earned the certification of various national standards for product safety or quality management, including UL Certificate from Underwriters Laboratories Inc. (United States), CE Certificate from EMTEK Shenzhen Co., Ltd. (European Union), VdS Certificate from VdS Schadenverhutung GmbH (Germany), IEC

Certificate from Intertek Testing & Certification Ltd. (U.K.) and PCT Certificate from Russian National Standard Bureau (Russia). Each of these certifications is required before we could begin selling our products to the respective country and also helps to establish our quality in other markets.

Each certifying institution has its own requirements for maintaining valid certifications. Each of the UL certificates, CE certificates and IEC certificates requires our products to be certified before they can be sold in the United States, the European Union and the U.K., respectively, and then requires us to pay an annual fee to maintain the certification. The VdS certificates were granted for different products for a four year period with the earliest commencing on August 19, 2006 and expiring on August 18, 2010 and the most recent commencing on August 19, 2010 and expiring on August 18, 2014. The PTC certificates were granted for different products for a one-year period commencing on June 9, 2010 and expiring on June 8, 2011. The ISO/TS 16949:2009 was granted for a period of three years commencing on October 26, 2009 and expiring on October 25, 2012. The TLC certificate was granted for a period of three years commencing on June 12, 2009 and expiring on June 11, 2012. We do not foresee any legal impediment in renewing our certifications upon expiry of their respective validity periods.

COMPETITION

We compete with Chinese and international lead-acid battery manufacturers. The battery industry in China is highly fragmented and includes a large number of small and mid-sized manufacturers. Our business is mainly focused on the reserve power battery market, in which the top three manufacturers, Coslight Technology International Group Ltd., China Shoto plc, and us, only accounted for 6.2%, 5.3% and 3.7%, respectively, for a total of 15.2% of the market share in terms of revenue in 2009 according to Asia Battery Association.

The increasing demand for batteries with high performance and quality standards and the continued emphasis on environmental protection in the manufacturing process may have significant adverse impact on the operation of relatively small manufacturers and therefore could offer potential opportunities for established market leaders like us. The increasingly stringent approval process for production and export may also serve as an entry barrier.

Our Directors believe that competition in lead-acid battery products is primarily based on pricing, quality of products, ability to meet customers' requirements and after-sales services. Our Directors believe that we can compete despite the intense competition in China because of our competitive cost structure and pricing, high quality products, ability to meet customers' requirements and comprehensive range of after-sale services.

In China's reserve power battery market that serves the telecommunications sector, we mainly compete with China Shoto plc, Coslight Technology International Group Ltd. and Zhejiang Narada Power Source Corp. We are the second largest battery supplier to China Unicom based on its purchase volume in 2009, and we are the third largest supplier to China Mobile based on China Mobile's planned purchases for the full year 2010.

EMPLOYEES

As of June 30, 2010, we employed a total of 7,235 employees which are classified as follows:

Competency	Number of Employees	Percentage of Total Employees (%)
Management	47	0.7
Administration	446	6.2
Production	5,923	81.9
Sales and marketing	266	3.7
Finance	53	0.7
Research and development	177	2.4
Others	323	4.4
Total	7,235	100.0

As of December 31, 2007, 2008 and 2009, our employees totaled 3,551, 4,172 and 4,938, respectively. We do not have any part-time employees or temporary workers. In the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our employee benefit expense, including wages and salaries, retirement benefit scheme contributions and share option expense, was RMB73.5 million, RMB91.1 million, RMB114.5 million and RMB87.5 million, respectively.

We provide our employees and management with on-the-job education, training and other opportunities to improve their skills and knowledge. Newly hired employees generally attend a one-month training program, including an introduction to corporate culture, workplace safety, products and rules of conduct. Every year, all the factory-level management teams submit training proposals for specific training to be carried out. Administrative employees receive specific training relevant to their functions, such as environmental safety, accounting or internal control. For our management, we organize annual seminars and training to further develop their management skills.

We enter into employment agreements with all of our employees, covering, among other things, salaries, benefits, training and workplace safety, confidentiality obligations relating to trade secrets and grounds for termination. Our employees receive the benefits as specified under PRC laws and regulations, including welfare benefits such as medical care, social security and retirement benefits, as well as other miscellaneous benefits. Employees of our Jiangsu, Anhui, Zhaoqing and Shenzhen production facilities have formed labor unions, which are registered with relevant governmental departments. Employees may choose whether to join the union or not.

During the Track Record Period, we have not experienced any major labor dispute or other labor disturbances that have interfered with our operations, and our employee relations are favorable. We have never terminated employees engaging in the lead-related production process. During the Track Record Period, the average percentage of resignation was approximately 15% for both those who were involved in lead production and those who were not.

Housing Fund and Social Security

We have not paid certain historical housing fund and social security contributions in strict compliance with the relevant PRC regulations for and on behalf of certain 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 paid social security contributions based on the wages of our employees in strict compliance with the relevant laws as upon consultation with the local authorities for our five production facilities, they allowed us to pay the contributions for our employees based on the respective minimum wages required by the social security bureaus for our five production facilities. Our PRC legal advisers, Zhong Lun Law Firm, has advised us that although our contribution is not in strict compliance with the

relevant laws, the possibility that we will be required by local authorities to make payments for the outstanding social security contributions is remote.

We have not been able to pay housing fund contributions for our employees in circumstances where employees have not been willing to make corresponding contributions and therefore we are not able to open payment accounts for them at the local housing fund administration centre to pay our responsible portions of the contributions. Further, we have not been able to pay housing fund contributions for our employees in Shenzhen Leoch where Shenzhen Human Resources and Social Security Bureau requires employees to have permanent residency in Shenzhen for payment of their housing fund contributions. As of the Latest Practicable Date, it is impossible for us to pay contributions for those employees with no Shenzhen residence at the local authority.

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; 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 have not received any notice from the relevant housing fund or social security authorities ordering us to make payments in respect of such outstanding contributions, nor were we aware of any employees' complaints or demands for payment of social security and housing fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the People's Courts regarding social security and housing fund contributions disputes. As an ongoing measure to ensure compliance, we will make quarterly consultations with the relevant housing fund and social security authorities on whether the outstanding contributions may be made.

Based on the foregoing, we have not made payments of the outstanding social security and housing fund contributions. The total outstanding amount of such historical 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.

ENVIRONMENT, HEALTH AND SAFETY

We are subject to extensive and changing environmental, health and safety laws and regulations in the PRC. Details of these laws and regulations are set out in "Regulatory Overview—Environmental Laws" and "Regulatory Overview—Work Safety and Occupational Disease Prevention and Treatment" in this prospectus. The main pollutants generated by our production processes are lead dust and particles and waste water containing lead and sulphuric acid. Based on our representations and confirmations from relevant governmental authorities, our PRC legal advisers advised that during the Track Record Period, we did not receive any material claims, or administrative actions or penalties by the relevant PRC authorities, in relation to environmental and occupational health and safety issues.

Environmental Protection Measures

Pursuant to the applicable environmental laws and regulations in China, we have installed various equipment at all of our production facilities for the removal of lead dust and particles generated during our production process and to minimize the amount of pollutants in the air. The equipment includes ventilation systems, dust absorbing and removing systems, acidic mist and lead fumes purifying machines and fresh air pipelines. Our Directors confirm that during the Track Record Period, we did not release any toxic element other than those that are permitted under the relevant laws and regulations in our production.

Our production process at our Jiangsu, Zhaoqing and Anhui production facilities generates industrial waste water containing lead and sulphuric acid. We have installed waste water treatment facilities at all three production facilities. The water treatment facility neutralizes the waste water and removes its lead content in accordance with the applicable environmental standards in China. At our Zhaoqing and Anhui production facilities, the purified water is collected and reused in our production process, thus achieving "zero discharge". At the Jiangsu production facility, waste water is discharged to the municipal sewer system after purification. Our Jiangsu and Zhaoqing production facilities have obtained ISO 14001:2004 certification for environmental management. For our Anhui production facility, we have completed the EIA and passed the environmental completion acceptance examination, and we have applied for ISO 14001:2004 certification and expect to receive the certification by the end of 2010. Our Shenzhen and Dongguan production facilities are battery assembling facilities and do not generate any waste water. Our Directors confirm that ISO 14001:2004 certification is not necessary for our Shenzhen and Dongguan production facilities.

We have engaged MWH, an independent environmental consulting company, to perform an environmental protection assessment of our five production facilities for a lump-sum fee of RMB120,000. Following the review of available documents and site inspections, MWH confirmed that no major non-compliance issues were identified with respect to PRC regulations, and our production sites generally display adequate pollution prevention facilities to treat air emissions and wastewater discharge. MWH, however, identified certain issues, including (a) inadequate filings and approvals, (b) inadequate testing and evaluation, and (c) inadequate waste management in relation to Shenzhen Leoch, Dongguan Leoch and Zhaoqing Leoch.

With respect to filings and approvals, MWH noted that Dongguan Leoch had not updated its EIA to include three additional battery assembly lines at its production facility in August 2006 and Zhaoqing Leoch had not updated its EIA to include the battery shelf manufacturing process located at one of its newly implemented workshops in January 2010, and therefore both of them had not obtained relevant approvals from local EPBs. Dongguan Leoch and Zhaoqing Leoch have rectified their respective situations by updating their EIAs and obtaining the outstanding approvals on September 30, 2010 and August 31, 2010, respectively.

With respect to testing and evaluation, MWH noted that sewage emission levels at Shenzhen Leoch had not been evaluated on an annual basis by a qualified environmental inspection institution against local emission standards since May 2008, and paint dust emission levels from our battery shelf manufacturing process at Zhaoqing Leoch had not been evaluated on an annual basis by a qualified environmental inspection institution against local emission standards since January 2010. Shenzhen Leoch and Zhaoqing Leoch have rectified their respective situations by engaging qualified environmental inspection institutions, namely Guangzhou Two Light System Environment Inspection Station and Environmental Protection Inspection Station of Hitech Industry Development Zone of Zhaoqing City in July 2010 and August, 2010, respectively, to conduct annual evaluations. These qualified environmental inspection institutions completed their evaluations of Shenzhen Leoch and Zhaoqing Leoch for 2010 and did not identify any non-compliance.

With respect to waste management, MWH noted that Shenzhen Leoch, Dongguan Leoch and Zhaoqing Leoch had not engaged qualified waste disposal service providers for the disposal of hazardous waste since December 2007, December 2007 and April 2009, respectively. For Shenzhen Leoch and Dongguan Leoch, while we had previously engaged qualified waste disposal service providers for disposal of hazardous waste upon their respective commencements of operation, in December 2007, our operational staff, due to their inadvertence, failed to enter into formal agreements with qualified waste disposal providers because the amount of waste to be disposed was not substantial and qualified waste disposal service providers provided disposal services for our waste despite the absence of any formal agreement. All of Shenzhen Leoch, Dongguan Leoch and Zhaoqing Leoch have rectified their respective situations by engaging relevant qualified waste disposal service provider, namely Shenzhen Hazardous Wastes Handling Station Company Limited (深圳市危險廢物處理站有限公司) on August 14, 2010 for a term of one year. Upon expiry of the term, we intend to renew the engagement or engage new qualified waste disposal service provider for disposal of our hazardous wastes.

As confirmed by our Directors, these historical issues arose primarily because (i) PRC regulations and administrative measures with regard to environmental protection were in the process of development and (ii) local implementations of relevant regulations varied from place to place. As a result it was sometimes difficult for PRC enterprises such as our PRC subsidiaries and relevant administrative authorities to fully understand all the administrative procedures required. Specifically, while we had completed the EIA procedures as required by law for the production facilities of Dongguan Leoch and Zhaoqing Leoch, we subsequently expanded the production capacity of Dongguan Leoch and added battery shelf manufacturing lines to Zhaoqing Leoch in 2006 and 2010, respectively. As the regulations on conducting additional EIA for expanded production lines were inexplicit, we believed that the original EIA should would cover such expansions, and did not carry out additional EIA procedures. We have acted on MWH's recommendations and have rectified all the issues identified by MWH. See Appendix V to this prospectus for the MWH report. Given that we have acted on the recommendations of MWH and enhanced our environment protection measures as well as regulatory compliance as set out below, we believe that sufficient on-going measures have been adopted to ensure our internal control in environmental protection. Our PRC legal advisers, Zhong Lun Law Firm, advised us that in connection with the rectified issues, the risk that local environmental protection bureaus would take actions against us, such as imposition of penalties or fines, is low. Our PRC legal advisers also advised us that as of the Latest Practicable Date, we comply with relevant environmental laws in the PRC in all material aspects.

In order to enhance our environmental protection measures, we have set up an environmental protection department responsible for all environmental protection matters upon commencing our operations. Our environmental protection department is currently headed by our vice president of production and comprises approximately 30 staff members with relevant degrees, such as environmental science, environmental engineering and environmental monitoring and management, and experience in areas of environmental protection and occupational health and safety. Our environmental protection staff are located at the headquarters and at all of our production facilities to monitor our regulatory compliance and implement environmental protection systems and guidelines. Since March 2010, environmental protection staff at our production facilities are required to report to our environmental protection unit on a weekly basis to and seek approvals from the environmental protection unit at our headquarters prior to making any significant decisions on our environmental protection procedures. The environmental protection unit which reports quarterly to our vice president of production. Upon identifying any material environmental protection issues, our vice president of production will report to our chairman.

To ensure on-going compliance, we have further strengthened our staff training on environmental protection. In addition to internal training sessions, since March 2010, we invite environmental experts and legal advisers to provide training on best practices and PRC environmental laws and regulations. Furthermore, our staff attend training provided by industry associations and participate in exchange programs with similar enterprises overseas to gain knowledge and practical experience in the practice of environmental protection in our industry. To ensure regulatory compliance in general, since March 2010,

all material changes, including the implementation of new production lines, must be reported to our legal and administrative team which includes (i) one of our executive Directors, (ii) our vice president of production, who is also in charge of our environmental protection unit at the headquarters, has over ten years of experience in implementing regulatory compliance relating to battery production and has been responsible for the construction and expansion projects of our production facilities including the obtaining of relevant necessary approvals and permits, and (iii) a manager and three other staff who have obtained PRC law degrees. Our legal and administrative team, which reports directly to the chairman, attends training on PRC laws and regulations relevant to our operations conducted by external legal advisers and industry groups, and is responsible for updating our management of and ensuring compliance with the latest regulatory development.

The environment standards for various pollutants are promulgated by the national environmental protection authority, which sets the minimum national standards, and local environmental protection authorities, which may impose a stricter standard in their respective jurisdiction. Local environmental protection authorities determine the applicable standards for the pollutants for our production facilities based on the environmental conditions of the locality, soil qualities and other relevant factors, and conduct spot tests to confirm compliance. Although local environmental protection authorities generally conduct spot tests annually, in the event they do not perform spot tests within one year of the previous annual evaluation, our environmental protection department will engage qualified environmental inspection institutions to carry out annual evaluations voluntarily to ensure our compliance with the relevant local standards after Listing.

The table below sets forth the applicable environmental standards for various pollutants produced by Jiangsu Leoch and its compliance as evaluated by the Environmental Protection Inspection Station of Huai'an City, which has jurisdiction over our Jiangsu production facility, between April 2004 and March 2010, when the first and the latest, respectively, spot tests were performed:

Pollutants	Chemical Oxygen Demand (化學需氧量)	Ammonia Nitrogen (氨氮)	Suspended Matter (懸浮物)	Acid Fog (酸霧)	Lead Fumes (鉛煙)	Sulfur Dioxide (二氧化硫)	Lead Dust (鉛塵)
Maximum permitted emission concentration (Standards)	100 mg/L (according to the First Class Standard under the Integrated Waste Water Discharge Standards (《污水綜合排放標準》) (GB8978-1996).)	15 mg/L (according to the First Class Standard under the Integrated Waste Water Discharge Standards (《污水綜合排放標準》) (GB8978-1996).)	70 mg/L (according to the First Class Standard under the Integrated Waste Water Discharge Standards (《污水綜合排放標準》) (GB8978-1996).)	45 mg/m^3 (according to the Second Class Standard under the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) (GB16297-1996))	0.70 mg/m^3 (according to the Second Class Standard under the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) (GB16297-1996).)	850 mg/m^3 (according to the Second Class Standard under the Emission Standards for Air Pollutants of Industrial Furnaces (《工業爐窯大氣污染物排放標準》) (GB9078-1996).)	0.70 mg/m^3 (according to the Second Class Standard under the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) (GB16297-1996).)
Jiangsu Leoch	64-69 mg/L	13.6-14.8 mg/L	18-22 mg/L	8.68-27.2 mg/m^3	0.02-0.10 mg/m^3	N/A	0.01-0.15 mg/m^3

The table below sets forth the applicable environmental standards for various pollutants produced by Anhui Leoch Battery and its compliance as evaluated by the Environmental Protection Inspection Station of Suixi County, which has jurisdiction over our Anhui production facility, between April 2008 and December 2009, when the first and the latest, respectively, spot tests were performed:

Pollutants	Chemical Oxygen Demand (化學需氧量)	Ammonia Nitrogen (氨氮)	Suspended Matter (懸浮物)	Acid Fog (酸霧)	Lead Fume (鉛煙)	Sulfur Dioxide (二氧化硫)	Lead Dust (鉛塵)
Maximum permitted emission concentration (Standards)	150 mg/L (according to the Second Class Standard under the Integrated Waste Water Discharge Standards (《污水綜合排放標準》) (GB8978-1996).)	25 mg/L (according to the Second Class Standard under the Integrated Waste Water Discharge Standards (《污水綜合排放標準》) (GB8978-1996).)	150 mg/L (according to the Second Class Standard under the Integrated Waste Water Discharge Standards (《污水綜合排放標準》) (GB8978-1996).)	45 mg/m^3 (according to the Second Class Standard under the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) (GB16297-1996).)	0.70 mg/m^3 (according to the Second Class Standard under the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) (GB16297-1996).)	850 mg/m^3 (according to the Second Class Standard under the Emission Standards for Air Pollutants of Industrial Furnaces (《工業爐窯大氣污染物排放標準》) (GB9078-1996))	0.70 mg/m^3 (according to the Second Class Standard under the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) (GB16297-1996).)
Anhui Leoch Battery	13-98 mg/L	0.344-10.6 mg/L	9-81 mg/L	3.24-3.31 mg/m^3	0.15-0.18 mg/m^3	373-512 mg/m^3	0.094-0.098 mg/m^3

The table below sets forth the applicable environmental standards for various pollutants produced by Zhaoqing Leoch and its compliance as evaluated by the Environmental Protection Inspection Station of Hitech Industry Development Zone of Zhaoqing City, which has jurisdiction over our Zhaoqing production facility, between March 2009 and May 2010, when the first and the latest, respectively, spot tests were performed:

Pollutants	Chemical Oxygen Demand (化學需氧量)	Ammonia Nitrogen (氨氮)	Suspended Matter (懸浮物)	Acid Fog (酸霧)	Lead Fume (鉛煙)	Sulfur Dioxide (二氧化硫)	Lead Dust (鉛塵)
Maximum permitted emission concentration (Standards)	500 mg/L (according to the Third Class Standard (Second Period) under the Discharge Limits of Water Pollutants in Guangdong Province (《水污染物排放限值》) (DB44/26-2001)	25 mg/L (according to the Second Class Standard under the Integrated Waste Water Discharge Standards (《污水綜合排放標準》) (GB8978-1996))	400 mg/L (according to the Third Class Standard (Second Period) under the Discharge Limits of Water Pollutants in Guangdong Province (《水污染物排放限值》) (DB44/26-2001)	35 mg/m^3 (according to the Second Class Standard under the Emission Limits of Air Pollutants in Guangdong Province (《大氣污染物排放限值》) (DB44/27-2001))	0.70 mg/m^3 (according to the Second Class Standard under the Emission Limits of Air Pollutants in Guangdong Province (《大氣污染物排放限值》) (DB44/27-2001))	850 mg/m^3 (according to the Emission Standards for Air Pollutants of Industrial Furnaces (《工業爐窯大氣污染物排放標準》) (GB9078-1996))	0.70 mg/m^3 (according to the Second Class Standard under the Emission Limits of Air Pollutants in Guangdong Province (《大氣污染物排放限值》) (DB44/27-2001))
Zhaoqing Leoch	51-121.2 mg/L	0.68-5.295 mg/L	19.6-35 mg/L	0.89-5.2 mg/m^3	0.013-0.19 mg/m^3	N/A	0.013-0.59 mg/m^3

For Shenzhen Leoch and Dongguan Leoch, both of which are battery assembly facilities and have minimal pollutant emission, local environmental protection authorities have not conducted spot tests. We have voluntarily engaged Guangzhou Two Light System Environment Inspection Station, an environmental inspection institution qualified by Administration of Quality and Technology Supervision of Guangdong Province, to evaluate the pollutant levels in the sanitary waste water and the exhaust system at these two production facilities. Guangzhou Two Light System Environmental Inspection Station conducted the test on July 8, 2010, and confirmed that Shenzhen Leoch and Dongguan Leoch were in compliance with applicable standards in Guangdong Province. As advised by the Company's environmental consultant, MWH, a variety of factors, such as locality conditions, time of testing and circumstances of testing, or a combination of them, could have resulted in some of the discharge levels at Shenzhen Leoch and Dongguan Leoch to be lower or higher than the other facilities.

Pollutants[(1)]	Chemical Oxygen Demand (化學需氧量)	Ammonia Nitrogen (氨氮)	Suspended Matter (懸浮物)	Acid Fog (酸霧)	Lead and its compound (鉛及其化合物)	Benzene (苯)	Dimethyl Benzene (二甲苯)	Toluene (甲苯)	Tin and its compound (錫及其化合物)
Maximum permitted emission concentration (Standards). . . .	90 mg/L (according to the First Class Standard (Second Period) under the Discharge Limits of Water Pollutants in Guangdong Province (《水污染物排放限值》) (DB44/26-2001)	10 mg/L (according to the First Class Standard (Second Period) under the Discharge Limits of Water Pollutants in Guangdong Province (《水污染物排放限值》) (DB44/26-2001)	60 mg/L (according to the First Class Standard (Second Period) under the Discharge Limits of Water Pollutants in Guangdong Province (《水污染物排放限值》) (DB44/26-2001)	35 mg/m^3 (according to the Second Class Standard (Second Period) under the Emission Limits of Air Pollutants in Guangdong Province (《大氣污染物排放限值》) (DB44-27-2001))	0.70 mg/m^3 (according to the Second Class Standard (Second Period) under the Emission Limits of Air Pollutants in Guangdong Province (《大氣污染物排放限值》) (DB44-27-2001))	12 mg/m^3 (according to the Second Class Standard (Second Period) under the Emission Limits of Air Pollutants in Guangdong Province (《大氣污染物排放限值》) (DB44-27-2001))	70 mg/m^3 (according to the Second Class Standard (Second Period) under the Emission Limits of Air Pollutants in Guangdong Province (《大氣污染物排放限值》) (DB44-27-2001))	40 mg/m^3 (according to the Second Class Standard (Second Period) under the Emission Limits of Air Pollutants in Guangdong Province (《大氣污染物排放限值》) (DB44-27-2001))	8.5 mg/m^3 (according to the Second Class Standard (Second Period) under the Emission Limits of Air Pollutants in Guangdong Province (《大氣污染物排放限值》) (DB44-27-2001))
Shenzhen Leoch. . . .	63.8 mg/L	4.26 mg/L	16 mg/L	8.63 mg/m^3	–	3.39 mg/m^3	26.8 mg/m^3	20.5 mg/m^3	1.96 mg/m^3
Dongguan Leoch . . .	54.1 mg/L	4.12 mg/L	23 mg/L	6.84 mg/m^3	0.16 mg/m^3	4.11 mg/m^3	25.7 mg/m^3	22.6 mg/m^3	3.85 mg/m^3

Note:

(1) As Shenzhen Leoch and Dongguan Leoch are battery assembly facilities, the pollutants are not related to their production processes. Chemical oxygen demand and ammonia nitrogen are present in the sanitary waster water.

During the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we spent RMB4.0 million, RMB11.0 million, RMB12.2 million and RMB7.7 million, respectively, on environmental protection compliance. We expect to incur RMB15.0 million and RMB25.0 million on compliance with the applicable environmental protection laws and regulations for the years ending December 31, 2010 and 2011, respectively. Our environmental protection expenses primarily consist of set up cost of environmental production facilities, purchases of relevant equipment and materials, fees for waste and waste water disposal services and labor cost for employees associated with environmental protection. Except for the inadequacies identified by MWH as mentioned above which we have all rectified, we had not breached any applicable PRC environmental laws and regulations during the Track Record Period and were therefore not subject to any penalty or punishment as a result. Environmental Protection Bureaus of Suixi County, Jinhu County, Dongguang (Tangxia Branch) and Zhaoqing Hightech Development Zone (濉溪縣環境保護局、金湖縣環境保護局、東莞市環境保護局塘廈分局、肇慶高新技術產業開發區環境保護局) and Guanlan Administration Station of Environmental Protection Bureau of Baoan District, Shenzhen (深圳市寶安區環境保護局觀瀾管理所) have confirmed either that our production facilities are in compliance with the relevant rules and regulations or that they have not been subject to any penalty or punishment as a result of any breach of any applicable PRC environmental laws and regulations. Our PRC legal advisers, Zhong Lun Law Firm, advised that the above authorities are competent authorities to give such confirmations.

Health and Safety Measures

We provide protective clothing and accessories, such as gloves, goggles and masks, to all of our employees. All employees must follow strict health and safety guidelines in the production areas and are required to wash off because exiting. All chemicals are inventoried and stored in designated room.

Lead is the key raw material used in our production of lead-acid batteries. Our workers are exposed to lead dust and particles at different stages of our production process. An excessive intake of lead dust or particles, whether through inhaling or skin contact, has harmful effects on health. Lead poisoning may also result from occupations that involve close and frequent contact with or exposure to lead dust or particles.

According to the Lead Poisoning Criteria, blood lead levels equal to or more than 600 μg/L shall be considered to indicate chronic lead poisoning. Under our internal guidelines, which follow the Lead Poisoning Criteria, we consider employees having a blood lead level above 400 μg/L to have elevated blood lead levels, and take measures to reduce their exposure.

We arrange for all our employees engaging in the lead-related production process and who may have contact with lead during their work to receive annual medical checks for blood lead level. To further enhance occupational health and safety, medical checks for blood lead level will be arranged on a semi-annual basis after Listing. In the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, no employees were found to have lead poisoning. There had been, however, 15, 23, 16 and seven different employees, respectively, who were found to have elevated blood lead levels in the same years, accounting for 0.4%, 0.5%, 0.3% and 0.1%, respectively, of our total number of employees as of the end of each period. These affected employees had worked for us for an average of two years and all of them were engaged in production processes involving close contact with lead. We arranged for the medication or hospitalization of these employees, transferred them to different departments, such as warehousing and shipping, as required by relevant PRC regulations and did not terminate their employment. We have obtained confirmations from local disease control and prevention centers (疾病預防控制中心) or disease prevention and health care institutes (預防保健所), which are non-profit organizations established and authorized by the relevant bureaus of health (衛生局) to conduct routine occupational health tests required by the PRC law, that the blood lead levels of the affected employees have dropped below the level set forth in our internal guidelines upon treatment and none of them was diagnosed with occupational chronic lead poisoning. The total medical cost involved was RMB138,000 which we have paid in full. We have not encountered any claim for compensation or received any penalty in relation to these incidents. As advised by our PRC legal advisers, pursuant to applicable PRC laws, the statutory limitation period for compensation lawsuits is normally one year from the date of the occurrence of the injuries. As to the seven employees that were found to have elevated blood lead levels in the six months ended June 30, 2010, although they could still file a civil claim for compensation against us within the statutory limitation period, our PRC legal advisers advised that the likelihood that such claims will be successful and that we would be ordered to pay compensation to them is low because those employees have been satisfactorily treated and transferred to different posts as required by relevant PRC regulations. Mr. Dong has also provided an indemnity against all losses suffered by us in relation to any work-related accidents of our employees occurred before Listing, including the above-mentioned elevated blood lead level incidents.

To minimize future occurrences, starting in March 2008, our designated safety personnel monitor our employees' compliance with our health and safety procedures on a daily basis. In addition, we have separated the production zone at our production facilities and implemented the requirement that staff must be fully sanitized before entering or leaving the production zone to reduce the risk of contamination. All the designated safety personnel have obtained safety officer qualifications from the local production safety monitoring bureau. We have also strengthened the education and training of our employees on occupational health and safety.

Administrations of Work Safety of Suixi County, Jinhu County, Zhaoqing High-tech Development Zone and Dongguang (Tangxia Branch) (濉溪縣安全生產監督管理局、金湖縣安全生產監督管理局、肇慶高新技術產業開發區安全生產監督管理局、東莞市安全生產監督管理局塘廈分局), and Work Safety Administrative Office of Guanlan Street of Bao'an District in Shenzhen (深圳市寶安區觀瀾街道安全生產監督管理辦公室) and Bureaus of Health of Suixi County and Jinhu County (濉溪縣衛生局、金湖縣衛生局), Tangxi Administration Group of Public Hygiene of Bureau of Health of Dongguan (東莞市衛生局塘廈鎮公共衛生監督小組), High-tech Development Zone Office of Center for Disease Prevention and Control of Zhaoqing City (肇慶市疾病預防控制中心高新區辦事處), and Guanlan Prevention and Health Care of Bao'an District of Shenzhen (深圳市寶安區觀瀾預防保健所) have confirmed our five production facilities' compliance with the relevant health and safety requirements of the PRC including the absence of occurrence of occupational disease incidents. Our PRC legal advisers, Zhong Lun Law Firm, advised that the above authorities are competent authorities to give such confirmations.

During the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we spent RMB0.5 million, RMB1.0 million, RMB1.3 million and RMB0.8 million, respectively, on industry safety (including fire safety) measures. We expect to incur RMB1.5 million and RMB2.0 million in respect of industry safety for the years ending December 31, 2010 and 2011, respectively.

INSURANCE

Based on the industry practice in China and our experience, our Directors believe that we have purchased sufficient insurance coverage that is comparable to other battery manufactures in China. We maintain insurance coverage for our assets including production facilities, inventories, machinery, equipment and vehicles. We have also purchased logistics insurance for shipment of our goods. We maintain statutorily required insurance for our employees, including work-related injury insurance, which provides coverage for lead poisoning, medical insurance, maternity insurance, unemployment insurance and pension insurance. In addition to the statutorily required insurance, we have also purchased personal injury insurance and accidental medical insurance for some of our management, administrative and sales employees depending on their job functions. We maintain product liability insurance covering bodily injuries and property damage caused by products we sell or supply up to a specific limit. Our Directors confirm that, as of the Latest Practicable Date, we have not received any material product liability claims with respect to our products, or claims relating to defects or improper performance of the products that resulted in serious harm to the environmental or people's health, safety and daily lives.

Save for the above, in accordance with industry practice and available insurance in China, we do not carry any other insurance coverage. During the Track Record Period, we did not experience any major operation problems, such as equipment failure, improper equipment operation or industrial accidents which could result in significant production interruption, delays or liability claims for substantial damages, nor any business interruptions as a result of fire, power shortages, software or hardware malfunctions, flooding, computer viruses or other events beyond our control.

INTELLECTUAL PROPERTY RIGHTS

We rely primarily on a combination of patents, copyrights, trademarks and trade secrets, as well as employee and third party confidentiality agreements to protect our intellectual property.

As of the Latest Practicable Date, we held 38 patents in China, including six invention patents, 28 utility model patents, four packaging design patents, as well as one invention patent in Hong Kong. We also had 30 patent applications pending in China, consisting of 27 invention patents and three utility model patents.

We have registered our logo "  ", in China and 80 other jurisdictions globally, while registration is pending in an additional 58 jurisdictions. In addition, we maintain 11 other trademarks for our operations and we are in the process of applying for five additional trademarks in China. Moreover, we

maintain five trademark registrations in the United States, Canada and Mexico. As our brand becomes more recognized in the battery industry, we are working to increase and enforce our rights in our trademark portfolio, the protection of which is important to our reputation and branding.

We rely on trade secret protection and confidentiality agreements to safeguard our interests regarding certain proprietary information. All of our employees are required to sign a general confidentiality agreement, while those with particular access to our proprietary information, such as researchers in the research and development department, are required to sign a more expansive non-disclosure agreement. We also require our clients and business partners to enter into confidentiality agreements before we disclose any sensitive aspects of our operations, technology or business plans.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. It is difficult to monitor unauthorized use of technology, particularly in countries where the laws may not adequately protect our proprietary rights. In addition, our competitors may independently develop technology similar to ours. Our precautions may not prevent misappropriation or infringement of our intellectual property.

As of the Latest Practicable Date, we have not been subject to any material intellectual property claims against us. Details of our intellectual property rights are set forth in "Statutory and General Information—Further Information about the Business—Our Intellectual Property Rights" in Appendix VII.

PROPERTIES

As of August 31, 2010, we owned or leased 12 properties with an aggregate site area of approximately 471,189 sq.m. and an aggregate GFA of approximately 245,255 sq.m. in the PRC, and leased three units with an aggregate GFA of 2,930 sq.m. overseas. The independent valuer has valued the abovementioned properties as of August 31, 2010. The text of the letter and the valuation report issued by the independent valuer are set out in Appendix IV to this prospectus.

PRC Properties

Land and Buildings

As of August 31, 2010, we owned:

- three parcels of land located in Huai'an City, Jiangsu Province with an aggregate site area of approximately 186,308 sq.m. and 31 buildings on such land, comprising nine factory buildings, one storage building, one office building, five staff quarters, three canteens and 12 ancillary buildings with an aggregate gross floor area of approximately 94,701 sq.m. We have obtained the land use rights certificates to these parcels of land and 13 buildings thereon;
- a parcel of land located in Zhaoqing City, Guangdong Province with an aggregate site area of approximately 115,332 sq.m. and 19 buildings on such land, comprising six production facility buildings, one storage building, one office building, three staff quarters with canteen and eight ancillary buildings with an aggregate gross floor area of approximately 86,024 sq.m. We have obtained the land use rights certificate to the parcel of land and 10 buildings thereon;
- five parcels of land located in Huaibei City, Anhui Province with an aggregate site area of approximately 157,499 sq.m. and 22 buildings on such land, comprising seven production facility buildings, one storage building, four office buildings, two staff quarters and eight ancillary buildings with an aggregate gross floor area of approximately 44,380 sq.m. We have obtained the land use rights certificates to these parcels of land and 16 buildings thereon; and
- a parcel of land located in Dongguan City, Guangdong Province with an aggregate site area of approximately 12,050 sq.m. We have obtained the land use rights certificate to the parcel of land.

Leased Properties

As of August 31, 2010, we leased:

- four buildings with a total GFA of approximately 9,602 sq.m. in Tongfuyu Industrial Zone, Kukeng Village, Guanan Town, Bao'an District, Shenzhen City, Guangdong Province as the site for our Shenzhen production facility;
- an office with a total GFA of approximately 43 sq.m. at Units E8, E9, E148 and E149, Xin Bao Hui Building, No. 2061 Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province for our Shenzhen office;
- an office with a total GFA of approximately 140 sq.m. at Unit 1002, West Block, Jingrun Mansion, No. Jia 28 Fuwai Avenue, Beijing for our Beijing office;
- an office with a total GFA of approximately 128 sq.m. at Unit 901, Tianzheng International Plaza, No. 399 Zhongyang Road, Nanjing City, Jiangsu Province for our Nanjing office;
- an office with a total GFA of approximately 126 sq.m. at Unit 352, Level 5 of Block 1 of West Mountain 3rd Lane, Chengxi District, Xining City, Qinghai Province for our Xining Office;
- an office with a total GFA of approximately 91 sq.m. at Unit 1403, Entrance 1, Block 3, Section A of Lanyu, Jinzhouwan, Panlong District, Kunming City, Yunan Province for our Kunming office; and
- an office with a total GFA of approximately 20 sq.m. at Unit 225 of Block 3, No. 939, Haixu Road, Pudong New District, Shanghai for our Shanghai office.

Pursuant to a tenancy agreement dated September 1, 2010, we leased a property with a total GFA of approximately 1,108 sq.m. at Units E1 to E4, E6, E7, E14 to E63, E72 to E112, E116 to E135 and E138 to E145, Xin Bao Hui Building, No. 2061 Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province. We leased the property from Shenzhen Marshell Power Supply, a connected person, for a term of two years commencing from September 1, 2010 and expiring on August 31, 2012.

Defective Property Titles

Owned properties without building ownership certificates or real estate title certificates

As of August 31, 2010, we have not obtained building ownership certificates or real estate title certificates to a total of 33 properties, all of which are used for non-production or ancillary purposes, with an aggregate GFA of 8,279 sq.m., accounting for approximately 3.4% of the aggregate GFA of our properties in the PRC, because of our failure to obtain the project planning permits and construction permits for these properties. Specifically, Jiangsu Leoch has 18 properties without building ownership certificates including staff quarters, a canteen, toilets and ancillary facilities. Zhaoqing Leoch has nine properties without real estate title certificates including warehouses, staff bathrooms and an ancillary production facility. Anhui Leoch Battery has six properties without real estate title certificates including a boiler room, a power distribution room, a waste water process facility, a rubbish disposal room, toilets and a load meter room. During the Track Record Period, Jiangsu Leoch leased a property without title certificate with a GFA of 30 sq.m. to a bank for installation of ATM facility, and received a total rent amount of RMB24,000 as of August 31, 2010. Save as the aforesaid, there were no illegal gains on the buildings without property titles.

According to relevant PRC regulations, the potential penalties to us due to the absence of title certificates include: (1) demolition of the 33 properties within a certain time limit; and (ii) a fine in an amount not more than 10% of the construction costs of the properties, i.e. approximately RMB864,830. If any government authority orders demolition of these properties, and we need to relocate these non-production or ancillary facilities, we estimate that we would incur a cost of approximately

RMB130,000. As these properties are used for non-production or ancillary purposes, they could easily be relocated to alternative premises without material impact on our operations. For the waste water processing facility of Anhui Leoch Battery, its protective covering structure constitutes the property without property title and does not affect the functioning of the processing facility. In the event that we received a demolition order from the relevant government authority, we would remove the covering structure and continue to use the processing facility. As advised by our PRC legal advisers, Zhong Lun Law Firm, Anhui Leoch Battery's compliance with the relevant environmental standards and requirements would not be affected. Our PRC legal advisers advised that in practice, the risk of sanctions from competent authorities is low except that the local government may order demolition of these properties within a time limit. We are working with the relevant local planning and construction authorities for the issuance of the project planning permits and construction permits, and after which we will be able to apply for the outstanding building ownership certificates or real estate title certificates. The Company has received confirmations from Urban and Rural Planning Commission of Suixi county ("Suixi Planning Commission") that it can obtain project planning permits for four buildings (i.e. a boiler room, a power distribution room, toilets and a load meter room) at Anhui Leoch Battery. Suixi Planning Commission has scheduled a site visit in October 2010 with Anhui Leoch Battery, and we expect to obtain the project planning permits in December 2010. We will apply for construction permits with Suixi Planning Commission after obtaining the project planning permits, and the estimated time for the issuance of the construction permits is around January 2011. Under normal circumstances, the building ownership certificates will be obtained within 12 months after issuance of the construction permits. As all these properties are used for non-production or ancillary purposes and are not crucial to our business or our operations in terms of revenue, profit contribution or production capacity during the Track Record Period, our operations will not be materially affected if we fail to obtain the relevant building ownership certificates or real estate title certificates, or are prohibited to use these properties.

Licensed property of Dongguan Leoch

Dongguan Leoch and Dongguan Leoch Power Supply entered into a purchase agreement on June 30, 2010 pursuant to which Dongguan Leoch Power Supply will sell certain buildings with an aggregate GFA of approximately 10,000 sq.m., accounting for approximately 4.1% of the aggregate GFA of our properties in the PRC, to Dongguan Leoch. Pending the issue of the real estate title certificate, Dongguan Leoch Power Supply has granted to Dongguan Leoch a license to use the buildings at nil consideration. However, if the relevant government authorities order the demolition of the buildings before the issue of the real estate title certificate, we may have to seek alternative premises for our production facilities, and Dongguan Leoch and Dongguan Leoch Power Supply may be imposed a fine not exceeding 10% of the construction cost of the buildings, i.e. approximately RMB280,000. Our PRC legal advisers, Zhong Lun Law Firm, advised that in practice, the risk of sanctions from competent authorities is low except that the local government may order demolition of the properties within a time limit if we could not obtain the real estate title certificate. In such case, we estimate that the time required for relocation would be approximately two months at a relocation and demolition cost of approximately RMB350,000, and we estimate we would suffer a loss of approximately RMB300,000 due to such relocation. Based on the above and taking into account that Dongguan Leoch is a battery assembly facility the production process of which can be easily taken over by our other production facilities and/or relocated to alternative premises which are readily available, we believe the absence of the real estate title certificate of the buildings licensed from Dongguan Leoch Power Supply will not have any material impact on our operations. In addition, Dongguan Leoch Power Supply has provided an indemnity for all costs and expenses relating to demolition of the building and the costs and losses of relocating Dongguan Leoch's manufacturing plant to another building.

Leased properties

Shenzhen Leoch has rented as its production facility a building with a GFA of 8,842 sq.m., accounting for approximately 3.6% of the aggregate GFA of our properties in the PRC, built on collective construction land since August 1, 2001 from Kukeng Company, an Independent Third Party, which 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 in December 2009. However, as of the Latest Practicable Date, Kukeng Company has not obtained a collective construction land use right certificate for the land that Shenzhen Leoch has leased. If the application of Kukeng Company for the collective construction land use right certificate is not approved, we may not be able to continue to use the relevant property and we may have to relocate our production facilities. Furthermore, Shenzhen Leoch has leased from an Independent Third Party another property with a total lettable area of 760 sq.m. as a warehouse, for which the landlord cannot provide the relevant title certificate. We estimate that the time required for relocation the above leased properties of Shenzhen Leoch would be approximately two months at a relocation cost of approximately RMB100,000, and we estimate we would suffer a loss of approximately RMB350,000 due to such relocation. Based on the above and taking into account that Shenzhen Leoch is a battery assembly facility the production process of which can be easily taken over by our other production facilities and/or relocated to alternative premises which are readily available, we believe the defects in the property titles to the leased properties of Shenzhen Leoch will not have any material impact on our operations. Mr. Dong has provided an indemnity to indemnify us for, among other things, any losses which we may suffer in connection with these properties with defective titles. Please refer to the section headed "Other Information—Indemnities" in Appendix VII to this prospectus for more details.

Each of Xining Leoch and Kunming Leoch has one leased property used as offices for which we have not been provided with any documents from the respective landlords which are Independent Third Parties indicating a proper authorization to sublease the property to us. As these properties with an aggregate GFA of 217 sq.m. are used as offices, we believe it would not be difficult to locate alternative premises if we cannot continue to use the properties and our operations will not be materially affected. In such case, we estimate that the relocation cost would be approximately RMB2,000 for each of Xining Leoch and Kunming Leoch.

Our PRC legal advisers, Zhong Lun Law Firm, advised that although the owners could be sanctioned for leasing the properties without proper titles, we will not be subject to any penalties for the use of such leased properties. In addition, we have not registered any of our lease agreements with the relevant PRC authorities. However, our PRC legal advisers has advised us that this does not affect the validity of the leases and we will not be subject to any penalties.

Except as disclosed above, as advised by our PRC legal advisers, we have proper land use right and property titles to all our properties. Our Directors undertake to strictly comply with the relevant PRC laws and regulations for our construction and lease of property in the future after Listing.

Overseas Properties

We have three leased properties outside of the PRC. Our Directors confirm that each of these leases is validly executed and there are no title deficiencies for these properties.

United States

We have leased from Eastern International LLC, which is wholly owned by Peng Hui, Mr. Dong's spouse, and hence a connected person, an industrial building with an aggregate site area of approximately 30,000 sq.ft (2,787 sq.m.) in Foothill Ranch, California. This is primarily used as an office and warehouse for our U.S. operations. The current lease term is from January 1, 2010 to December 31, 2012.

United Kingdom

We have leased from an Independent Third Party a property with an area of approximately 30 sq.m. in Gloucestershire, United Kingdom. This is primarily used as the office for our U.K. operations. Our current lease term is from January 25, 2010 to January 24, 2012.

Singapore

We have leased from Mr. Dong a property with an area of approximately 113 sq.m. in Singapore. This is primarily used as an office. The current lease term is from March 10, 2010 to March 10, 2013.

LEGAL PROCEEDINGS AND REGULATIONS

We are currently not a party to, and we are not aware of any threat of, any actual or pending legal, arbitral or administrative proceedings, which, in the opinion of our Directors, is likely to have a material and adverse effect on our business, results of operation or financial condition. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

The Directors confirm that we have complied with relevant laws and regulations in all material aspects and have obtained all necessary licenses, approvals and permits from relevant regulatory authorities which are material for our operations in the PRC. We are also engaged in operations overseas, such as in the United States and other countries, and our Directors believe that we have obtained all the necessary permits and approvals and have complied with all the relevant rules and regulations in the overseas countries where we operate. Apart from PRC laws, we are also bound by the laws and regulations of these countries and regions as well as international treaties such as the Convention on International Sales of Goods.