

RISK FACTORS

You should carefully consider all of the information set out in this prospectus before making an investment in the Offer Shares, including the risks and uncertainties described below. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that almost all of our operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from those that prevail in other countries. If any of the following risks actually occur, our business and prospects could be materially harmed, the trading price of our Offer Shares could decline and you could lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We relied heavily on sales of lead-acid motive batteries for electric bikes during the Track Record Period and will continue to rely on the same in the near future

For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, approximately 88.5%, 88.5%, 96.0% and 97.2%, respectively, of our revenue were derived from sales of lead-acid motive batteries for electric bikes. The reliance on sales of lead-acid motive battery products rendered our business and financial performance susceptible to factors affecting the sales performance of and the demand for such products. Any unanticipated major fluctuation in the conditions of the market for lead-acid motive battery products, including any price war, decrease in demand for lead-acid motive batteries or advancement in technology resulting in other forms of batteries such as Li-ion batteries becoming more competitive, could adversely affect our performance. As such, there can be no assurance that we will be able to respond properly to any such fluctuation in an appropriate way so as to maintain our comparative advantages.

Our performance is reliant on the demand for electric bikes in China

Our lead-acid motive batteries are mostly used in electric bikes. Hence, our performance is largely dependent on the demand for electric bikes which is in turn significantly affected by the policies of the PRC government, the economic environment and the level of consumption in China. There can be no assurance that the demand for electric bikes will continue to grow in China. If there is a substantial decrease in the demand for electric bikes and if we are not able to react appropriately, our business performance could be adversely affected.

We may be subject to civil claims or administrative sanctions for our past, present or future operations and we may not have sufficient insurance to cover such risks

We are required to comply with the environmental laws, rules and regulations promulgated by the PRC government. These laws, rules and regulations govern, among other things, the level of fees payable to the government entities providing environmental services and setting out the requirements and standards in relation to the discharge of hazardous substances during production of lead-acid motive batteries. In addition, these laws, rules, and regulations empower local PRC governments to impose sanctions on enterprises failing to comply with such laws, rules and regulations. Any failure by us to

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control the use of, or to restrict adequately the discharge of, hazardous substances could subject us to potential significant monetary damages, fines or administrative, civil or criminal sanctions, which could disrupt, limit or even result in the suspension of our operations.

The production of lead-acid batteries may cause pollution to the environment and may also affect the health of our employees. We have taken all measures required by PRC laws and regulations to protect the health and safety at work of our employees, including providing those that are exposed to lead powder, lead fumes or sulphuric acid fumes with protective clothing and accessories such as gloves, goggles and masks. We also arrange for our production employees who have close contact with lead powder and lead fumes to receive medical checks twice a year and those who do not have close contact with lead powder and lead fumes to receive medical checks once a year. The medical checks include measurement of blood and urine lead level. According to the results of medical checks conducted on our production employees, during the three years ended 31 December 2007, 2008 and 2009, we had 347, 142 and 189 positive cases of lead level exceeding national standards, respectively, representing approximately 6.9%, 2.3% and 2.4% of our employee headcount as of year end for each relevant year. We have arranged proper medication for such affected employees. We have obtained confirmations from the relevant local occupational health and safety authorities for all of our production facilities that (i) the lead level of such affected employees complied with the national standards upon proper and timely medication; and (ii) none of our employees has been diagnosed with long term occupational disease caused by lead poisoning.

There is no assurance that the relevant governmental authorities and our affected employees will not take action against us for our past, present and future business operations. If any legal action is initiated against us on any alleged violation of such laws and regulations, or if our production discharge results in any harmful impact on any person, our business could be materially and adversely affected. We do not have any insurance coverage against possible liability claims due to environmental matters. So far as the Directors are aware, no such insurance is currently available in China. Losses incurred or compensation or medical expenses paid could have a material adverse impact on our performance.

In addition, we expect to be subject to additional requirements in the future, as the PRC government continues to pass laws aimed at strengthening environmental and occupational health and safety protection measures and adopts more stringent standards. We expect that this trend will continue and that compliance will require additional capital expenditures and result in higher operating costs, which may negatively affect our financial condition and results of operations.

Our revenue is primarily derived from our sales in the PRC

For the Track Record Period, almost all of our revenue was derived from our sales in China. The Directors expect that the domestic market in China will continue to be our major market. Our business is therefore heavily dependent on the demand for lead-acid motive batteries in China and the domestic market prices of these products. In the event that there is any material adverse change in the level of the demand for lead-acid motive batteries in China or that there is a significant price fluctuation in China, our performance may be adversely affected.

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Fluctuations in the prices of raw materials could adversely affect our profitability

Lead is the principal raw material for the production of lead-acid batteries. Our profitability is dependent on our ability to secure a sufficient and constant supply of lead at an acceptable price level. Lead represents our largest raw material cost. For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, the cost of lead accounted for approximately 40.3%, 43.8%, 56.4% and 59.1%, respectively, of our total cost of sales.

The price of lead is determined principally by supply and demand in the international and domestic commodity markets, and fluctuates with market conditions and may be highly volatile. The timing of changes in the market price of lead is largely unpredictable. During the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, the average selling price of lead (inclusive of value added tax) quoted by Shanghai Metals Market, a non-ferrous metal market information service provider in China, was approximately RMB19,552 per tonne, RMB17,374 per tonne, RMB14,931 per tonne and RMB16,007 per tonne, respectively, while our average purchase price of lead (net of value added tax) was approximately RMB16,401 per tonne, RMB14,264 per tonne, RMB11,837 per tonne and RMB13,251 per tonne for the same periods. We believe that our purchase of large amounts of lead on an on-going basis has facilitated our securing the supply of lead at a price lower than the market price during the Track Record Period. The decrease in the price of lead was a result of changes in market conditions. The price of lead decreased substantially as a result of the economic slowdown in 2008. Our product pricing strategy is dependent on the prevailing market price of lead, and our pricing strategy is to pass the risk of price fluctuations on to our customers. However, we may not be able to pass on the entire cost of such increases to our customers or offset fully the effects of cost increases of raw materials, which may cause our profitability to decline. There will also be a potential time lag between when prices for raw materials increase under our purchase contracts and when we can implement a corresponding increase in price under our sales contracts with our customers. In line with industry practice, we have not entered into any hedging transactions and have not adopted any hedging policies to reduce our exposure to fluctuations in prices of raw materials. As a result, we may be exposed to fluctuations in raw materials prices, including in particular our supply of lead. If these events were to occur, they could have a material adverse effect on our financial position, results of operations and cash flows.

We have no long-term sale contracts with our major customers

For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, revenue attributable to our five largest customers represented approximately 12.6%, 9.3%, 12.9% and 14.4% of our total revenue, respectively. For the same periods, revenue attributable to our largest customer represented approximately 2.7%, 2.7%, 5.1% and 6.0%, respectively, of our total revenue.

We have no long-term sales contracts with our customers. If the business relationship between our five major customers and us were to deteriorate or if any of those customers were to reduce substantially its purchases from us or terminate its business relationship with us entirely, our performance may be adversely affected.

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We rely on distributors for sales of our lead-acid motive battery products to our secondary market

We sell our lead acid motive battery products to our secondary market, namely, the market of replacement batteries for existing electric bikes, through our nationwide network of distributors. We do not have ownership or management control over this distribution network. Hence, there can be no assurance that we will be able to maintain our relationships with our distributors. If a significant number of our distributors cease to purchase our products and we are unable to find suitable replacement distributors, our business and operation results would be adversely affected.

We purchase lead from a limited number of suppliers with whom we have not entered into long-term agreements

We purchase lead, our main raw material, from a limited number of suppliers. For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, the cost of lead accounted for approximately 52.9%, 60.0%, 71.8% and 72.7%, respectively, of our total cost of raw materials. The ability to obtain quality raw materials at competitive prices in a timely manner is crucial to our production. During the Track Record Period, we purchased lead from a limited number of suppliers, but there is no long-term supply contract between us and our suppliers. If we are unable to maintain a business relationship with our major suppliers or if they are unable or unwilling to continue to supply raw materials to us, or if the quality of their supplies deteriorate or prices increase substantially, we will have to locate alternative sources of supply which may affect our performance.

Our competitive advantage from production know-how may be eroded in future

We developed our production know-how from our experience in the production of lead-acid batteries and our research and development efforts. As the basic technology in producing lead-acid motive batteries is generally applied by lead-acid motive battery manufacturers and can easily be found in public literature, an application for patent protection for certain know-how may be impracticable. If our competitors are able to develop similar, better or more cost-efficient technology, the competitive advantages of our lead-acid motive battery products may be affected. There is no assurance that we will continue to enjoy the competitive advantages arising from our confidential production know-how indefinitely.

We may not be able to protect proprietary rights to our technology adequately

Our success depends in part upon our proprietary technology and processes. We attempt to protect our intellectual property through patents, trademarks, trade secrets, know-how, copyrights, confidentiality and non-disclosure agreements and other measures; however, these measures may not be adequate to protect such intellectual property. In addition, any attempts to enforce our intellectual property rights, even if successful, could result in costly and prolonged litigation, divert our management's attention and adversely affect our financial performance and cash flows.

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As of the Latest Practicable Date, we had registered (i) 10 trademarks, of which eight were registered in the PRC, one was registered in Hong Kong and one was registered in the United Kingdom, (ii) 47 patents in the PRC, and (iii) two domain names in the PRC and one domain name in Hong Kong. Our trademark, “CHILWEE (超威)” is recognized as a “China Well-known Trademark (中國馳名商標)” in recognition of our established market reputation in the PRC. Failure to protect our intellectual property adequately may adversely affect our results of operations as our competitors would be able to utilize such property without having had to incur development costs, thus potentially reducing our relative profitability. Also, if we fail to protect our brand name from inappropriate use by third parties in ways that adversely affect our brand name effectively, our reputation could suffer damage, which in turn could have a material adverse effect on our business, financial condition and results of operations. Furthermore, we may be subject to claims that our technology infringes the intellectual property rights of other parties. Even if without merit, such claims could result in costly and prolonged litigation, divert management’s attention and adversely affect our financial performance and cash flows.

Product liability claims against us could result in significant costs or negatively affect our reputation and could adversely affect our results of operations

We manufacture and sell lead-acid motive battery products for electric bikes. As of the Latest Practicable Date, we have not been exposed to any warranty or product liability claims; however, we cannot assure you that we will not experience material losses arising from product liability claims in the future. We do not maintain any product liability insurance. If our products fail to meet the required specifications or quality standards, our business could be adversely affected. We may also face liability claims due to possible defective products. Such claims may be pursued by way of contractual remedy or by way of civil action if defects in our products result in damage or injuries suffered by third parties. In such event, our business reputation and our financial condition could be adversely affected.

If we cannot manage our growth, our operating results, margins and net profit could be adversely affected

We have experienced substantial growth in sales and net profit in recent years. During the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, our revenue was approximately RMB1,466.1 million, RMB2,316.9 million, RMB2,433.9 million and RMB710.5 million, respectively, and the profit and total comprehensive income attributable to the owners of our Company was approximately RMB84.2 million, RMB128.1 million, RMB201.9 million and RMB74.0 million, respectively. The increases in our revenue and net profit were primarily due to the increased sales volume of our lead-acid motive battery products as a result of increased customer demand. We intend to continue to expand our operations and this expansion has placed, and will continue to place, substantial demands on our managerial, operational, technological and other resources. Our planned expansion will also place significant demands on us to maintain the quality of our products. To accommodate our growth, we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including improvements to our internal management systems. We will also need to implement effective training programs to ensure consistently high-quality

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performance by our employees. All of these measures will require substantial management effort. If we are unable to manage our growth effectively, our operating results, margins and profitability may be materially and adversely affected.

Our future performance may depend on our ability to develop, launch and market new products

Changes in technologies may render our battery products obsolete and our performance in the future may therefore depend on our ability to develop and launch new products. There is no assurance that our research and development efforts will be successful or completed within the anticipated timeframe. Moreover, there is no assurance that any research and development project undertaken by us will result in a commercially viable product. Unsuccessful development and launch of new products could adversely affect our performance and ability to compete.

The tax benefits currently enjoyed by us may not continue in the future and any future change to the PRC tax laws could adversely affect our financial position and results of operations

Under the Income Tax Law of the PRC Concerning Foreign Investment Enterprises and Foreign Enterprises* (中華人民共和國外商投資企業和外國企業所得稅法) promulgated on 9 April 1991 and the Detailed Implementing Rules for the Income Tax Law of Foreign Investment Enterprises and Foreign Enterprises* (中華人民共和國外商投資企業和外國企業所得稅法實施細則) promulgated on 30 June 1991, Chaowei Power, one of our major PRC operating subsidiaries, is entitled to exemption from PRC Enterprise Income Tax (“EIT”) for a period of two years comprising 2006 and 2007 and a 50% reduction of the EIT for a period of three years comprising 2008, 2009 and 2010.

On 16 March 2007, the National People’s Congress of the PRC passed the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) (the “**New Enterprise Income Tax Law**”), which took effect on 1 January 2008. On 6 December 2007, the PRC government also adopted the Implementing Rules of the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法實施細則) (the “**Implementing Rules**”), which also took effect on 1 January 2008. Under the New Enterprise Income Tax Law, a unified EIT rate of 25% and unified tax deduction standards are applied to both domestic-invested enterprises and foreign-invest enterprises (“**FIEs**”). The New Enterprise Income Tax Law will modify the preferential tax treatment currently enjoyed by foreign invested enterprises in China, including Chaowei Power. For foreign invested enterprises incorporated before 16 March 2007, the applicable tax rates which they are subject to will be progressively adjusted to reach the statutory stipulated maximum of 25% in stages. According to our legal advisers as to PRC law, Zong Heng Law Firm, an enterprise which currently enjoys any such reduced tax rate may continue to enjoy such reduced tax rates until the expiry of such tax reduction under existing applicable tax laws. Members of our Group which currently do not enjoy any preferential tax treatment or our subsidiaries to be incorporated in China may be required to pay, under the New Enterprise Income Tax Law, the stipulated tax rate up to 25%. Hence, the level of tax payment to be borne by us may be different from that in the past, and this may have an adverse impact on our financial performance.

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Furthermore, under the New Enterprise Income Tax Law, the exemption from the withholding tax on dividends distributed by foreign-invested enterprises to their foreign investors under the previous tax laws is no longer available. Foreign investors who are established in Hong Kong and are considered non-resident enterprises by the PRC tax authority are subject to a PRC withholding tax at a rate of 5%. In addition, the New Enterprise Income Tax Law deems an enterprise established offshore but with “de facto management bodies” in the PRC as a “resident enterprise” which is subject to the PRC EIT on its global income excluding dividends received from its PRC subsidiaries. All members of our management are currently located in the PRC, and we expect them to continue to be located in the PRC in the foreseeable future. If the PRC tax authorities subsequently determine that we should be classified as a resident enterprise, our global income, excluding dividends received from our PRC subsidiaries, will be subject to PRC income tax at a tax rate of 25%.

As the New Enterprise Income Tax Law has only recently been implemented, PRC tax authorities in different districts may be inconsistent in classifying resident enterprises and non-resident enterprises. Either the imposition of withholding tax on dividends payable from our PRC subsidiaries to us or the imposition of PRC tax on our global income as a “resident enterprise” under the New Enterprise Income Tax Law could have a material adverse effect on our financial position and results of operations.

We rely on independent third party employment agencies to provide contract personnel for our production activities. We have limited control over these contract personnel and we may be liable for an employment agency’s violation of the applicable PRC labour laws

As of 31 March 2010, we had a total of 9,727 full-time employees, of which a total of 7,958 employees were engaged through four employment agencies, each an Independent Third Party. We have entered into agreements with these four employment agencies to satisfy all of our current requirements. For further details, see “Directors, Senior Management and Employees – Employees”. Since these contract personnel are not directly employed by us, our control over them is limited. If contract personnel fail to operate in accordance with our business guidelines, our market reputation, brand image and results of operations could be materially and adversely affected.

Since we depend on these employment agencies to meet our staffing requirements, we rely on them for the performance of their respective obligations under our agreements with them and in accordance with all applicable laws in the PRC. In addition, under the PRC Labour Contract Law, which became effective on 1 January 2008, we may be jointly liable for the damage compensation incurred by an employment agency due to failure to comply with all applicable labour laws relating to the contract personnel provided to us. Accordingly, if any of the employment agencies violates any relevant requirements under the applicable PRC labour laws or otherwise and results in damage to the interests of relevant employees, we may incur compensation liabilities, and our business, financial condition and results of operations could be materially and adversely affected.

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We rely on constant and reliable supply of electricity to support our production activities

Our production requires significant and constant supply of electricity which are currently provided by local electricity suppliers. Our reliance on such supplies will further increase as we expand our production capacity. Any disruption to and shortage of electricity supply or increase in the cost of electricity may adversely affect our production, prevent us from meeting customer orders and/or increase our cost of production and therefore adversely affect our business and operation results.

The contribution of our senior management team is important to our success

The contribution of our senior management team is important to our success. We are led by a strong team of highly experienced and dedicated professionals with relevant industry, financial and strategic planning experience. Our senior management team is led by our founder, Mr. Zhou, who also serves as our president and chairman, and his parents, Mr. Zhou Longrui and Ms. Yang Yunfei, who have rich experience in the lead-acid battery industry. Mr. Zhou has more than 15 years of industry experience and has been responsible for providing corporate strategic direction and overseeing our significant growth in recent years. Other highly qualified members of our senior management team include Mr. Gao Xinkun, our vice-president for corporate and strategic planning, with more than 10 years' experience in financial planning, and Professor Chen Tixian, our head of research and development, with more than 30 years' experience of research in the lead-acid motive battery industry. Our future success is dependent on the continued services of our senior management team and our ability to attract and retain additional personnel of suitable qualification. The loss of services of our senior management team would deprive us of the strategic and business direction they contribute to the business, and such loss would likely have an adverse effect on the performance of our business.

We may require additional capital in the future, which may not be available or may only be available on unfavourable terms

Our manufacturing facilities are highly capital-intensive to construct and maintain. For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, our capital expenditures amounted to RMB62.3 million, RMB107.1 million, RMB166.8 million and RMB63.2 million, respectively, which were primarily used to increase our production capacity including purchasing machinery. Accordingly, our annual designed production capacity increased from approximately 14.2 million units for the year ended 31 December 2007 to approximately 34.1 million units for the year ended 31 December 2009. Our capital requirements primarily depend on the amount of capital expenditures and new product development. In addition, our future capital requirements may be substantial as we seek to grow through acquisitions and investments. We may need to raise additional funds to meet these requirements. If we fail to obtain necessary funding on acceptable terms or at all, we may be forced to delay capital investment projects, research and development activities, potential acquisitions and investments or otherwise curtail or cease operations.

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The interests of Mr. Zhou, our founder, president, chairman and Controlling Shareholder, may differ from those of our Group and our other Shareholders, and Mr. Zhou has the ability to cause us to make decisions that may not be in the best interests of our other Shareholders

Mr. Zhou, our founder, president, chairman and Controlling Shareholder, controls, through Great State and Jolly Pride, an aggregate of approximately 55.6% of our issued share capital immediately before the Global Offering and will control, assuming the Over-allotment Option is not exercised, an aggregate of approximately 41.7% of our issued share capital upon completion of the Global Offering. As such, Mr. Zhou has, and will continue to have, substantial influence over our business. We cannot assure you that Mr. Zhou will not cause us to enter into transactions or take, or fail to take, other actions or make decisions which may not be consistent with the interests of our other Shareholders.

RISKS RELATING TO THE INDUSTRY

Lead-acid batteries may be superseded by new products

In 2009, according to the Frost & Sullivan Report, approximately 90.0% of electric bikes in China were using lead-acid batteries. However, with technological advancement, it is possible that alternative battery products may be developed which are more environmentally friendly, have increased power output or are lighter.

There is no assurance that manufacturers of electric bikes will continue to use lead-acid batteries as the principal source of motive power for electric bikes. In the event that the market prefers to use other forms of battery product and we are not able to develop new products to meet future demand, our business could be adversely affected.

The lead-acid battery industry in China is competitive

We face competition from both domestic and foreign new entrants into the lead-acid battery industry who are attracted by its growth potential. These new entrants will continue to emerge. Any intensification in competition could dilute our market share and may lead to price reductions and increased expenses in marketing and product development. Any of these events could have an adverse impact on the profitability of our business.

The industry may be adversely affected by changes in the laws, regulations and policies adopted by the PRC government in relation to the lead-acid motive battery industry and the use of electric bikes

Our operations and financial results could be adversely affected by changes in the political, economic and social conditions in China or the relevant laws, regulations and policies of the PRC government in respect of the use of electric bikes.

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Under the General Specifications for Electric Motorcycles and Electric Mopeds* (《電動摩托車和電動輕便摩托車通用技術條件》) (the “**General Specifications**”) which were issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC* (國家質量監督檢驗檢疫總局) and the Standardization Administration of the PRC* (國家標準化管理委員會) on 25 June 2009, electric bikes with a maximum designed speed faster than 20km/h or weight more than 40kg will be considered as motorcycles for which the drivers are required to obtain a driving license. Such specifications under the General Specifications have not become effective on 1 January 2010 as scheduled, due to a notice issued by the Standardization Administration of the PRC* (國家標準化管理委員會) on 15 December 2009 to suspend the implementation of such specifications. The implementation of such specifications could have adversely affected consumer demand for electric bikes and the production of electric bikes may be reduced as the producers are required to obtain necessary licenses to manufacture motorcycles and the consumers are required have necessary licenses to drive motorcycles. If the market demand or production of electric bikes is materially reduced due to the implementation of such specifications, our business could be adversely affected. As advised by Zong Heng Law Firm, our legal advisers on PRC laws, to date, the PRC government has not published any notice regarding the implementation date of the General Specifications. There is no assurance that the General Specifications or similar laws or regulations will not be implemented in the future.

A number of PRC local governments, including, among others, the municipality governments of Guangzhou, Zhuhai, Dongguan, Foshan and Haikou, have also promulgated rules and regulations to restrict the use of electric bikes in the relevant cities. Such restrictions, which vary among different cities, include the limitation of use of electric bikes in certain areas of the city or even a complete ban on their use. Such restrictions may adversely affect the demand for electric bikes and in turn, electric bike motive batteries at the regional level. There is no assurance that other PRC local governments will not promulgate similar rules and regulations and our business could be adversely affected if the PRC local governments of our target markets also introduce such restrictive rules and regulations.

In addition, various developed countries, such as the United States and certain EU states, have adopted strict environmental regulations relating to the safe disposal and recycling of lead-acid batteries by establishing government-led programs to ensure a 100% rate of recycling lead-acid batteries. Programs to encourage improvements in lead acid manufacturing aimed at reducing lead emissions and recovering used batteries for environmentally sound recycling have been introduced in EU states. In some of these government-led programs, relevant government authorities have also required the manufacturers of lead-acid batteries to bear the cost of implementing such disposal and recycling programs. While the PRC government has yet to adopt such stringent regulations on the use and disposal of lead-acid batteries, there is no assurance that the PRC government would not implement similar environment protection programs those initiated by other international governments on the safe disposal and recycling of lead-acid batteries, which would increase our operating costs and adversely affect the profitability of our business.

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Changes in China's economic, political and social conditions could adversely affect our financial position and results of operations

The economy of China differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development in such respects as its structure, level of government involvement, level of development, growth rate, level of capital reinvestment, allocation of resources, rate of inflation and balance of payments position. Prior to 1978, the economy of China was a planned economy. Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Annual and five year State Plans are adopted by the PRC government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of China's industrial output, in general the PRC government is reducing the level of direct control which it exercises over the economy through State Plans and other measures. There is an increasing level of autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a market economy and enterprise reform. Many of the reforms are unprecedented and may be subject to revision, change or abolition based upon the outcome of such experiments. There is no assurance that the PRC government will continue to pursue economic reforms.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us

We conduct all of our manufacturing operations through our operating subsidiaries in China. Our PRC operating subsidiaries are generally subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Governmental control of currency conversion may affect the value of your investment

The PRC government imposes controls on currency conversion between Renminbi and foreign currencies and, in certain cases, the remittance of currency out of and into China. We receive substantially all of our revenue in Renminbi, which is currently not a freely convertible currency.

Under our current corporate structure, the income of our Company will be primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign

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currency to pay dividends to us, or otherwise satisfy their foreign currency-dominated obligations. We also plan to transfer a portion of the proceeds from the Global Offering as well as proceeds from our future fund raising activities into China to fund our business operations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, in most cases, particularly payments of capital account items, approval from appropriate governmental authorities is required where (i) Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of offshore bank loans denominated in foreign currencies, and (ii) any foreign currency is to be converted into Renminbi for investment in China. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

In addition, the “Notice of SAFE on Issues Relating to Foreign Exchange Control on Fund Raisings by Domestic Residents Through Offshore Special Purpose Vehicles and Round-trip Investments* (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理局有關問題的通知》)” (“**Circular 75**”) promulgated by SAFE, which came into force on 1 November 2005, applies to each of our existing ultimate beneficial shareholders who is a domestic resident of the PRC. Such persons have completed the foreign exchange registration for overseas investment under Circular 75. However, they are required to file a modification to the foreign exchange registration for overseas investment in accordance with Circular 75 in the event of any material capital changes, including, without limitation, (i) a subsequent equity financing for our Company outside of the PRC, including the Global Offering; (ii) a capital change in our Company; and (iii) any share transfer or share swap involving our Company. Payment of dividends, profits and other payments to our Company will not be permitted unless the aforesaid modification has been filed. If the foreign exchange control system prevents us from converting Renminbi into foreign currencies or vice versa, and obtaining sufficient Renminbi or foreign currency to satisfy our currency demands, our ability to transfer Renminbi to fund our business operations in China or to pay dividends in foreign currencies to our Shareholders, including holders of our Shares, may be adversely affected.

Inflation in China could negatively affect our growth and profitability

The PRC economy has experienced rapid growth in recent years; such growth can lead to growth in money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in our costs, our business and financial performance may be materially and adversely affected. In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such austerity policies can lead to a slowing of economic growth and could materially and adversely affect our business, growth and profitability.

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We face risks related to health epidemics and other outbreaks

Our business could be materially and adversely affected by the effects of Severe Acute Respiratory Syndrome (or SARS), avian influenza, influenza A (H1N1, commonly known as swine influenza) or another epidemic or outbreak on the economic and business climate. China reported a number of cases of SARS in April 2004, avian influenza was reported in western China and several countries in Southeast Asia in 2005 and swine influenza has resulted in numerous human deaths in several provinces in China in 2009. The recent outbreak of Influenza A has also resulted in deaths worldwide. Restrictions on travel resulting from a recurrence of SARS or another epidemic or outbreak could adversely affect our ability to market our products and to service new and existing customers throughout China.

Our business operations could be disrupted if one of our employees is suspected of having SARS, avian influenza or swine influenza, since it could require us to quarantine some or all of our employees and/or disinfect our plants and offices. In addition, our results of operations could be adversely affected in the event that SARS, avian influenza, swine influenza or another outbreak harms the Chinese economy in general.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between the Global Coordinator (on behalf of the Underwriters) and us, and may differ from the market prices for our Shares after the Global Offering. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile.

We cannot assure you that Shareholders will be able to sell their Shares or achieve their desired price. As a result, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the Global Offering. Factors that may affect the volume and price at which our Shares will be traded include, among other things, variations in our sales, earnings, cash flows and costs, announcements of new investments and changes in laws and regulations in China. We cannot assure you that these developments will not occur in the future. In addition, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

RISK FACTORS

Purchasers of our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than our net tangible assets value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma net tangible assets value per Share.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

Future sales by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

Future sales of a substantial number of our Shares by our existing Shareholders, or the possibility of such sales, could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. Shares held by our Controlling Shareholder are subject to certain lock-up undertakings for periods ending six to twelve months after the date on which trading in our Shares commences on the Hong Kong Stock Exchange, details of which are set out in the section headed “Underwriting” in this prospectus. We cannot assure you that our Controlling Shareholder will not dispose of any Shares it may own now or in the future.

Forward-looking information may prove inaccurate

This prospectus contains forward-looking statements and information relating to our business, operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words “anticipate”, “believe”, “could”, “expect”, “intend”, “may”, “plan”, “prospects”, “seek”, “will”, “would” and similar expressions, as they relate to our business, are intended to identify forward-looking statements. Such statements reflect our current beliefs with respect to future events and are subject to various assumptions, risks and uncertainties including the risk factors described in this prospectus. Should any of the underlying assumptions or information prove incorrect, or should one or more of these risks or uncertainties materialize, actual results may diverge significantly from the forward-looking statements in this prospectus. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement. We do not intend to update these forward-looking statements in addition to on-going disclosure obligations pursuant to the Hong Kong Listing Rules or other requirements of the Hong Kong Stock Exchange.

RISK FACTORS

Certain facts and other statistics with respect to China, the PRC economy and the global and PRC motive battery industries in this prospectus are derived from various official government sources and may not be reliable

Certain facts and other statistics in this prospectus relating to China, the PRC economy and the global and PRC motive battery industries and related markets have been derived from various official government publications. We believe that the sources of the information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Global Coordinator, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China.

You should read the entire prospectus carefully and rely only on the information contained in this prospectus in making your investment decision. We strongly caution you against any reliance on any information contained in press articles or other media reports not prepared or approved by us

There has been press and media coverage regarding us and the Global Offering. For example, during the period from 10 June 2010 to 15 June 2010, various newspapers, including Apple Daily, Hong Kong Economic Times, Hong Kong Economic Journal, South China Morning Post, Ming Pao Daily News and Oriental Daily News, published certain articles which contained, among other things, certain financial information, projections, valuation and other forward-looking information about us. Such articles were not prepared or approved by us. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any of the information contained therein or any assumptions underlying such information, nor do we accept any responsibility for the accuracy or completeness of any such information or assumptions.

You should carefully evaluate all the information in this prospectus, including the risks described in this section and throughout the prospectus. We have in the past received, and may continue to receive, a high degree of media coverage, including coverage that is not directly attributable to statements made by our officers and employees. You should rely only on the information contained in this prospectus in making your investment decision.