超威®
CHILWEE

Chaowei Power Holdings Limited
超威動力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 951

GLOBAL OFFERING

Global Coordinator, Bookrunner, Lead Manager and Sponsor

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

IMPORTANT

If you are in any doubt about this prospectus, you should obtain independent professional advice.

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GLOBAL OFFERING

Total number of Offer Shares under the Global Offering	**:**	**250,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	**:**	**25,000,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**225,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**Not more than HK$2.90 per Offer Share and expected to be not less than HK$2.18 per Offer Share (in each case payable in full on application, plus brokerage of 1.0%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005% and subject to refund)**
Nominal Value	**:**	**US$0.01 per Share**
Stock Code	**:**	**951**

Global Coordinator, Bookrunner, Lead Manager and Sponsor

A copy of this prospectus, having attached thereto the documents specified in Appendix VII "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above. Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

The Offer Price is expected to be determined by agreement between the Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 29 June 2010.

The Offer Price will be not more than HK$2.90 per Offer Share and is currently expected to be not less than HK$2.18 per Offer Share. Investors applying for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK$2.90 per Offer Share, unless otherwise announced, together with a brokerage of 1.0%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$2.90. The Global Coordinator (on behalf of the Underwriters), with our consent, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and will be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on our website (www.chaowei.com.hk) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares and/or indicative Offer Price range is so reduced, such applications cannot subsequently be withdrawn. Further details are set out in "Structure of the Global Offering". If, for any reason, the Offer Price is not agreed between the Global Coordinator (on behalf of the Underwriters) and us at or before midnight (Hong Kong time) on Tuesday, 29 June 2010, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors".

Pursuant to the force majeure provisions contained in the Underwriting Agreements in respect of the Global Offering, the Global Coordinator, on behalf of the Underwriters, has the right in certain circumstances, in the sole discretion of the Global Coordinator, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in our Shares first commence on the Hong Kong Stock Exchange (such first dealing date is currently expected to be on Wednesday, 7 July 2010). Further details of the terms of the force majeure provisions are set out in the paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold or delivered (i) within the United States in reliance on an exemption from registration under the Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from registration under the Securities Act; and (ii) in offshore transactions outside the United States in reliance on Regulation S.

24 June 2010

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Hong Kong Public Offering.

2010[(1)]

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[(4)]	11:30 a.m. on Tuesday, 29 June
Application lists open[(2)]	11:45 a.m. on Tuesday, 29 June
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[(3)]	12:00 noon on Tuesday, 29 June
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 29 June
Application lists close[(2)]	12:00 noon on Tuesday, 29 June
Expected Price Determination Date	Tuesday, 29 June
Announcement of the Offer Price, indication of the level of interest in the International Offering, the level of applications in respect of the Hong Kong Public Offering and the basis of allocation under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on our website (www.chaowei.com.hk) on or before	Tuesday, 6 July
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section entitled "How to Apply for Hong Kong Public Offer Shares – Results of allocations" from	Tuesday, 6 July
A full announcement of the Hong Kong Public Offering containing the announcement and results of allocations in the above two paragraphs will be published on our website at www.chaowei.com.hk and the website of the Hong Kong Stock Exchange at www.hkexnews.hk from	Tuesday, 6 July
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function	Tuesday, 6 July

Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[(5)] ..... Tuesday, 6 July

Despatch of refund cheques/White Form e-Refund payment instructions in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[(6)] ..... Tuesday, 6 July

Dealings in Shares on the Hong Kong Stock Exchange to commence on ..... Wednesday, 7 July

Notes:

(1) All times refer to Hong Kong local time except where otherwise indicated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering".

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 29 June 2010, the application lists will not open and close on that day. Further information is set out in "Effect of bad weather on the opening of the application lists" under the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus. If the application lists do not open and close on Tuesday, 29 June 2010, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.

(3) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "Applying by giving **electronic application instructions** to HKSCC" under the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus.

(4) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website, **www.eipo.com.hk**, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(5) Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Tuesday, 6 July 2010 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the sub-paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus has not been exercised and has lapsed.

(6) Refund cheques/e-Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

Applicants who apply on **WHITE** Application Forms or **White Form eIPO** for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have indicated in their applications that they wish to collect refund cheques and (where applicable) share certificates in person from our Hong Kong Share Registrar may collect refund cheques and (where applicable) share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Tuesday, 6 July 2010. Identification and (where applicable) authorization documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for the applicants who apply on **YELLOW** Application Forms for Hong Kong Public Offer Shares is the same as that for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "Applying by giving electronic application instructions to HKSCC" under the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus for details.

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms promptly thereafter. Further information is set out in the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus.

CONTENT

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in the prospectus. Any information or representation not made in the prospectus must not be relied on by you as having been authorized by our Company, the Global Coordinator, the Sponsor, the Underwriters, any of their respective directors, or any other person involved in the Global Offering.

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

OVERVIEW

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

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

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

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

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

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

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

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

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

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

OUR COMPETITIVE STRENGTHS

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

OUR STRATEGIES

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

SUMMARY FINANCIAL INFORMATION

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

Consolidated Statements of Comprehensive Income

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

Consolidated Statements of Financial Position

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

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

Consolidated Statements of Cash Flows

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

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

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

Forecast consolidated profit attributable to owners of the Company *(1)*	not less than RMB113.0 million (approximately HK$128.4 million)
Unaudited pro forma forecast earnings per Share *(2)(3)*	RMB0.113 (approximately HK$0.128)

Notes:

1. The bases and assumptions on which the forecast consolidated profit for the six-month period ending 30 June 2010 attributable to owners of the Company has been prepared are summarized in Appendix III to this prospectus.

2. The calculation of the unaudited pro forma forecast earnings per share is based on the forecast consolidated profit for the six-month period ending 30 June 2010 attributable to owners of the Company and assuming the Global Offering had been completed on 1 January 2010 and a total of 1,000,000,000 Shares had been in issue throughout the six-month period ending 30 June 2010. No account has been taken of any additional income we may have earned from the estimated net proceeds from the Global Offering, any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option, or the options granted under the Share Option Schemes.

3. The unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at an exchange rate of RMB0.88 to HK$1.00.

4. We have undertaken to the Hong Kong Stock Exchange that our interim report for the six-month period ending 30 June 2010 will be audited pursuant to Rule 11.18 of the Hong Kong Listing Rules.

USE OF PROCEEDS

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

- approximately 55%, or HK$308.2 million, for the expansion of our production capabilities by installing additional production facilities in Zhejiang province, Henan province and Anhui province (we intend to spend approximately 60%, 32% and 8% of such amount on the new production facilities in Zhejiang province, Henan province and Anhui province, respectively. Please see section headed "Business – Our Strategies – Expand our production capacity to increase our market share" in this prospectus for a detailed description of our production capacity expansion plan);

- approximately 20%, or HK$112.1 million, for the acquisition(s) of other motive battery manufacturers (please see section headed "**Business – Our Strategies – Participate in the market consolidation by pursuing strategic acquisitions**" in this prospectus for further details);

- approximately 10%, or HK$56.0 million, for the enhancement of our research and development activities, mainly on electric car motive batteries, wind and solar energy batteries and Li-ion motive batteries (we intend to spend approximately one-third of such proceeds on our research and development activities in each such area);

- approximately 5%, or HK$28.0 million, for the promotion and strengthening of our "Chilwee 超威" brand name through advertising and marketing campaigns, including advertising in industry journals and technical publications and television networks and outdoor billboards; and

- approximately 10%, or HK$56.0 million, for working capital and general corporate purposes.

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

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

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

GLOBAL OFFERING STATISTICS

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

Notes:

(1) The calculation of the market capitalization of the Shares is based on 1,000,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalization Issue but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme.

(2) The unaudited pro forma net tangible assets value per Share has been arrived at after the adjustments referred to in the paragraph headed "Unaudited pro forma adjusted net tangible assets" in the section headed "Financial Information" in this prospectus and on the basis of 1,000,000,000 Shares in issue at the minimum and the maximum indicative Offer Price of HK$2.18 and HK$2.90 per Share, respectively, immediately following completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.

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

DIVIDEND POLICY

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

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

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

RISK FACTORS

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

Risks relating to our business

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

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

Risks relating to the Industry

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

Risks relating to the PRC

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

Risks relating to the Global Offering

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

ENVIRONMENTAL ISSUES

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

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

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

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

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

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

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings. Certain other terms are explained in the section headed "Glossary" in this prospectus.

"Allied Crown"	Allied Crown Development Limited, a company incorporated in BVI on 15 March 2007 and which is wholly-owned by Ms. Ma Ting (馬亭), and an Independent Third Party
"Anhui Chaowei"	Anhui Chaowei Power Co., Ltd.* (安徽超威電源有限公司), a company incorporated in the PRC on 23 April 2007, a 80%-owned, principal operating subsidiary of our Group, which is owned as to 80% by Chaowei Power and 20% in aggregate by Mr. Qian Haichun (錢海春), Mr. Hu Fengqin (胡鳳勤) and Mr. She Hairu (佘海如), who are all Independent Third Parties
"Atkins"	WS Atkins plc (trading as "Atkins"), an international engineering and design consultancy company founded in London in 1938 and listed on the London Stock Exchange in 1996, an Independent Third Party
"Atkins China"	Atkins China Limited, a wholly-owned subsidiary of Atkins incorporated in Hong Kong, which provides multidisciplinary engineering and design consultancy services, including a comprehensive range of environmental and sustainability consultancy services, and which is an Independent Third Party
"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company adopted on 7 June 2010 and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"BNP Paribas" or "Global Coordinator" or "Bookrunner" or "Lead Manager" or "Sponsor"	BNP Paribas Capital (Asia Pacific) Limited, acting as the global coordinator, bookrunner, lead manager and sponsor of the Global Offering, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

"Board"	the board of Directors of our Company
"Business Day"	any day (excluding a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalization Issue"	the issue of Shares to be made upon capitalization of certain amounts in the share premium account of our Company as referred to in the section entitled "Written resolutions of all the Shareholders of our Company passed on 7 June 2010" in Appendix VI to this prospectus
"CAGR"	compound annual growth rate, a measurement to assess the growth rate of value over time
"Castle Lead"	Castle Lead Limited (堡利有限公司), a company incorporated in BVI on 7 December 2009 and which is wholly-owned by Hony Capital
"Cayman Islands Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chaowei BVI"	Chaowei Power Group Limited (超威動力集團有限公司), a company incorporated in BVI on 15 January 2010, a wholly-owned subsidiary of our Group

"Chaowei HK"	Chaowei Power (Hong Kong) Limited (超威動力(香港)有限公司), a company incorporated in Hong Kong on 22 January 2010, a wholly-owned subsidiary of our Group
"Chaowei Power"	Chaowei Power Co., Ltd.* (超威電源有限公司), a company incorporated in the PRC on 1 January 1998, a wholly-owned, principal operating subsidiary of our Group
"Chaowei Technology"	Chaowei Power Technology Limited (超威動力科技有限公司), a company incorporated in Hong Kong on 29 January 2010, a wholly-owned subsidiary of our Group
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
"China Electrical Equipment Industry Association"*	中國電器工業協會, a nonprofit national industrial association for China's electrical equipment industry, and an Independent Third Party
"Changxing Zhongcheng"	Changxing Zhongcheng Power Co., Ltd.* (長興眾成電源有限公司), a company incorporated in the PRC on 1 March 2002, a wholly-owned, principal operating subsidiary of our Group
"Company", "Our/our Company", "We/we" and "us"	Chaowei Power Holdings Limited (超威動力控股有限公司), a limited liability company incorporated in the Cayman Islands on 18 January 2010, or where the context refers to any time prior to its incorporation, those businesses and operations which were assumed by it pursuant to the Reorganization, or where the context requires, any of the businesses and operations that is being carried on by any member of our Group
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules and, in the context of this prospectus, means the controlling Shareholders of our Company, namely Mr. Zhou and his wholly-owned entities through which Mr. Zhou controls an aggregate of approximately 55.6% of the voting power of our Company immediately before completion of the Global Offering, namely Great State and Jolly Pride
"Director(s)"	director(s) of our Company

"Eligible Applicants"	applicants who have, at the relevant time, made valid applications for the Hong Kong Public Offer Shares
"Fame Smart"	Fame Smart Holding Ltd., a company incorporated in BVI on 22 August 2007 and which is wholly-owned by Mr. Zhou
"Frost & Sullivan Report"	a commissioned market research report in relation to, inter alia, the electric bike and motive battery industries in China, issued by Frost & Sullivan in March 2010, the details of which are set out in the section headed "Industry Overview" in this prospectus
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Great State"	Great State Investments Limited (振邦投資有限公司), a company incorporated in BVI on 8 December 2009 and which is wholly-owned by Mr. Zhou
"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group" and "Our/our Group"	our Company and its subsidiaries
"Henan Chaowei"	Henan Chaowei Power Co., Ltd.* (河南超威電源有限公司), a company incorporated in the PRC on 25 February 2004, a 60% owned, principal operating subsidiary of our Group, which is owned as to 60% by Chaowei Power, and 40% in aggregate by Mr. Chai Chenglei (柴成雷) and Ms. Chai Qingqing (柴晴晴). Save for the said 40% interest in Henan Chaowei, neither of Mr. Chai Chenglei (柴成雷) and Ms. Chai Qingqing (柴晴晴) has any interest in any member of our Group
"High Joy"	High Joy Investments Limited (高樂投資有限公司), a company incorporated in BVI on 8 December 2009 and which is wholly-owned by Mr. Zhou Longrui, the father of Mr. Zhou and the spouse of Ms. Yang Yunfei
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Public Offer Shares"	the 25,000,000 Shares being initially offered by us for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the issue and offer for subscription of the Hong Kong Public Offer Shares to the public in Hong Kong for cash (subject to adjustment as described in "Structure of the Global Offering") at the Offer Price subject to and in accordance with the terms and conditions described in this prospectus and the Application Forms, as further described in "Structure of the Global Offering – Hong Kong Public Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters listed in "Underwriting – Hong Kong Underwriters", in this prospectus, being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated 23 June 2010 relating to the Hong Kong Public Offering and entered into by, among others, the Global Coordinator, the Hong Kong Underwriters and us, as further described in "Underwriting" in this prospectus
"Hony Capital"	Hony Capital Fund 2008, L.P., an exempted limited partnership incorporated under the laws of the Cayman Islands, the sole shareholder of Castle Lead

"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is(are) not a connected person(s) (as defined in the Hong Kong Listing Rules) of our Company
"International Offer Shares"	the 225,000,000 Shares initially being offered by us for subscription under the International Offering together, where relevant, with any Shares that may be issued by us pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in "Structure of the Global Offering" in this prospectus
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters with professional, institutional, corporate and/or other investors at the Offer Price, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of underwriters led by the Global Coordinator that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering expected to be entered into by, among others, the Global Coordinator, the International Underwriters and us on or around 29 June 2010, as further described in "Underwriting" in this prospectus
"Investgain"	Investgain Power Limited, a company incorporated in BVI on 23 July 2007 and which is wholly-owned by Mr. Zhou
"Jiangsu Chaowei"	Jiangsu Chaowei Power Co., Ltd.* (江蘇超威電源有限公司), a company incorporated in the PRC on 24 May 2006, a wholly-owned, principal operating subsidiary of our Group
"Jolly Pride"	Jolly Pride (PTC) Limited (formerly known as Jolly Pride Limited), a company incorporated in BVI on 1 December 2009 and wholly-owned by Mr. Zhou, and which holds Shares the economic interest of which is for the benefit of certain employees of our Group

"Latest Practicable Date"	17 June 2010, being the latest practicable date for the purposes of ascertaining certain information contained in this prospectus
"Lehman Brothers"	Lehman Brothers Commercial Corporation Asia Limited (in liquidation)
"Listing"	listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Hong Kong Stock Exchange
"Listing Date"	the date on which dealing in the Shares first commences on the Main Board
"Main Board"	the stock exchange operated by the Hong Kong Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Hong Kong Stock Exchange
"Mayful"	Mayful Holdings Limited (美福控股有限公司), a company incorporated in BVI on 12 January 2009, which is wholly-owned by Mr. Mau Derek Edward, and who, apart from holding Shares through Mayful, is an Independent Third Party
"Noble Avenue"	Noble Avenue Global Limited, a company incorporated in BVI on 18 June 2009, which is wholly-owned by Mr. Ding Zixuan (丁自選), and who, apart from holding Shares through Noble Avenue, is an Independent Third Party
"Memorandum"	the memorandum of association of our Company
"Mr. Zhou"	Mr. Zhou Mingming (周明明), founder of our Group, a Controlling Shareholder, an executive Director and the chairman of the Board
"Offer Price"	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, an SFC transaction levy of 0.004% and a Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK$2.90 and expected to be not less than HK$2.18, such price to be agreed upon by the Global Coordinator (on behalf of the Underwriters) and us on or before the Price Determination Date

"Offer Shares"	the Hong Kong Public Offer Shares and the International Offer Shares
"Over-allotment Option"	the option expected to be granted by us to the Global Coordinator, pursuant to which we may be required to allot and issue up to an aggregate of 37,500,000 Shares (representing up to 15% of the Shares initially being offered under the Global Offering) at the Offer Price to, among other things, cover over-allocations in the International Offering, details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"Price Determination Date"	the date, expected to be on or before 29 June 2010, on which the Offer Price is determined by agreement between the Global Coordinator (on behalf of the Underwriters) and us
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Red Day"	Red Day Limited (紅日有限公司), a company incorporated in BVI on 20 July 2009, which is wholly-owned by Mr. Ma Zhaoyang (馬朝陽), and who, apart from holding Shares through Red Day, an Independent Third Party
"Regulation S"	Regulation S under the Securities Act
"Reorganization"	the reorganization of the companies within our Group as set out in the section headed "History and Development" in this prospectus, pursuant to which our Company has become the holding company of our various subsidiaries
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the Securities Act
"SAFE"	State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局)
"SAIC"	State Administration for Industry and Commerce of China (中華人民共和國國家工商行政管理總局)
"Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

"SFC"	Hong Kong Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong Chaowei"	Shandong Chaowei Power Co., Ltd.* (山東超威電源有限公司), a company incorporated in PRC on 11 October 2005, a wholly-owned, principal operating subsidiary of our Group
"Share(s)"	ordinary shares of US$0.01 each in the capital of our Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by the Shareholders passed on 7 June 2010 and adopted by a resolution of the Board on 7 June 2010, a summary of the principal terms of which is set out in the section headed "Share Option Scheme" in Appendix VI to this prospectus
"Shiny Century"	Shiny Century Limited (紀明有限公司), a company incorporated in BVI on 21 December 2009 and which is wholly-owned by Ms. Yang Yunfei (楊雲飛), the mother of Mr. Zhou and the spouse of Mr. Zhou Longrui
"Treasure Sea"	Treasure Sea Limited, a company incorporated in BVI on 9 November 2004, which is wholly-owned by Mr. Lam Kong (林剛), and who, apart from holding Shares through Treasure Sea, is an Independent Third Party
"Track Record Period"	the three years ended 31 December 2007, 2008 and 2009 and three months ended 31 March 2010
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Underwriting Agreement

"United Holdings"	United Holdings Worldwide Limited (聯合控股環球有限公司), a company incorporated in BVI on 8 September 2005, which was the holding company of our PRC subsidiaries prior to the Reorganization and which no longer has any interest in any member of our Group following completion of the Reorganization
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Wide Fame"	Wide Fame Investments Limited (廣耀投資有限公司), a company incorporated in BVI on 8 December 2009 and which is wholly-owned by Mr. Gao Xinkun (高鑫坤), one of our senior management team members
"White Form eIPO"	applying for Hong Kong Public Offer Shares to be issued in your own name by submitting applications online through the designated website of the White Form eIPO Service Provider, www.eipo.com.hk
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited

In this prospectus, the terms "associate", "connected person", "connected transaction", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into HK dollars or U.S. dollars and vice versa at an exchange rate of RMB0.88 = HK$1.00 or RMB6.83 = US$1.00, respectively, and certain amounts denominated in U.S. dollars have been translated into HK dollars and vice versa at an exchange rate of US$1.00 = HK$7.76, in each case, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi or U.S. dollars were or may have been converted into those currencies and vice versa at such rates or any other exchange rates.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with "" are for identification purpose only.*

GLOSSARY

This glossary of technical terms contains explanation of certain terms used in this prospectus as they relate to us and as they are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

"electric car"	a car with one or more electric motors for motion
"electrode"	an area at which electrochemical processes take place, such as the positive and negative electrodes of a battery
"electrolyte"	a dilute mixture of sulphuric acid that provides the sulphate ion for the discharge reactions in a battery
"ISO"	the short form of the name of the International Organization for Standardization, a non-governmental organization which sets the ISO standards, being world-wide industrial and commercial standards
"IT"	information technology
"lead-acid battery"	a battery using lead sulphate converted from lead oxide and metallic lead at its electrodes
"Leq dB (A)"	a scale for measuring noise over a period of time
"Li-ion"	Lithium ion
"Li-ion battery"	a battery using lithium metallic oxide in its positive electrode and carbon material in its negative electrode. The lithium ions inside the battery move between the positive electrode and the negative electrode during charge or discharge
"mg/L"	milligram per litre, a measurement of concentration used to measure how many milligrams of a certain substance are present in one litre of liquid. 1 mg/L is equal to one milligram per litre or 0.001 g per litre
"motive battery" or "motive batteries"	a battery or battery products which provides or provide power for motion

"nano technology"	the manufacturing technology which applies nanoscale materials in production processes
"Ni-Cd battery"	a battery using nickel hydroxide in its positive electrode and cadmium hydroxide in its negative electrode
"Ni-MH battery"	a battery using nickel hydroxide in its positive electrode and hydrogen-absorbing alloys in its negative electrode
"pH"	power of hydrogen, a measure of the acidity of a solution in terms of activity of hydrogen ions. Aqueous solutions with pH values lower than 7 are considered acidic, while pH values higher than 7 are considered alkaline
"Ringelmann number"	the number (ranging from 0(white) to 5(black)) appearing on the Ringelmann Chart describing the density or equivalent opacity of smoke emission
"sq.m."	square meter/meters
"μg/L"	microgram per litre, a measurement of concentration used to measure how many micrograms of a certain substance are present in one litre of liquid. 1 μg/L is equal to one microgram per litre or 0.000001 g per litre
"μg/gHB"	microgram per gram hemoglobin, a measurement of concentration used to measure how many micrograms of a certain substance are present in one gram of hemoglobin. 1 μg/gHB is equal to one microgram per gram hemoglobin or 0.000001 g per gram hemoglobin
"$\mu g/m^3$"	microgram per cubic meter, a measurement of concentration used to measure how many micrograms of a certain substance are present in one cubic meter of air. 1 $\mu g/m^3$ is equal to one microgram per cubic meter or 0.000001 g per cubic meter

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our ability to implement such strategies;
- our dividend distribution plans;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment for the PRC motive battery industry;
- the regulatory environment in terms of changes in laws and PRC Government regulations, policies and approval processes in the regions where we operate as well as the general industry outlook for the PRC motive battery industry;
- exchange rate fluctuations and restrictions; and
- the general economic trend of the PRC.

The words "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would" and similar expressions, as they relate to us, in particular, in the sections headed "Business", "Risk Factors" and "Financial Information" of this prospectus, are intended to identify a number of these forward-looking statements. These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. They reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or those of any of our directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

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

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 heath 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.

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.

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.

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

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税法) 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税法實施細則) 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税法) (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税法實施細則) (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.

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.

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.

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.

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.

RISKS RELATING TO THE PRC

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

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.

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.

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.

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.

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Hong Kong Listing Rules requires that a new applicant applying for a primary listing on the Hong Kong Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations and manufacturing facilities are primarily located in China, our executive Directors and senior management members are and will continue to be based in China. At present, Mr. Ng Chi Kit, our company secretary, is ordinarily resident in Hong Kong and none of our executive Directors is ordinarily resident in Hong Kong. We have applied to the Hong Kong Stock Exchange for, and obtained, a waiver from strict compliance with the requirements under Rule 8.12 of the Hong Kong Listing Rules. For details of such waiver, please see the paragraph headed "Management Presence in Hong Kong" under the section headed "Directors, Senior Management and Employees" in this prospectus.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Chaowei Power, a subsidiary of our Group, has entered into certain transactions, which would constitute non-exempt continuing connected transactions for the purpose of the Hong Kong Listing Rules after the Listing. Pursuant to Rule 14A.42(3) of the Hong Kong Listing Rules, we have applied to the Hong Kong Stock Exchange for, and obtained, a waiver from strict compliance with the announcements and independent Shareholders' approval requirements set out in Chapter 14A of the Hong Kong Listing Rules. For details of such non-exempt continuing connected transactions and the waiver, please see the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Global Coordinator (on behalf of the Underwriters) and us on or before the Price Determination Date. The Global Offering is managed by the Global Coordinator. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting – Underwriting arrangements and expenses" in this prospectus.

RESTRICTIONS ON THE OFFER AND SALE OF OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers, in any jurisdiction or in any circumstances in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the U.S., except in compliance with the relevant laws and regulations of each such jurisdiction.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. So far as the Global Offering is concerned, no person is authorized in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Global Coordinator, the Sponsor, the Underwriters, any of their respective directors or any other parties involved in the Global Offering.

Each person acquiring Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares, in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Global Coordinator, the Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for the Hong Kong Public Offer Shares are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" and on the relevant Application Forms.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to (i) the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the exercise of any options that may be granted under our Share Option Scheme.

Save as disclosed herein, no part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Hong Kong Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by or on behalf of the Hong Kong Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants should consult their professional advisors if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares. It is emphasized that none of our Group, the Global Coordinator, the Underwriters, any of their respective directors, agents or advisors or any other person involved in the Global Offering accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of or dealing in our Shares.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in our Shares registered in the share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

OVER-ALLOTMENT AND STABILIZATION

In connection with the Global Offering, the Global Coordinator, as stabilizing manager (the "**Stabilizing Manager**"), or any person acting for it may over-allot Shares or effect any other transactions with a view to stabilizing and maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the date of Listing. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action.

In connection with the Global Offering, we intend to grant to the Global Coordinator the Over-allotment Option, which is exercisable in full or in part within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to allot and issue at the Offer Price up to an aggregate of 37,500,000 Shares (in aggregate representing 15% of the total number of the Shares initially available under the Global Offering) at the Offer Price to, among other things, cover over-allocation in the International Offering.

Further details with respect to stabilization and the Over-allotment Option are set out in the section headed "Structure of the Global Offering – Over-allotment and stabilization – Stabilizing Action" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set out in the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Zhou Mingming	Room 12-1-401 Xi Yu Xiang District Zhicheng, Changxing Zhejiang Province PRC	Chinese
Zhou Longrui	Room 12-1-401 Xi Yu Xiang District Zhicheng, Changxing Zhejiang Province PRC	Chinese
Yang Yunfei	Room 12-1-401 Xi Yu Xiang District Zhicheng, Changxing Zhejiang Province PRC	Chinese
Non-executive Director		
Deng Xihong	Apartment 1501 No. 4 Building Yin Feng Jia Yuan No. 6 Cai Hong Road Da Shan Zi Chaoyang District Beijing PRC	United States
Independent Non-executive Directors		
Wang Jiqiang	No. 302, Gate 1, Building 6 Heyuan Park, Ren Ai Hao Jing Garden Hongqi Nan Road, Nankai District Tianjin PRC	Chinese
Ouyang Minggao	Room 601, Unit 4, Building 2 Heqing Garden Beijing PRC	Chinese
Lee Conway Kong Wai	A9 Europa Garden 48 Kwu Tung Road Sheung Shui New Territories Hong Kong	Chinese

PARTIES INVOLVED

Global Coordinator, Bookrunner, Lead Manager and Sponsor	BNP Paribas Capital (Asia Pacific) Limited 59th-63rd Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law* Orrick, Herrington & Sutcliffe 43rd Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *as to PRC law* Zong Heng Law Firm Room 500 No. 12 East Chang An Avenue Beijing 100742 PRC *as to Cayman Islands Law* Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Underwriters	*As to Hong Kong and United States federal law* Morrison & Foerster 33/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *as to PRC law* Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District Beijing 100025 PRC

Reporting Accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F, One Pacific Place 88 Queensway Hong Kong
Property valuers	Jones Lang LaSalle Sallmanns Limited 17/F, Dorset House, Taikoo Place 979 King's Road, Quarry Bay Hong Kong
Environment Consultant	Atkins China Limited 5/F Wharf T&T Centre Harbour City, Tsim Sha Tsui Kowloon Hong Kong
Receiving banks	Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Kowloon Hong Kong

Registered office	Scotia Centre, 4th Floor P.O. Box 2804 George Town Grand Cayman KY1-1112 Cayman Islands
Headquarter and principal place of business in the PRC	No. 19, Changhe Road Xinxing Industrial Park Zhicheng, Changxing Zhejiang Province PRC
Principal place of business in Hong Kong	Room 2204, 22/F Fu Fai Commercial Centre 27 Hillier Street Hong Kong
Company website	www.chaowei.com.hk *(information contained in this website does not form part of this prospectus)*
Company secretary	Ng Chi Kit *CPA, FCCA*
Authorized representatives	Zhou Mingming Room 12-1-401 Xi Yu Xiang District Zhicheng, Changxing Zhejiang Province, PRC Ng Chi Kit 11A Block 9 Beverly Garden 1 Tong Ming Street Tseung Kwan O Kowloon Hong Kong
Audit committee	Mr. Lee Conway Kong Wai *(Chairman)* Mr. Wang Jiqiang Prof. Ouyang Minggao
Remuneration committee	Mr. Lee Conway Kong Wai *(Chairman)* Mr. Zhou Mingming Mr. Wang Jiqiang

Principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance advisor	BNP Paribas Capital (Asia Pacific) Limited 59th-63rd Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Principal bankers	China Construction Bank Changxing Jie Fang Dong Road Sub-branch No. 102 Huang Jia Bay, Binhe Anenue Zhicheng, Changxing Zhejiang Province PRC Bank of China, Changxing County Sub-branch No. 51, Jinlin Nan Road Zhicheng, Changxing Zhejiang Province PRC

Certain information and statistics set out in this section and elsewhere in this prospectus relating to the PRC economy and the industry in which we operate is derived from various official government sources. No independent verification has been carried out on such information and statistics verified by us, the Sponsor, the Global Coordinator, the Underwriters, their respective directors and advisors or any other party involved in the Global Offering. 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. We, the Sponsor, the Global Coordinator, the Underwriters, their respective directors and advisers or any other party involved in the Global Offering make no representation as to the accuracy of such information and statistics.

INTRODUCTION

We are principally engaged in the production of motive battery products in China. Currently, our motive battery products are predominantly used in electric bikes, but they can also be used in other electric vehicles, such as electric motorcycles and electric cars.

The following sets forth an overview of the motive electric bike industry in China which is followed by an analysis of the motive electric bike battery industry in China and other growth opportunities for lead-acid battery products, all of which drive the demand for our motive battery products.

FROST & SULLIVAN REPORT

Frost & Sullivan is a global consulting firm which was founded in 1961 in New York city to engage in publication of market consulting information and intelligence on emerging high-technology and industrial markets. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes automotive and transportation, chemical material and food, energy and power supply, environment and building technologies, automation and electronics, healthcare, and information, communication and technology.

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the research and consulting team of Frost & Sullivan in China and an Independent Third Party, was commissioned by us in January 2010 to produce the Frost & Sullivan Report, in relation to, inter alia, the electric bike and motive batteries industries in China at a fee of US$30,000. Our payment of such fee is not contingent on the results of Frost & Sullivan's analysis.

We understand that the forecasting methodology of Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has integrated several forecasting techniques with the market engineering measurement-based system. The forecasting methodology is a seven-step system shown as follows that maximizes the credibility and accuracy of the forecasts.

1. Market Engineering Research Process Completed

The market engineering research process provides the navigational measurements of current market position and trends, which are the basis of the forecast.

2. Measurements and Challenges Analyzed over Time

Measurements and challenges are analyzed over time to provide additional insights into their potential impact on the market size and development.

3. Identification of Market Drivers and Restraints

The analyst specifies the factors that drive the market forward in terms of revenue and determines the elements that inhibit growth.

4. Expert-Opinion Integration with Analyst Team

The interview process includes a variety of industry experts, competitors and key customers. These experts' opinions on the direction of the market are integrated with the data and analysis already created.

5. Forecasts Calculated

Analysts collect the market data which are required needed to create the initial forecast scenarios. Each scenario is assessed to determine the most probable outcome for the market size. For example, the forecasts are matched to the leading economic indicators and drivers for each specific industry.

6. Delphi Technique Integration, If Needed

If the data collected contradicts the forecast scenarios, it is necessary to discuss again the market forecasts with the industry experts who have already interviewed in the research process.

7. Quality Control within Research Department

Once the forecasts are integrated into the market section, they are verified by other team members in the industry research group, and the research director. The forecasts are also ensured for mathematical accuracy and internal consistency by the final review preparation department and the editing department.

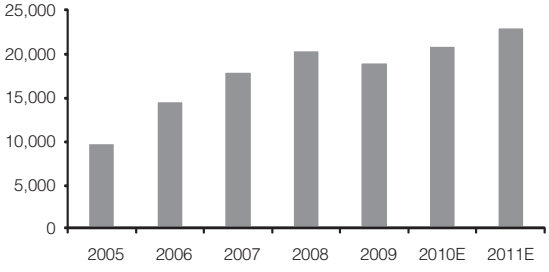
OVERVIEW OF THE PRC ELECTRIC BIKE INDUSTRY

Electric bikes provide low cost, convenient, and relatively energy-efficient transportation to a large population in the PRC. They are quickly becoming one of the dominant travel modes in the PRC especially in the lower tier cities where transportation networks are not as developed as in the major cities. Electric bike are developed from traditional bicycles which at their most fundamental level. They are traditional bicycles equipped with a battery-powered motor which provides on-demand motorized power and either operates concurrently with pedaling or independently. Variations on this basic structure and successive levels of sophistication and performance can be found in the market.

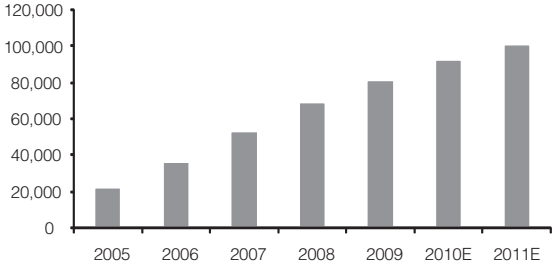
The electric bike development in China has a fairly long history since 1960s but the demand has only been rapidly increased since 2004 due to government support according to Frost & Sullivan. As China has initiated to, by 2020, reduce its carbon intensity by 40-45% from the levels in 2005 and increase the share of non-fossil energy in its primary energy consumption to around 15%, it is generally believed that the use of environmental friendly, low cost, convenient and energy-efficient mode of transportation such as electric bikes, will continue to increase. Compared with other transportation means such as motorcycle, electric bikes perform very well on almost all metrics in terms of environmental protection. It is generally believed that electric bikes could replace a portion of transportation means such as motorcycles the emissions levels of which could be several times higher than those of an electric bike.

According to the Frost & Sullivan Report, the diagram below illustrates the cumulative market size of electric bikes in China from 2005 to 2009, as well as the forecast demand from 2010 to 2011:

Market demand of electric bikes in China ('000 units)



Accumulative market size of electric bikes in China ('000 units)



Source: Frost & Sullivan Report, March 2010

Note: The Frost & Sullivan projection is computed based on the consideration of the historical data and estimated forecast indicated by key electric bike manufacturers, key electric bike battery manufacturers and industry associations, and the Frost & Sullivan methodology stated in this section.

Based on the above, the cumulative market size of electric bikes in China grew from 22.5 million in 2005 to 81.4 million in 2009, representing a CAGR of 38.0%, and it is expected to grow further to 100.8 million in 2011, representing a CAGR of 11.3% from 2009 to 2011. In 2009, the new demand of electric bike has experienced a decrease due to the global economic downturn that affected the relevant sales.

The fast growth in the PRC electric bike market can be attributed to:

(a) Increase in urbanization and disposable income

The increase in disposable income of the general population provides incentives for the general population to switch traditional bicycle to electric bike, a transportation means which is functionally sound yet retains simplicity and low cost;

(b) Environment concern increases the need for electric bike

The low emission, purchase price and maintenance cost and convenience natures of the electric bikes provide a solution to various considerable problems associated with its high pollution, population, congestion and under-developed infrastructure in the PRC; and

(c) Traffic conditions and under-develop infrastructure

Traffic conditions such as congestion and under-developed infrastructure (especially in lower tier cities) will stimulate the use of electric bike which is a convenient means of transportation.

(d) Home Appliance Subsidy Program in Rural Areas of the PRC

The Chinese government started trial implementation of the home appliance subsidy program in rural areas (家電下鄉補貼計劃) on 1 December 2007 in Shandong province, Henan province and Sichuan province and then extended this program to the entire country as from 1 February 2009. The program applies to the peasants and employees of State-owned farms and forest farms. The program is temporarily scheduled to be valid for four years till 31 January 2013. A total of nine types of products are included in the catalogue of the program, including color television, refrigerator, cellphone, washing-machine, computer, air conditioner, water heater (including electric heater, gas water heater, solar water heater), microwave oven and induction cooker. Each household can purchase a maximum of two products in each product category at the most.

On 23 March 2010, the Ministry of Finance, the Ministry of Commerce and the Ministry of Industry and Information Technology of the PRC issued a notice on relevant issues regarding, the Implementation Plan of Enlarging the Products Catalogue under Home Appliance Subsidy Program in Rural Areas* (新增家電下鄉補貼品種實施方案) pursuant to which 10 provinces of the PRC, including but not limited to Shandong province, Jiangsu province and Hebei province, can add electric bike to the product catalogue under the program, and each household in these 10 provinces who purchases electric bike can enjoy a maximum subsidy of RMB260.

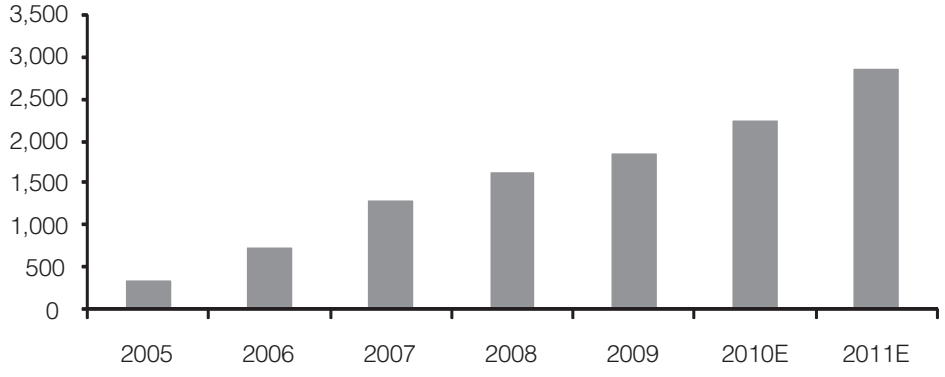
Currently, China dominates the global electric bike market and the principal growth of the global industry, mainly driven by its strong domestic demand and status as one of the key world's manufacturing centers. According to the Frost & Sullivan Report, it is estimated that approximately 72% of the total new demand in 2009 were from China.

MOTIVE BATTERY DEMAND FOR ELECTRIC BIKES

Each electric bike is generally equipped with 3-4 units of batteries and each lead-acid motive battery has a life cycle of approximately 1.5 years (actual usage life may vary considerably depending on various factors such as the application of different component parts or the users' usage pattern). Demand for electric bike motive battery is generally classified into two categories: (i) the "Primary Market" which refers to the market of batteries that are bundled with the sales of new electronic bike. The demand of this market has strong correlation to the new demand of electric bike, and (ii) the "Secondary Market" which refers to the replacement market which has strong correlation to the overall accumulative electric bike population growth.

The following diagram sets forth the sales revenue of electric bike lead-acid battery in China from 2005 to 2009, as well as the forecast from 2009 to 2011:

Revenue of electric bike lead-acid battery in China (USD million)



Source: Frost & Sullivan Report, March 2010

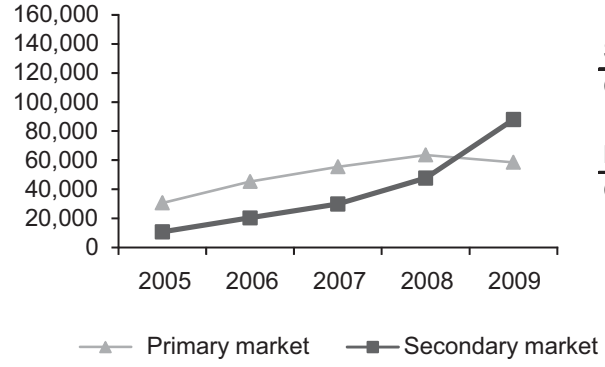
Note: The Frost & Sullivan projection is computed based on the consideration of the historical data and estimated forecast indicated by key electric bike manufacturers, key electric bike battery manufacturers and industry associations, and its methodology stated in this section.

According to the Frost & Sullivan Report, the total sales revenue of electric bike batteries in China grew from US$374.0 million in 2005 to US$1,870.4 million in 2009, representing a CAGR of 49.5%, and it is expected to grow further to US$2,881.9 million in 2011, representing a CAGR of 24.1% from 2009 to 2011.

PRIMARY AND SECONDARY MARKETS FOR ELECTRIC BIKE MOTIVE BATTERIES

As mentioned above, the demand for electric bike motive batteries is generally divided into the demand in primary and secondary markets. The following diagram illustrates the demand in the primary and secondary markets for electric bike lead-acid batteries in China:

Demand of primary and secondary markets for electric bike lead-acid batteries ('000 units)



Secondary market	
CAGR ('05-'09)	**69.0%**

Primary market	
CAGR ('05-'09)	**17.6%**

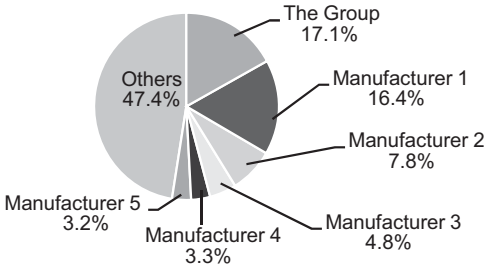
Source: Frost & Sullivan Report, March 2010

According to the Frost & Sullivan Report, the demand from both markets is expected to grow in the next five years. However, with the increase of overall population of the electric bike market and taking into consideration the current average battery life which is approximately 1.5 years, in the demand from the secondary market in China is likely to exceed that from the primary market. Based on the Frost & Sullivan Report, the total demand in the secondary market (which recorded an increase by over 84% in 2009 as compared to 2008) surpassed the demand in the primary market (which recorded a decrease by 8% in 2009 as compared to 2008 mainly due to the economic downturn) for the first time in 2009.

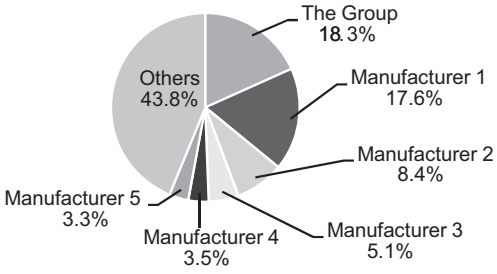
MARKET PARTICIPANTS

According to the Frost & Sullivan Report, the market share of the six largest manufacturers of lead-acid motive battery products in 2009 accounted for approximately 56.2% of the total market size and there are only two players with market share higher than 10%. Hence, the market is considered relatively fragmented with numerous relatively small manufacturers. Our Directors believe that the increasing demand for high standard batteries and the continue emphasis on environmental protection in the manufacturing process will have significant adverse impact on the operation of these relatively small manufacturers and therefore could offer more potential consolidation opportunities for established market leaders like us.

China overall electric bike motive battery market share by revenue in 2009



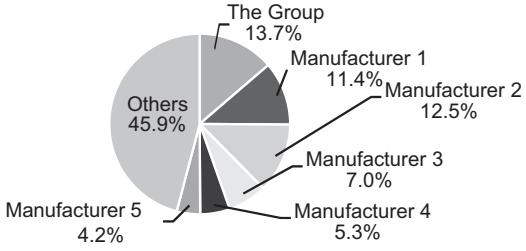
China electric bike lead-acid motive battery market share by revenue in 2009



Source: Frost & Sullivan Report, March 2010

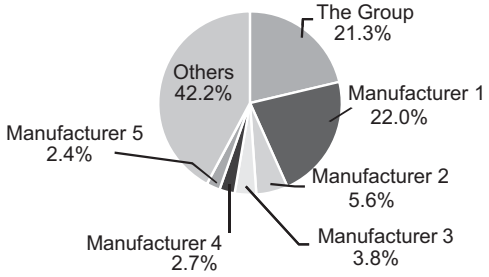
In terms of primary and secondary markets, they are also highly fragmented. The following diagrams illustrate the top six players in these two markets with their respective market shares, according to the Frost & Sullivan Report:

China primary market share for electric bike lead-acid motive battery by revenue



Source: Frost & Sullivan Report, March 2010

China secondary market share for electric bike lead-acid motive battery by revenue



Source: Frost & Sullivan Report, March 2010

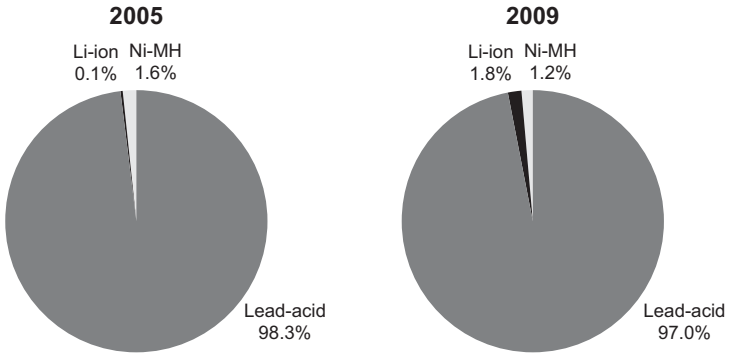
LEAD-ACID BATTERY PRODUCTS VS OTHER RECHARGEABLE BATTERY PRODUCTS

The lead-acid motive battery is currently the most commercially viable and technologically mature rechargeable battery product, which offers the best reliability even today, over a century after it was introduced. It is generally used in the automotive, motorcycle, marine and deep-cycle fields (the latter of which encompasses electric bikes).

Especially in electric bikes, the sealed lead-acid rechargeable battery has a dominant market share of over 90%. In terms of alternatives, there are other rechargeable battery products available on the market today, primarily Ni-MH and Li-ion batteries, which possess certain technological advantages over lead-acid batteries, especially Li-ion batteries which have seen their share of China's electric bike market increasing from approximately 0.1% to approximately 1.8% between 2005 and 2009. However, given the inherent price-sensitivity of the electric bike consumers, these alternative chemistries are currently considered not yet commercially popular for electric bikes due to their relatively premature stages of development and consequently less stable performance. According to the Frost & Sullivan Report, it is generally believed that sealed lead-acid rechargeable batteries will continue to dominate the Chinese market in the near future. However, their competitive advantage could be challenged by the continuing development of such alternative chemical batteries which may improve their viability, popularity and therefore market share in their application to batteries for electric bikes.

The following diagram illustrates the demand for different types of battery product for electric bikes in China in 2009. In China, over 90% of the rechargeable batteries used in electric bikes are lead-acid batteries which other chemicals combined consist of less than 10%.

Breakdown of electric bike motive battery demand



Source: Frost & Sullivan Report, March 2010

Comparison of Battery Types

According to the Asian Development Bank, valve regulated lead-acid ("**VRLA**") batteries are still the most cost-effective option. On the other hand, there are also some other advantages for other battery types such as Li-ion which its mass (kg) offers a significant advantage over lead-acid battery. If users' only option to recharge is to carry the battery indoors, they may be inclined to use Ni-MH or Li-ion. The shorter life of Ni-MH batteries may not justify the higher cost to some users. Li-ion batteries are expensive, too, but their lifetime cost is only 1.6 times as high as that of VRLA batteries. Therefore, with some price reductions, Li-ion could be cost-effective in the future, especially with regulatory pressure to reduce the weight of electric bikes.

Results	**Lead-acid**	**Ni-MH**	**Li-ion**
Cost ($)	130	270	500
Mass (kg)	26	14	8
Lifetime (yr)	1.5 (3 ideal)	2.0 (4 ideal)	4.5 (9 ideal)
Volume (L)	10	4	5
Maximum Theoretical Power (kW)	6.2	–	2.9
Recharging Safety	High	High	Low
Temperature Effects	Moderate	High	Moderate

Assumptions	**VRLA**	**Ni-MH**	**Li-ion**
Specific Energy (Wh/kg)	35	65	110
Energy Density (Wh/L)	86	235	170
Power Density (W/kg)	240	–	350
Cost ($/kWh)	130	300	560
Cycle Life (recharges)	300	400	800
Life-Cycle ($/kWh/recharge)	0.43	0.75	0.70

- = data not available, kg = kilogram, kWh = Kilowatt-hour, L = liter, Li-ion = lithium-ion, NiMH = nickel metal hydride, Wh = watt-hour, yr = years.

Source: "Electric Bikes in the People's Republic Of China" (2009), Asian Development Bank

Emissions of electric bike and environmental impacts of lead pollution

Electric bikes generate environmental impacts through several processes. Although electric bikes do not emit any "tailpipe" emissions, they require traditional grid electricity sources to recharge their batteries, like any other electronic appliances. In China, the electricity is mostly generated from coal power plants that emit traditional pollutants commonly associated with gasoline vehicles, and high sulphur dioxide because of the high sulphur levels in coal burned to generate electricity.

When considering the life-cycle environmental impacts of electric bikes, lead pollution from industrial processes stands out as a clear challenge to the environmental sustainability of this mode, even with nearly 100% recycling rates. Because the large batteries are replaced every one to two years, a medium-sized electric bike introduces 420 milligrams (mg)/km of lead into the environment through mining, smelting, and recycling. This pollution is emitted in various forms of solid, liquid, and airborne waste. Many of these emissions are the result of small-scale, informal lead-producing operations, which are difficult to regulate or monitor.

Recycling of lead-acid motive battery

Currently, over 90% of new electric bikes use lead-acid motive batteries. As the life of each lead-acid motive battery is approximately 1.5 years, the use of such battery could generate large amount of harmful waste at disposal. Among different types of motive battery, lead-acid has the highest recycling value and according to the Frost & Sullivan report, approximately 95% of the lead in a waste lead-acid battery can be recycled.

Parties involved in lead-acid battery recycling includes the electric bike sales outlets, electric bike maintenance outlets, waste lead refineries and small traders of waste lead-acid battery which provides convenience for consumers to recycle or sell back the waste batteries.

Cost component of lead-acid motive battery

Key components of lead-acid motive battery comprises of lead, electrode plates and plastic battery castings. According to Frost and Sullivan, lead is the most crucial component and it accounts for approximately 75.0% of the total cost of a lead-acid battery. Hence the lead-acid motive battery price has a strong correlation to the lead price movement. Similar to other resources and raw materials prices, the lead price has experienced significant fluctuations between 2007 and 2009. According to the China Shanghai Changjiang lead spot price, the price has increased to over RMB25,000 in the second half of 2007 and experienced a significant decrease to fall below RMB10,000 in the second half of 2008 due to the global economic downturn that has led to a decrease in most resources and raw materials prices. Since 2008, the lead price gradually increased at

a more steadily rate and it generally remained relatively stable since 2009. The following diagram sets forth an indicative lead price movement from 1 January 2007 to 31 May 2010.

Source: China Shanghai Changjiang lead spot price

OTHER GROWTH OPPORTUNITIES FOR LEAD-ACID BATTERY PRODUCTS

Currently, we are mainly engaged in the manufacturing of electric bike lead-acid motive batteries. At the same time, we are also exploring different market opportunities. The following are some of the market opportunities that our Directors believe, could be a growth driver to the lead-acid battery industry and our business:

(a) Electric vehicle motive battery market

Electric vehicle generally consists of hybrid electric vehicles (HEVs) and electric vehicles (EVs). HEV uses a combination of gasoline and electric engines and EV is completely dependent on batteries for its operations. The market growth of HEV and EV batteries has been generally perceived as high growth due to the anticipated increasing demand for these alternative vehicles. However, unlike HEV, EV requires much higher storage electric capacity and stable performance before commercialization. According to the Frost & Sullivan report, the EV market is still in the relatively early stage of development and it is anticipated that it will take a few years before it reaches a meaningful scale. In terms of battery products, manufacturers have been exploring different battery technologies in their research and development. Currently, while Li-ion battery is expected to be utilized more in the coming years, other technologies such as lead-acid which is a more mature technology, high availability and low cost could also be applied. According to the Administrative Provisions for the Entry of New-energy Automobile Manufacturers and the Products* (《新能源汽車生產企業及產品准入管理規則》) promulgated by the Ministry of Industry and Information Technology of the PRC on 17 June 2009 and implemented on 1 July 2009, new-energy automobiles with lead-acid rechargeable battery (including hybrid passenger vehicles, hybrid commercial vehicles, pure electric passenger vehicles and pure electric commercial vehicles, etc.) as power

source are currently at the developing or mature technological stage, allowed for mass production (but their sales and use are restricted in and to approved areas, certain scopes, duration and conditions, and at least 20% of the sold products must be under real-time monitoring on running status) or under ordinary production management.

(b) Storage battery for solar and wind energy

Energy storage battery is an important component of solar photovoltaic energy and wind power generation system. With China's initiatives to reduce its carbon intensity level and increase the share of non-fossil energy consumption, it is generally expected that the industry will continue to grow. According to Frost & Sullivan, the sales revenue of energy storage battery reached RMB650 million in 2008 and it is expected to grow significantly in the future.

In terms of battery technology, the current mainstream is valve-regulated lead-acid (VRLA) battery, which accounted for more than 95% of the total sales. Although different kinds of batteries such as VRLA battery, Ni-MH battery, Ni-Cd battery, Li-ion battery and sodium-sulfur battery are available, VRLA battery still dominates the market due to its competitive advantages in price performance ratio and application maturity.

OVERVIEW OF PRC LAWS AND REGULATIONS

In addition to the laws and regulations generally applicable to businesses in China, enterprises engaging in the production and sales of lead-acid rechargeable batteries are also required to comply with the rules in the following areas:

1. Production operations;

2. Environmental protection; and

3. Occupational health and safety.

Laws and Regulations Related to Production Operations

1. Production Licenses

Pursuant to the Regulations of the PRC for the Administration of Production Licenses for Industrial Products* (《中華人民共和國工業產品生產許可證管理條例》) and the Measures for the Implementation of Regulations of the PRC for the Administration of Production Licenses for Industrial Products* (《中華人民共和國工業產品生產許可證管理條例實施辦法》) that came into effect on 1 September 2005 and 1 November 2005, respectively, important industrial products in connection with public safety, human health and well-being, and the protection of property are subject to the system of production licenses imposed by the PRC central government. The catalogue of industrial products subject to the production licensing regime implemented by the State is made by the competent department of the State Council in charge of the production license for the industrial products together with the other relevant departments of the State Council, and promulgated to the public after the same has been approved by the State Council. Any enterprise that fails to obtain a production license shall not produce the products listed in the said Catalogue, and no entity or individual is allowed to sell or use during its operation any products listed in the said Catalogue without the relevant production license, otherwise an administrative sanction by the competent department of industrial product production licenses will be imposed on such entity or individual. Moreover, criminal liability may also be imposed on such entity or individual.

According to the Announcement of the Catalogue of Products Subject to the Production Licensing Regime* (《關於公佈實行生產許可證制度管理的產品目錄的公告》) (no. 174, 2007) promulgated 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) on 5 December 2007, rechargeable batteries are listed in the Catalogue of Products Subject to the Production Licensing Regime* (《實行生產許可證制度管理的產品目錄》). With the Detailed Rules of the Implementation of Production Licenses for Lead-acid Rechargeable Batteries* (《鉛酸蓄電池產品生產許可證實施細則》) coming into effect on 20 May 2007, enterprises engaged in the production of the following lead-acid rechargeable batteries are required to complete

the formalities to obtain the relevant National Production License for Industrial Product* (《全國工業產品生產許可證》) in accordance with the laws of the PRC:

Serial No.	Product Items	Product Specifications	Enterprise Categories
1	Lead-acid rechargeable batteries for push-starts	All series for starting an automobile All series for starting a vessel	Manufacturing or Assembling
2	Lead-acid traction rechargeable batteries	All series	Manufacturing or Assembling
3	Lead-acid rechargeable batteries for diesel cars	All series with gas exhaust passages All series of the valve-regulated type	Manufacturing or Assembling Manufacturing or Assembling
4	Lead-acid rechargeable batteries for passenger trains	All series	Manufacturing or Assembling
5	Stationary lead-acid rechargeable batteries	All series with gas exhaust passages All series of the valve-regulated type	Manufacturing or Assembling Manufacturing or Assembling
6	Small-sized valve-regulated lead-acid rechargeable batteries	All series	Manufacturing or Assembling
7	Lead-acid rechargeable batteries for motorcycles	All series	Manufacturing or Assembling
8	Lead-acid rechargeable batteries for mining explosion-proof electrical source devices	All series	Manufacturing or Assembling
9	Storage rechargeable batteries	All series	Manufacturing or Assembling
10	Sealed lead-acid rechargeable batteries for electrically powered vehicles	All series	Manufacturing or Assembling
11	Electrode plates for lead-acid rechargeable batteries	All series of positive plates All series of negative plates	– –

As we are principally engaged in the production activities of sealed lead-acid rechargeable batteries for electrically powered vehicles, its domestic subsidiaries are required to obtain the National Production Licenses for Industrial Products* (《全國工業產品生產許可證》) in accordance with the relevant rules. Chaowei Power, Changxing Zhongcheng, Henan Chaowei, Shandong Chaowei, Jiangsu Chaowei and Anhui Chaowei have obtained the National Production Licenses for Industrial Products* (《全國工業產品生產許可證》) in accordance with the laws of the PRC.

The table below provides the terms of validity of the National Production Licenses for Industrial Product* (《全國工業產品生產許可證》) of our PRC subsidiaries:

Company Name	**Expiration Date of the National Production Licenses for Industrial Product* (《全國工業產品生產許可證》)**
Chaowei Power	27 May 2015
Changxing Zhongcheng	17 April 2012
Henan Chaowei	17 April 2012
Shandong Chaowei	28 January 2012
Jiangsu Chaowei	17 April 2012
Anhui Chaowei	5 January 2014

2. Product Quality

Pursuant to the Law of the People's Republic of China on Product Quality* (《中華人民共和國產品質量法》) which came into effect on 8 July 2000, products that may endanger human health, the human body or the safety of assets shall be in compliance with the relevant national and industrial standards. Where no such standards have been formulated, the necessary requirements for the protection of human health, the human body and the safety of assets shall be met. Any industrial products that fail to meet such standards or requirements shall not be manufactured or sold. Such relevant national and industrial standards include the standards numbered GB/T 18332.1-2009, GB/T 22199-2008, GB/T 19639.1-2005, JB/T 6457.2-2004 and QB/T 2947.1-2008, which are applicable to ordinary lead-acid motive batteries, and the standard numbered QC/T 742-2006 which is applicable to lead-acid motive batteries for electric cars. As of the Latest Practicable Date, all five models of our motive batteries for electric cars have passed the quality tests prescribed by the China North Vehicle Quality Supervision and Testing Laboratory* (中國北方汽車質量監督檢驗鑒定試驗所), a national-level quality testing institute recognized by the China National Accreditation Service for Conformity Assessment* (中國合格評定國家認可委員會) and the Certification and Accreditation Administration of the PRC* (中國國家認證認可監督管理委員會).

3. Production Safety

Enterprises engaged in the production of lead-acid rechargeable batteries in China shall go through the following procedures in accordance with the laws of the PRC.

(1) Production Safety Licenses

Pursuant to the Regulations on Production Safety Licenses* (《安全生產許可證條例》) and Measures for Implementation of the System of Production Safety Licenses of Hazardous Chemicals Production Enterprises* (《危險化學品生產企業安全生產許可證實施辦法》) which were promulgated and came into effect on 13 January 2004 and 17 May 2004, respectively, the PRC central government has implemented a licensing system for production safety of mining enterprises, construction companies and enterprises producing hazardous chemical products, fireworks and civil explosive materials. No enterprise producing hazardous chemical products may engage in production activities without holding a production safety license. While the Regulatory Authorities for Production Safety of the State Council is responsible for the issuance and administration of production safety licenses for hazardous chemical production enterprises (group companies, head offices or listed companies) under the administration of the central government, the regulatory authorities for production safety of the people's governments of provinces, autonomous regions and municipalities directly under the PRC Central Government will be responsible for the issuance and administration of production safety licenses for other hazardous chemical production enterprises.

Chaowei Power and its branch company located at Xiaopu town, Changxing county, Zhejiang province ("**Xiaopu Branch**"), Changxing Zhongcheng, Henan Chaowei, Shandong Chaowei, Jiangsu Chaowei and Anhui Chaowei have completed the formalities and obtained the Production Safety Licenses* (《安全生產許可證》) in accordance with the laws of the PRC.

The table below provides the terms of validity of the Production Safety Licenses* (《安全生產許可證》) of our PRC subsidiaries:

Company Name	**Expiration Date of the Production Safety Licenses* (《安全生產許可證》)**
Chaowei Power	2012/2/6
Xiaopu Branch	2012/5/18
Changxing Zhongcheng	2012/9/21
Henan Chaowei	2012/2/19
Shandong Chaowei	2010/6/27*Note*
Jiangsu Chaowei	2010/11/5
Anhui Chaowei	2012/10/21

Note: Shandong Chaowei has submitted application to the relevant local authority for the renewal of this license in April 2010. As advised by Zong Heng Law Firm, our legal adviser on the PRC laws, there is no legal impediment for obtaining the renewed license on time.

(2) Registration of Dangerous Chemicals

Pursuant to the Regulations on the Administration of the Safety of Hazardous Chemicals* (《危險化學品安全管理條例》), the Measures for the Administration of Registration of Hazardous Chemicals* (《危險化學品登記管理辦法》) and their implementation opinions that came into effect on 15 March 2002 and 15 November 2002, respectively, any entities engaged in the production, storage of hazardous chemicals or usage of virulent chemicals or the other hazardous chemicals in a quantity that could be a potential source of serious accidents shall register with the competent offices for chemicals in accordance with the laws of the PRC. The PRC Central Government has established the National Registration Center for Chemicals (國家化學品登記註冊中心) to take charge of activities and administrative matters of the national registration of hazardous chemicals, while the people's governments of provinces, autonomous regions and municipalities directly under the PRC Central Government have set up chemical registration offices to handle the local activities and administrative matters related to hazardous chemical registration.

Chaowei Power and its Xiaopu Branch, Changxing Zhongcheng, Henan Chaowei, Shandong Chaowei, Jiangsu Chaowei and Anhui Chaowei have obtained their Registration Certificates for Production Units of Hazardous Chemicals* (《危險化學品生產單位登記證》) in accordance with the laws of the PRC.

(3) Permission of Construction Projects with regard to Safety Issues

Pursuant to the Production Safety Law of the PRC* (《中華人民共和國安全生產法》), Safety Regulations for Hazardous Chemicals*《危險化學品安全管理條例》和 Measures for the Implementation of Safety Permission on Hazardous Chemicals Construction Projects* (《危險化學品建設項目安全許可實施辦法》), when an entity has any plans of new construction, extension and reconstruction of production, storage devices and facilities for hazardous chemicals in China, or has any plans of construction projects of production devices and facilities in China involving the generation of hazardous chemicals, it shall engage a qualified safety assessment institution to evaluate the safety of such constructions (going through the processes of examination, approval and record keeping), and request for the launching of a safety investigation from the competent department in charge of the safety permission on construction projects. After the design of all of the safety facilities for such construction project has been completed, the entity shall submit the design to that competent department for review of the safety facilities design of the construction project. Following the completion of the safety facilities of the construction project, the entity shall examine and test those facilities in accordance with the laws, regulations, and standards concerned with production safety, so that it can be ensured that those facilities satisfy the safety requirements in the production and storage of hazardous chemicals and are in good operating conditions. Prior to the commencement of production or use of such construction projects, the entity shall request for the inspection of the safety facilities for completion of work from the competent authority in charge of the safety permission on construction projects, and the projects may only be put into production or use after the safety facilities have

passed the relevant tests. The entity shall go through the review procedures on the safety of construction projects before their establishment and the design of the safety facilities, and also the inspection procedures after the completions of the safety facilities in accordance with the laws of the PRC.

The construction projects of Chaowei Power and its Xiaopu Branch, Changxing Zhongcheng, Henan Chaowei, Shandong Chaowei, Jiangsu Chaowei and Anhui Chaowei have all gone through those safety assessment procedures for construction projects and review and inspection procedures for safety facilities.

Laws and Regulations Relating to Environmental Protection

The primary components of lead-acid rechargeable batteries, namely lead (and/or lead compounds) and sulphuric acid, are inherently dangerous and can be harmful to the environment if they are improperly handled. In particular, lead is toxic which can contaminate soil, water and air and accumulate in human bodies.

The PRC government has formulated a comprehensive set of environmental protection laws and regulations that cover areas such as land rehabilitation, sewage discharge and waste disposal. The Ministry of Environmental Protection of the PRC* (中華人民共和國環境保護部) is responsible for the supervision and formulation of the national standards on environmental quality. The competent authorities departments of environmental protection under the local people's government at or above the county level are responsible for the supervision of matters on environmental protection within their own jurisdictions.

Pursuant to the Administrative Regulations on Environmental Protection for Construction Projects* (《建設項目環境保護管理條例》), Environmental Impact Assessment Laws of the PRC* (《中華人民共和國環境影響評價法》) and Administrative Measures for the Examination and Approval of Environmental Protection Facilities for Completion of Construction Projects*《建設項目竣工環境保護驗收管理辦法》, an enterprise is required to compile an environmental impact report or environmental impact registration form with regard to the specific impacts on the environment prior to the commencement of any construction project. The enterprise shall engage an institution with the relevant environmental impact assessment qualification to perform the environmental impact assessment services. The completed environmental impact report or environmental impacts registration form shall be submitted to the authorized competent department of environmental protection for approval. Following the completion of the construction project, the enterprise or entity shall request for the inspection on the completed essential auxiliary environmental protection facilities for the construction project from the relevant competent departments of environmental protection, and the construction project may only be put into production or used after the environmental protection facilities have passed the relevant tests.

Pursuant to the Environment Protection Law of the PRC* (《中華人民共和國環境保護法》), the Water Pollution Prevention Law of the PRC* (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention Law of the PRC* (《中華人民共和國大氣污染防治法》) and the "Rules on the Administration and Registration of Discharge of Pollutants* (《排放污染物申報登記管理規定》), all entities, directly or indirectly, discharge pollutants shall register for pollutants discharge with the relevant competent departments of environmental protection and obtain Pollutants Discharge Permits or Temporary Pollutants Discharge Permits from those departments before commencing operation. Those entities which have obtained Pollutants Discharge Permits shall strictly conform to the discharge standards stipulated in the Pollutants Discharge Permits when discharging waste. Registration Form of Discharge of Pollutants* (《排污申報登記表》) shall be submitted to the relevant competent departments of environmental protection under the local people's government at or above the county level within one month after receiving the approval of environmental inspection and acceptance of facilities for the prevention of pollution to proceed the registration. Entities which fail to report matters relating to pollutant emission will receive warning from or be fined by the relevant competent departments of environmental protection. Entities which discharge pollutants exceeding the emission limits set by the central and local government will be ordered to take remedial measures within a time limit and fined by the competent departments of environmental protection of the local people's government at or above the county level. If they fail to accomplish the remedial task within the time limit, apart from being charged for drainage surcharge in accordance with the stipulation set by the central government, their business may be suspended and the entities may be closed down on account of the severity of the danger and damages caused.

Pursuant to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes* (《中華人民共和國固體廢物污染環境防治法》), it is prohibited to discharge solid waste into or pile them up at rivers, lakes, canals, ditches, reservoirs, bottomlands, banks or slopes under the highest waterline or other places where waste is not allowed to be discharged into or piled up according to laws and regulations. The PRC Central Government institutes a system of registration for industrial solid wastes. The entities discharging industrial solid wastes shall provide information about the generation, storage, disposal and other materials concerning industrial solid wastes to the relevant competent departments in charge of environmental protection of the local people's government at or above the county level. Failure to comply with the requirements of registration of the industrial solid wastes or hazardous wastes will be ordered to take remedial measures within a time limit and fined by the competent departments of environmental protection of the local people's government at or above the county level.

The competent departments of environmental protection of the State Council jointly with other relevant departments of the State Council, formulated a national catalog of hazardous wastes, and unified criteria and methods for identifying hazardous wastes and their identification labels. An enterprise discharging hazardous wastes shall, pursuant to the state provisions, work out a plan for managing hazardous wastes, and report the types, production quantity, flow direction, storage, disposal treatment and other relevant materials to the competent departments of environmental protection of their local people's government at or above the county level. An entity that discharges hazardous wastes shall dispose hazardous wastes according to relevant provisions of the State, and shall not dump or dispose such waste without approval; those that fail to dispose of hazardous wastes shall be ordered to rectify the same within the time limit by the competent departments of environmental protection of its people's government at or above the county level. If an entity fails to dispose the waste within the time limit or in accordance with relevant provisions of the State, another entity shall be commissioned to dispose the waste by the competent departments of environmental protection of their local people's government at or above the county level, and the expenses incurred therefrom shall be undertaken by the entity that generates hazardous wastes. Where the disposal of hazardous wastes into landfill does not comply with the provisions set by the competent departments of environmental protection of the State Council, it shall pay discharging fees for hazardous wastes discharging. The entities generating, collecting, storing, transporting, using or discharging hazardous wastes shall formulate preventive measures and emergency plans against accidents and report those measures and plans to the competent departments of environmental protection of their local people's government at or above the county level for filing.

Under the Standards for Pollution Control on Hazardous Waste Storage* (《危險廢物貯存污染控制標準》) (GB18597-2001), containers with abandoned batteries shall have labels indicating their category as required by the laws and regulations; or specialized facilities shall be constructed in accordance with the Standards for Pollution Control on Hazardous Waste Storage* (《危險廢物貯存污染控制標準》) (GB18597-2001) for the storage of abandoned batteries, in which the abandoned batteries will be placed inside plastic containers. The plastic containers should be corrosion and pressure-resistant, and properly sealed. The disposal of used batteries into landfill should also fulfill the stringent requirements on landfill.

Anyone who violates the above mentioned laws and regulations may be subject to warnings, fines or administrative sanctions, depending on the nature and the severity of the environmental damage caused. Any entity engaged in construction or manufacturing activities without complying with the relevant environmental protection requirements may be ordered to suspend production or operations and may be fined. If the violation of above laws and regulations result in significant loss of property, personal injuries or deaths, the responsible person of the entity may have criminal liability for constitution of criminal offences.

According to the relevant laws, regulations and standards in China, the following are environmental quality standards and pollutant discharge standards applicable to our operation:

A. Environmental Quality Standards

(1) Air Quality in a Specific Environment

The daily average concentration of lead in the air has to conform to the maximum concentration limit of the toxic materials in the atmosphere in a residential zone permitted under the Hygiene Standards for Industrial Enterprises* (《工業企業設計衛生標準》) (TJ36-79); while the average annual and quarterly concentration in the air of the environment has to meet the concentration limits as set out under the Air Quality Standards in a Specific Environment* (《環境空氣質量標準》) (GB3095-1996). Details of the concentration limits are set out as follows:

Period	Lead (Unit: μg/m^3)	Standards
Daily average	0.70	TJ36-79
Quarterly average	1.50	GB3095-1996
Annual average	1.00	GB3095-1996

(2) Ground Surface Water Condition

Depending on the water usage category, water discharge has to conform to the relevant standards of Category III specified under the Ground Surface Water Quality Standards* (《地表水環境質量標準》) (GB3838-2002), which refers to an indicative lead value of ≤0.05mg/L.

(3) Underground Water Condition

Quality of underground water has to conform to the Underground Water Quality Standards* (《地下水質量標準》) (GB/T14848-93) as detailed below:

Categories	Category I	Category II	Category III	Category IV	Category V
pH	6.5 ~ 8.5	6.5 ~ 8.5	6.5 ~ 8.5	5.5 ~ 6.5 8.5 ~ 9	< 5.5 >9
Maximum permitted lead concentration (Unit: mg/L)	≤0.005	≤0.01	≤0.05	≤0.1	>0.1

(4) Soil Condition

Soil condition has to conform to Soil Quality Standards* (《土壤環境質量標準》) (GB15168-1995). Specific parameters are listed as follows:

Soil Class	First Class	Second Class			Third Class
pH	Natural background	<6.5	6.5~7.5	>7.5	>6.5
Maximum permitted lead concentration (Unit: mg/L)	≤35	≤250	≤300	≤350	≤500

(5) Other Water Condition

Water for fishing industry has to conform to the prescribed lead content of ≤0.05mg/L as set out under the Water Quality Standards for Fishing* (《漁業水質標準》) (GB11607-89). Water for agricultural irrigation has to conform to the prescribed lead content of ≤0.1mg/L as set out under the Water Quality Standards for Agricultural Irrigation* (《農用灌溉水質標準》) (GB5084-92). Water for daily use has to conform to the prescribed lead content of ≤0.05mg/L as set out under the Water Hygiene Standards for Daily Consumption* (《生活飲用水衛生標準》) (GB5749-85).

B. Pollutant Discharge Standards

(1) Exhaust gas

The emission of lead and its chemical compounds in the industrial exhaust gas has to conform to the Second Class Emission Standard as set out under the Comprehensive Air Emission Standards* (《大氣污染物綜合排放標準》) (GB16297-1996). The details are set out as below:

Pollutants	**Maximum permitted emission concentration** *(mg/m³)*	**Height of air chimney (m) 0.004 0.006 0.027 0.047 Maximum permitted emission rate** *(kg/h)*	**Non-organized emission supervisory concentration limit** **Supervisory threshold**	**Concentration** *(mg/m³)*
Lead and its chemical compounds	0.7		Maximum concentration outside the perimeter	0.0060

The concentration of lead and its chemical compounds discharged from factories has to conform to the supervisory concentration limit for non-organized emission as set out under the Comprehensive Air Pollutant Emission Standards* (《大氣污染物綜合排放標準》) (GB16297-1996), in which the maximum concentration limit of lead and its chemical compounds outside the perimeter is 0.0075mg/m^3.

The emission of exhaust gas from metal melting furnaces has to conform to the Second Class Standard under Emission Standards for Air Pollutants of Industrial Furnaces* (《工業爐窯大氣污染物排放標準》) (GB9078-1996), relevant measurements are set out as follows:

		Organized emission limit			
Category of furnace	*(mg/m³)*	**Concentration of soot** *(mg/m³)*	**Darkness of smoke** *(Ringelmann number)*	**Lead** *(mg/m³)*	**Maximum permitted non-organized soot emission** *(mg/m³)*
Metal melting furnaces					
≥15m	850	150	1	0.1	5
<15m	425	75	1	0.05	

(2) Waste Water

The discharge of waste water has to conform to Category I of the First Class Standard of Pollutants as set out under the Integrated Waste Water Discharge Standards* (《污水綜合排放標準》) (GB8978-1996). The details are set out as below:

Pollutants	First Class Standard	Maximum permitted emission concentration of category I pollutants
pH of waste water	6~9	–
Total lead (Unit: mg/L)	–	1.0

(3) Noise Pollution

Noise generated from factories is assessed according to the Category II Standard under Noise Standard for Industrial Enterprise Factories* (《工業企業廠界噪聲排放標準》) (GB12348-2008), the relevant standards are set out as below:

	Unit: equivalent acoustics Leq dB(A)	
Category	Daytime	Nighttime
II	60	50

(4) Solid waste

Solid waste is handled in accordance with the relevant standards under Solid Waste Environmental Management Manual of Zhejiang Province* (《浙江省固體廢物環境管理工作手冊》). The toxic leakage of solid waste is assessed in accordance with the Hazardous Waste Identification Standard – Identification of toxic leaking* (《危險廢物鑒別標準－浸出毒性鑒別》) (GB5085.3-1996). The permitted maximum concentration of lead is 3mg/L.

(5) Discharge Conduit

The installation of discharge conduit has to conform to the standards of Environmental Protection Graphic Logo – Discharge Conduit (Yuan)* (《環境保護圖形標誌－排放口(源)》) (GB15562.1-1995).

Laws and Regulations on Prevention and Control of Occupational Diseases

According to the PRC Law on Occupational Disease Prevention* (《中華人民共和國職業病防治法》) which came into effect on 1 May 2002, employers in the PRC shall create workplaces and conditions which conform with the State occupational-health standards and requirements, take appropriate measures to ensure occupational health, formulate well-structured responsibility systems for occupational disease prevention, strengthen the management on the occupational disease prevention, enhance occupational disease prevention standards and take responsibility to deal with the loss resulted from occupational diseases.

Employers engaged in businesses that are likely to cause occupational diseases included in the state catalogue of occupational diseases should register with the competent departments of public health and accept their supervision. For any new construction, extension, reconstruction projects, technical modification projects and technology introduction projects which may give rise to occupational diseases, the entities who are responsible for such projects should submit reports for pre-assessment to the competent department of public health, which, within thirty (30) days after the receipt of the said reports, shall notify its decisions to the said entities in written notices. The expense of the occupational-disease-prevention facilities for any construction project shall be included in the engineering budget of the construction project, and the occupational-disease-prevention facilities should be designed, engineered and put into operation concurrently with the subjects of the project. Construction projects with very high occupational disease exposure may not commence until the competent department of public health has certified that the construction project conforms to the state standards and requirements on occupational health. The entity who takes charge of the project should carry out the assessment of the occupational-disease-prevention measures before the final acceptance of the construction project. No construction project shall be put into operation without having its occupational-disease-prevention facilities accepted by the competent department of public health upon the acceptance of the construction project.

According to the Diagnostic Criteria of Occupational Chronic Lead Poisoning* (《職業性慢性鉛中毒診斷標準》) (GBZ37 – 2002), which became effective on 1 June 2002, a person who possesses the following symptoms is considered to have occupational chronic lead poisoning:

	Lead poisoning of low degree	**Lead poisoning of medium degree**	**Lead poisoning of high degree**
Symptoms	Blood lead level is equal to or more than 600 μg/L or urine lead level is equal to or more than 120 μg/L with one of the following symptoms: a) δ-amino-r-levulin acid is equal to or more than 8,000 μg/L; b) free erythrocyte protoporphyrin (EP) is equal to or more than 2,000 μg/L; c) zinc protoporphyrin (ZPP) is equal to or more than 13.0 μg/gHb; d) abdominal pain, abdominal swelling or constipation, etc. According to the diagnostic lead-removal test, urine lead level is equal to or more than 800 μg/L or 1,200 μg/24h	Symptoms of lead poisoning of low degree with one of the following symptoms: a) acute abdominal pain; b) anaemia; c) mild toxic peripheral neuropathy	Either one of the following symptoms: a) lead paralysis; b) toxic encephalopathy

Poisoned patients should be treated by lead detoxication of metal complexants, for instance, injection of calcium disodium ethylenediamine-tetraacetate or sodium dimercaptosuccinate or oral intake of dimercaptosuccinic, etc. acid, subject to their specific conditions, complemented by symptomatic treatment. Suspected poisoned patients can also be treated by lead detoxication as appropriate.

Lead poisoned patients of low and medium degree are allowed to work at the original locations which are exposed to lead after complete recovery. Lead poisoned patients of high degree must avoid lead exposure work and be offered treatment and rest subjected to their conditions.

Save for the above, the following administrative provisions and national standards relating to new-energy automobile, electric bikes and electric motorcycles may have direct or indirect impacts on the business development of the Group.

1. Administrative Provisions for the Entry of New-energy Automobile Manufacturing Industry

According to the Administrative Provisions for the Entry of New-energy Automobile Manufacturers and Products* (《新能源汽車生產企業及產品准入管理規則》) which were promulgated by the Ministry of Industry and Information Technology of the PRC on 17 June 2009 and which came into effect on 1 July 2009, new-energy automobiles with lead-acid rechargeable battery (including hybrid passenger vehicles, hybrid commercial vehicles, pure electric passenger vehicles and pure electric commercial vehicles, etc.) as power source are currently at the developing or mature technological stage, allowed for mass production (but their sales and use are restricted in and to approved areas, certain scopes, duration and conditions, and at least 20% of the sold products must be under real-time monitoring on running status) or under ordinary production management.

2. National Standards for Electric Bikes and Electric Motocycles

Announcement of Newly Approved National Standards, 2009 No. 8 (Total No. 148) of the PRC* (《國家標準批准發佈公告》總第148號) was issued by the Standardization Administration of the PRC* (國家標準化管理委員會) on 25 June 2009, providing four sets of standards on electric motorcycles and electric mopeds, namely the Safety Requirements on Electric Motorcycles and Electric Mopeds* (《電動摩托車和電動輕便摩托車安全要求》) (GB 24155-2009), the Methods to Test the Power Performance of Electric Motorcycles and Electric Mopeds* (《電動摩托車和電動輕便摩托車動力性能試驗方法》) (GB/T 24156-2009), the Methods to Test the Energy Consumption Rate and Rate Distance of Electric Motorcycles and Electric Mopeds* (《電動摩托車和電動輕便摩托車能量消耗率和續駛里程試驗方法》) (GB/T 24157-2009) and 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》) (GB/T 24158-2009) (hereinafter the "General Specifications"). The General Specifications define an electric two-wheel moped as a two-wheel vehicle driven by electricity with "a maximum designed speed of over 20 km/h and less than 50 km/h" or with "a whole-vehicle mass above 40 kg and a maximum designed speed of less than 50 km/h".

According to the relevant regulations of the Road Traffic Safety Law of the PRC (《道路交通安全法》) and its implementation regulations, as a motorcycle is classified as a motor vehicle, it shall be registered with the traffic administrative department of the public security bureau and the motor vehicle registration certificate, the plate and the driving permit shall be obtained in accordance with the relevant rules prior to being driven on any road.

Pursuant to the Notice on Implementation of Relevant Standards for Motorcycles* (《關於電動摩托車相關標準實施事項的通知》) issued by the Standardization Administration of the PRC on 15 December 2009, the implementation of the requirements relating to electric motorcycles specified in the General Specifications shall be suspended and the amendments to the national standards on the General Specifications for Electric Bikes* (《電動自行車通用技術條件》) (GB17761-1999) shall be implemented on an expedited basis.

3. Home Appliance Subsidy Program in Rural Areas of the PRC

The Chinese government started the Home Appliance Subsidy Program in Rural Areas on December 1, 2007 in Shandong province, Henan province and Sichuan province for trial implementation, and then popularized this program to the entire country as from February 1, 2009. The Home Appliance Subsidy Program in Rural Areas applies to the peasants and employees of State-owned farm and State-owned forest farm. The temporary period of this program is 4 years (at latest January 31, 2013), and 9 types of products are specified in the catalogue of the Home Appliance Subsidy Program in Rural Areas of which colorcast, refrigerator and ice chest, cellphone, washing-machine, computer, air conditioner, water heater (including electric heater, gas water heater, solar water heater), microwave oven and induction cooker are included. And each household can purchase 2 products in each type of products at the most.

On March 23, 2010, the Ministry of Finance, the Ministry of Commerce and the Ministry of Industry and Information Technology of the PRC issued the Notice on Relevant Issues regarding Implementation Plan of Enlarging the Products Catalogue under Home Appliance Subsidy Program in Rural Areas* (《關於印發〈新增家電下鄉補貼品種實施方案〉及確認新增補貼品種等有關問題的通知》) pursuant to which 10 provinces of the PRC including but not limited to Shandong province, Jiangsu province and Hebei province can choose electric bike as the additional product in addition to the current 9 types of products in the catalogue of the Home Appliance Subsidy Program in Rural Areas, and each household who purchases electric bike in these 10 provinces can enjoy a subsidy of RMB260 at the most.

IMPORTANT MILESTONES

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

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

OUR HISTORY

History of our PRC subsidiaries

Introduction

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

Chaowei Power

Establishment

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

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

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

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

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

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

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

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

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

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

Changxing Zhongcheng

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

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

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

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

Henan Chaowei

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

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

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

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

Shandong Chaowei

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

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

Jiangsu Chaowei

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

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

Anhui Chaowei

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

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

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

Beijing Li Xian Feng

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

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

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

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

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

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

History of our Company and our other subsidiaries

Our Company

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

Chaowei BVI

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

Chaowei HK

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

Chaowei Technology

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

INVESTMENT BY LEHMAN BROTHERS

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

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

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

INVESTMENT BY HONY CAPITAL

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

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

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

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

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

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

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

Lock-up

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

2009 Net Profit Adjustment

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

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

INFORMATION REGARDING CASTLE LEAD

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

ECONOMIC INTEREST OF CERTAIN EMPLOYEES OF OUR GROUP

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

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

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

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

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

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

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

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

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

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

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

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

3. Following the determination of the listing plan of our Group, the parties agreed (in the form of the 2010 Confirmation Letters) that the consensus and arrangement intended under the 2006 Transfer Agreements shall be realized by way of an arrangement under which the 53 individuals shall be entitled to enjoy the economic interests of a corresponding aggregate 9.52% interest in the shares in our Company prior to the Listing.

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

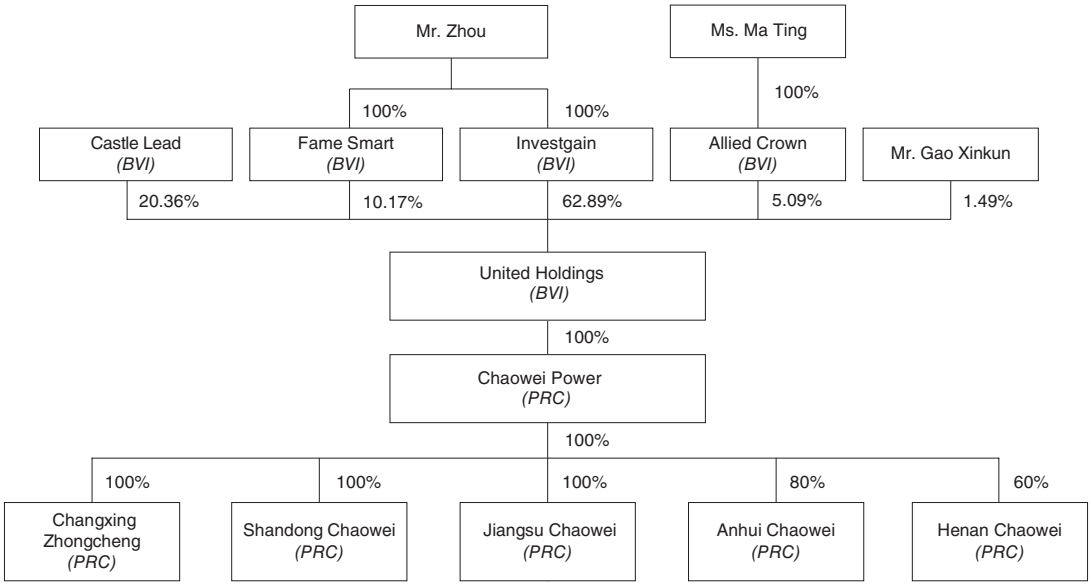
Jolly Pride has undertaken to our Company that, without the prior written consent of our Company and the Global Coordinator, it shall not, whether directly or indirectly, at any time during the period of fifteen months from the Listing Date dispose of any of the Shares or other securities of our Company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

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

REORGANIZATION

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

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



REORGANIZATION AT THE LEVEL OF UNITED HOLDINGS

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

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

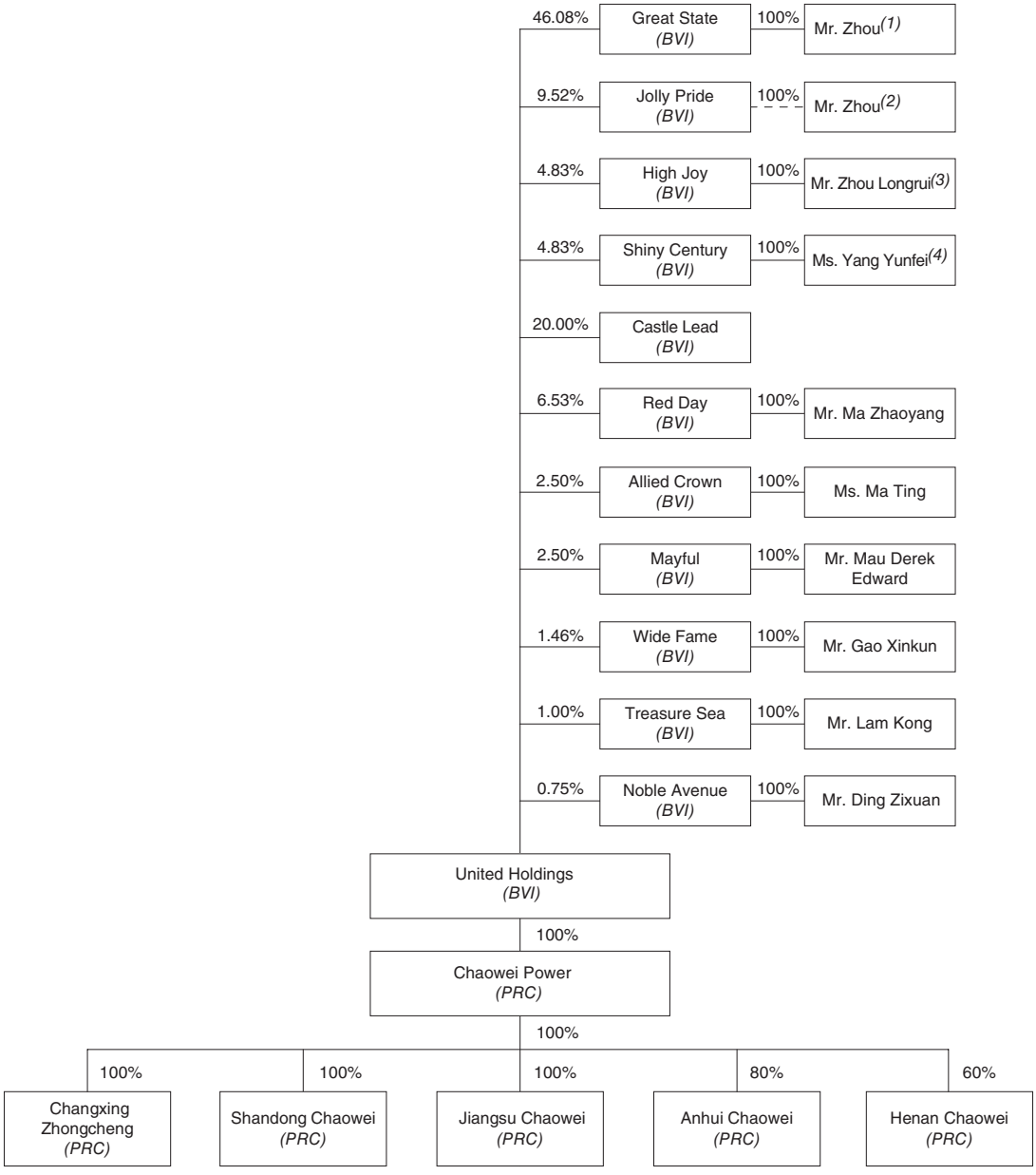
On 9 March 2010, Fame Smart, a company wholly-owned by Mr. Zhou, transferred 92,535 and 92,535 shares of US$1 each in the capital of United Holdings, representing approximately 4.83% and 4.83% of its total issued share capital, to each of High Joy, a company wholly-owned by Mr. Zhou Longrui (周龍瑞), the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

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

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

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

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



Notes:

1. Mr. Zhou is the son of Mr. Zhou Longrui and Ms. Yang Yunfei.

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

3. Mr. Zhou Longrui is the spouse of Ms. Yang Yunfei and the father of Mr. Zhou.

4. Ms. Yang Yunfei is the spouse of Mr. Zhou Longrui and the mother of Mr. Zhou.

REORGANIZATION AT THE LEVEL OF OUR COMPANY

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

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

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

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

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

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

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

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

INFORMATION REGARDING OUR OTHER INVESTORS

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

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

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

3. Mr. Gao Xinkun (高鑫坤), a member of our senior management team, became a beneficial owner of our Group initially by way of himself acquiring an interest in United Holdings on 31 October 2007 through subscription of shares in United Holdings at the time of investment by Lehman Brothers into our Group. The Shares held by Wide Fame do not enjoy any special rights and will be counted towards part of the public float as Wide Fame will not be a connected person of the Company under the Hong Kong Listing Rules. The price per Share paid by Wide Fame was approximately US$0.0036 (equivalent to approximately HK$0.03). Based on the indicative Offer Price range, the price paid by Wide Fame represents a discount of approximately 98.6% to HK$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 99.0% to HK$2.90 per Share, being the upper end of the stated Offer Price range.

4. Mr. Ma Zhaoyang (馬朝陽) became a beneficial owner of our Group initially by way of Red Day, a company wholly-owned by himself, acquiring an interest in United Holdings from each of Fame Smart and Investgain, both companies wholly-owned by Mr. Zhou on 9 March 2010. The Shares held by Red Day do not enjoy any special rights and will be counted towards part of the public float as Red Day will not be a connected person of the Company under the Hong Kong Listing Rules. The price per Share paid by Red Day was approximately US$0.27 (equivalent to approximately HK$2.10). Based on the indicative Offer Price range, the price paid by Red Day represents a discount of approximately 3.7% to HK$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 27.6% to HK$2.90 per Share, being the upper end of the stated Offer Price range.

5. Ms. Ma Ting (馬亭) became a beneficial owner of our Group initially by way of Allied Crown, a company wholly-owned by herself, acquiring an interest in United Holdings from Mr. Lo Wah Wai (盧華威), a then shareholder of United Holdings, on 4 July 2007 at the time of preparation of the investment by Lehman Brothers into our Group. The Shares held by Ms. Ma Ting (馬亭) do not enjoy any special rights and will be counted towards part of public float as Allied Crown will not be a connected person of the Company under the Hong Kong Listing Rules after Listing. The price per Share paid by Allied Crown was approximately US$0.033 (equivalent to approximately HK$0.26). Based on the indicative Offer Price range, the price paid by Allied Crown represents a discount of approximately 88.1% to HK$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 91.0% to HK$2.90 per Share, being the upper end of the stated Offer Price range.

6. Mr. Mau Derek Edward became a beneficial owner of our Group initially by way of Mayful, a company wholly-owned by himself, acquiring an interest in our Company from Allied Crown, a company wholly-owned by Ms. Ma Ting, on 25 March 2010. The Shares held by Mayful do not enjoy any special rights and will be counted towards part of the public float as Mayful will not be a connected person of the Company under the Hong Kong Listing Rules. The price per Share paid by Mayful was approximately US$0.27 (equivalent to approximately HK$2.10). Based on the indicative Offer Price range, the price paid by Mayful represents a discount of approximately 3.7% to HK$2.18 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 27.6% to HK$2.90 per Share, being the upper end of the stated Offer Price range.

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

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

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

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

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

Lock-up

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

CONTROL OF OUR GROUP

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

SAFE REGISTRATION

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

- domestic residents who plan to establish or control an offshore special purpose vehicle must conduct foreign exchange registration with the local foreign exchange authority;

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

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

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

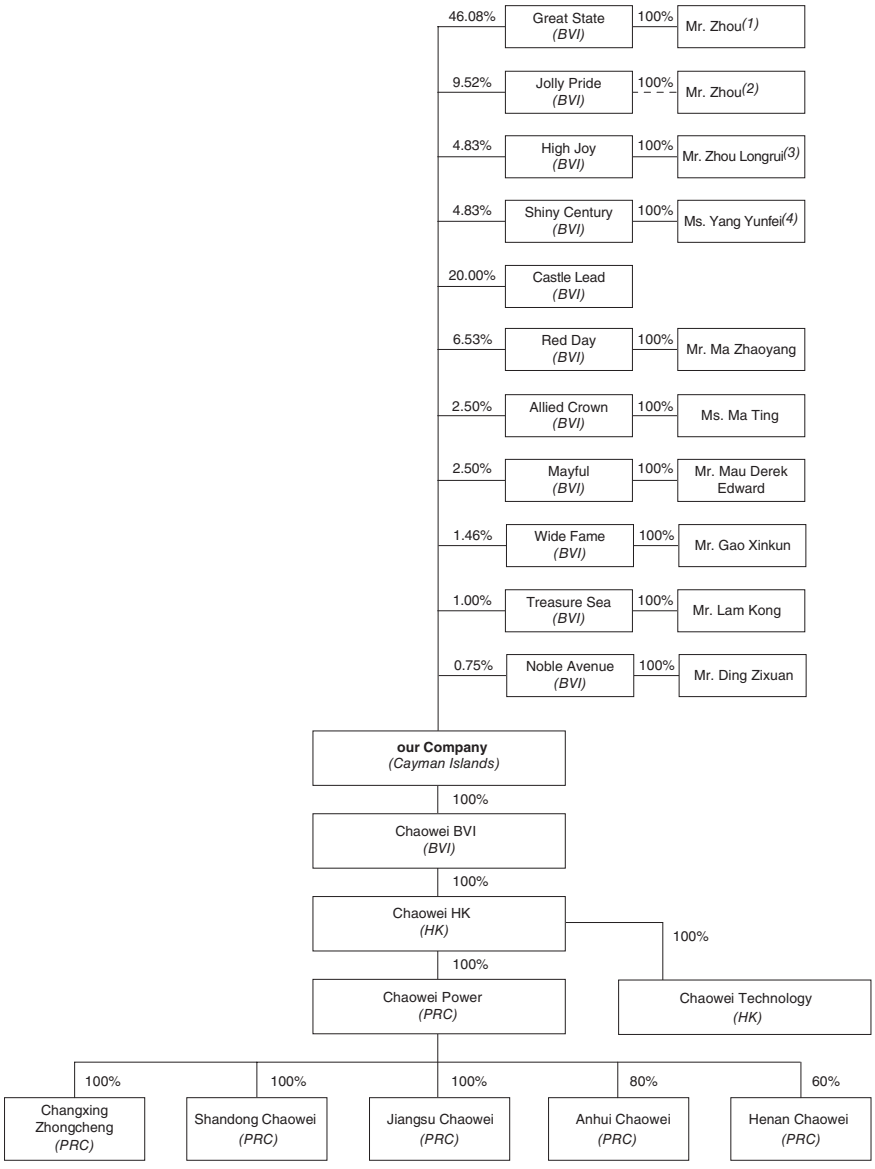
OUR CORPORATE REORGANIZATION AND THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

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

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

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

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



Notes:

1. Mr. Zhou is the son of Mr. Zhou Longrui and Ms. Yang Yunfei.

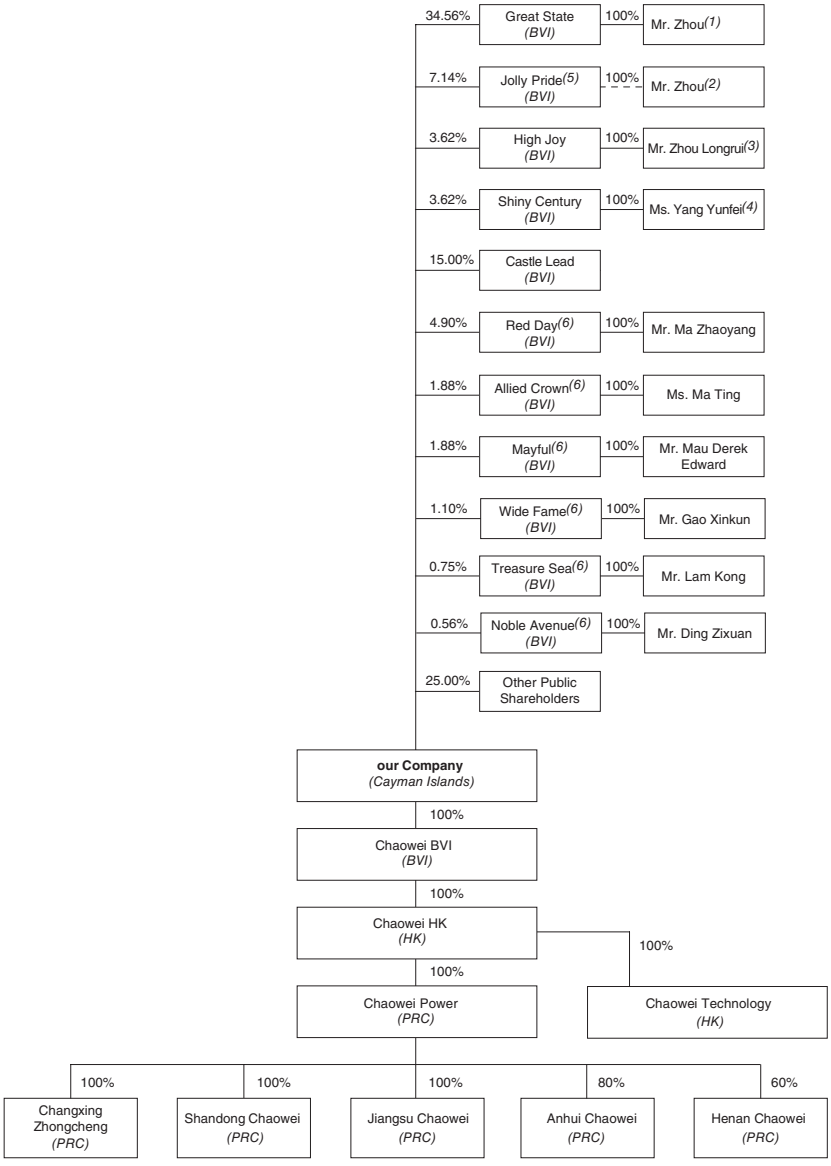
2. Pursuant to the Jolly Pride Trust Deed, the economic interest in the Shares which it holds and will hold from time to time shall belong to 53 employees of our Group and that all other shareholder rights (including but not limited to voting and participation in shareholders' meetings) in relation to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

3. Mr. Zhou Longrui is the spouse of Ms. Yang Yunfei and the father of Mr. Zhou.

4. Ms. Yang Yunfei is the spouse of Mr. Zhou Longrui and the mother of Mr. Zhou.

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

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



Notes:

1. Mr. Zhou is the son of Mr. Zhou Longrui and Ms. Yang Yunfei

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

3. Mr. Zhou Longrui is the spouse of Ms. Yang Yunfei and the father of Mr. Zhou.

4. Ms. Yang Yunfei is the spouse of Mr. Zhou Longrui and the mother of Mr. Zhou.

5. The Shares held by Jolly Pride will not be counted towards part of the public float of our Company for the purpose of the Hong Kong Listing Rules after the Listing.

6. The Shares held by each of Red Day, Allied Crown, Mayful, Wide Fame, Treasure Sea and Noble Avenue will be counted towards part of the public float of our Company for the purpose of the Hong Kong Listing Rules after the Listing.

THE CORNERSTONE PLACING

As part of the International Offering, we and the Global Coordinator entered into a cornerstone placing agreement with Teluk Batik Investments (Cayman Islands) Limited (the "**Cornerstone Investor**") for the subscription by the Cornerstone Investor for a total of 75,000,000 Offer Shares ("**Cornerstone Shares**") at the Offer Price or, if the size of the Global Offering is or becomes less than 250,000,000 Offer Shares, such lesser number of Offer Shares as will represent 7.5% of the total issued share capital of the Company immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme). The Cornerstone Shares represent approximately 33.3% of the total International Offer Shares initially available under the International Offering. Assuming an Offer Price of HK$2.90 and HK$2.18 per Offer Share, being the highest and lowest points of the indicative Offer Price range, respectively, the Cornerstone Investor would pay an aggregate of approximately HK$217.5 million and approximately HK$163.5 million, respectively, for the Cornerstone Shares. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company.

The Cornerstone Investor is an Independent Third Party and not a connected person (as such term is defined under the Hong Kong Listing Rules) of the Company. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the said cornerstone placing agreement. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will the Cornerstone Investor become our substantial shareholder (as defined under the Hong Kong Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus.

THE CORNERSTONE INVESTOR

The Cornerstone Investor is a wholly-owned subsidiary of Khazanah Nasional Berhad ("**Khazanah**"), a public limited company incorporated under the Companies Act of 1965 of Malaysia on 3 September 1993.

Khazanah is the investment holding arm of the Malaysian Government, entrusted to manage the commercial assets of the Malaysian Government and to undertake strategic investments. Khazanah, based in Kuala Lumpur, has investments in over 50 major companies, both in Malaysia and abroad, and its group is involved in a broad spectrum of industries.

CONDITIONS PRECEDENT

The subscription obligation of the Corporate Investor is conditional upon, among other things, (i) the Hong Kong Underwriting Agreement and International Underwriting Agreement being entered into and having become effective and unconditional by no later than the date and time as specified in those agreements; (ii) none of the underwriting agreements mentioned in (i) above having been terminated; and (iii) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the Offer Shares.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, among other things, without the prior written consent of us and the Global Coordinator, it will not, at any time during the period of six months following the Listing Date, directly or indirectly, dispose of any of the Offer Shares subscribed pursuant to the cornerstone placing agreement.

The Cornerstone Investor has also agreed that in the event of any disposal of any of its Offer Shares at any time after the six-month lock-up period, it shall only initiate such disposal in a manner that does not create a disorderly or false market in the Shares.

OVERVIEW

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

The use of electric bikes in China is increasingly popular as an environmentally-friendly, low cost, convenient and energy-efficient mode of transportation. Motive batteries for electric bikes primarily consist of lead-acid, Ni-MH and Li-ion batteries. Currently, the lead-acid motive battery is the preferred choice for electric bike manufacturers in China, accounting for over 90% of the overall electric bike motive battery market, mainly because of its low cost and stable performance as compared to the Ni-MH battery and Li-ion battery. In view of the market demand in China, our motive battery products are primarily designed for use on electric bikes, where we are the market leader in terms of revenue. According to Frost & Sullivan, among the total consumption of lead-acid rechargeable batteries in China, the usage in electric bikes accounted for about 31.1% with total revenues of USD1.9 billion in 2009.

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

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

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

Our primary market focuses on the supply of products to electric bike manufacturers, including but not limited to market leaders such as Yadea, AUCMA and Bidewen, which are Independent Third Parties and among our 10 largest customers during the Track Record Period. For the three years ended 31 December 2007, 2008 and 2009 and three months ended 31 March 2010, our aggregate sales to Yadea, AUCMA and Bidewen amounted to approximately RMB100.4 million, RMB140.4 million, RMB209.9 million and RMB69.2 million, respectively, representing approximately 6.8%, 6.1%, 8.6% and 9.7%, respectively, of our total sales for the same periods.

Our secondary market focuses on the replacement battery market for electric bikes. In anticipation of the increasing demand resulting from the growing electric bike population, we have strengthened our efforts on the development of our distribution network since 2008. As of 31 March 2010, we had established one of the largest nationwide electric bike motive battery distribution networks with 421 independent distributors who distribute our lead-acid motive batteries on an exclusive basis, strategically located across our 15 sales regions covering every province, autonomous region and municipality in China.

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

Our emphasis on research and development allows us to develop innovative high quality products. In line with our initiatives to explore new potential markets and in response to the increasing market demand for battery products with different environment-friendly applications, we have expanded our participation in the electric car motive battery market and the wind and solar energy storage battery markets. We have begun production of electric car and wind storage batteries at a small volume to prepare for growth in these markets. For electric car motive batteries, we have been cooperating with reputable PRC automobile manufacturers, including Geely and Jianghuai, in the development of prototype lead-acid motive batteries for electric cars. We have commenced production and supply of such prototype batteries to such PRC automobile manufacturers at a small volume during the Track Record Period. Currently, all five models of our motive battery for electric cars have passed the quality tests prescribed by the China North Vehicle Quality Supervision and Testing Laboratory* (中國北方汽車質量監督實驗所), a

national-level quality testing institute recognized by the China National Accreditation Service for Conformity Assessment* (中國合格評定國家認可委員會) and the Certification and Accreditation Administration of the PRC* (中國國家認證認可監督管理委員會). For wind and solar energy storage batteries, we possess the relevant production technology and have started commercial production of such batteries at a small volume.

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

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are key factors contributing to our success to date and will enable us to continue to increase market share and capture the anticipated future growth opportunities in the lead-acid motive battery market.

Market leader with strong brand recognition and a record of rapid growth

We are a leading lead-acid motive battery manufacturer in the fast growing electric bike market in China, based on our market share by revenue. Our principal brand "CHILWEE (超威)" has been recognized as a "Brand with Strongest Influence in the Electrical Equipment Industry of China* (中國電器工業最具影響力品牌)" by the China Electrical Equipment Industrial Association* (中國電器工業協會) in March 2009 and a "Well-known Trademark of China* (中國馳名商標)" by the relevant PRC authorities in March 2008. We also experienced rapid growth in terms of our sales volume and revenue which achieved a CAGR of 44.1% and 28.8%, respectively, from 2007 to 2009.

With our market leadership position, we enjoy first-mover advantage and certain economies of scale and cost efficiencies in terms of production costs. As a forerunner in the development of the lead-acid motive battery industry in China, we have established strong relationships with major electric bike manufacturers in China, such as Yadea, AUCMA and Bidewen, who provide us with the latest market feedback on the performance and quality of our battery products. Such market feedback also supports us in our efforts to diversify our product mix for the emerging market for alternative and clean motive energy that can be used in personal transportation devices in China. As such, we are well positioned to take advantage of the continuing growth in China's motive battery market.

The development of alternative transportation devices is encouraged by the PRC government in order to reduce reliance on oil and gas and to reduce emissions of greenhouse gases, and we expect to benefit from such state policy in the continuing expansion of our business operations.

Nationwide sales, distribution and after-sales services network, supported by strategic locations of our production facilities

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

For our primary market customers, namely the manufacturers of electric bikes, we have a dedicated key account customer service department (大客戶部) currently comprising 12 sales representatives who are responsible for serving our major customers in this market.

For our secondary market customers, namely, our customers in the replacement motive battery market, we have developed a distribution network of 421 independent distributors who distribute our lead-acid motive batteries on an exclusive basis, strategically located across our 15 sales regions covering every province, autonomous region and municipality in China, which provides us with extensive market coverage and customer reach in the secondary market. We select our distributors based on their scale of distribution network, track record, financial condition, creditworthiness and compatibility with our own business strategies. In addition to the sales performance targets we impose on our distributors, we also require them to follow our requirements and standards in relation to their after-sales services.

To enhance further the brand awareness and recognition of our "CHILWEE (超威)" brand and reinforce and expand our distribution network, we plan to launch "one-stop" service centers in our secondary market across China working in cooperation with distributors or sub-distributors. Details of our service center plan have been set out in the paragraph headed "Sales, Marketing and Distribution – New "one-stop" service centers" in this section. As of the Latest Practicable Date, we had established two such service centers in Henan Province.

Our production plants, located in the provinces of Zhejiang, Jiangsu, Shandong, Henan and Anhui, are each strategically located in order to serve our major markets in the most efficient way. This production base helps facilitate our extensive sales and distribution network, allowing us to offer better and quicker customer service and limit our transportation costs.

Emphasis on research and development for product innovation

Our success is to a significant extent attributable to our emphasis on product research and development. We have established a research and development center in our headquarters at Changxing, Zhejiang province, to focus on the development of innovative technologies and new, high value-added products.

Our strong research and development capabilities place us at the forefront of the lead-acid motive battery industry in the PRC. As of the Latest Practicable Date, we had registered 47 patents and applied for 18 new patents for our technological know-how in

China. Of such registered patents, eight are invention patents for our lead-acid motive battery production technologies. We were recognized as a "National Torch Program Key Enterprise in High and New Technology* (國家火炬計劃重點高新技術企業)" by the Ministry of Science and Technology of China in March 2009. Our "long life gel sealed lead-acid battery for electric vehicles* (電動車用長壽命膠體密封鉛蓄電池)" has been recognized as a "National Key New Product* (國家重點新產品)" jointly by four PRC government agencies, including the Ministry of Science and Technology and the Ministry of Environmental Protection. In view of our strong research and development capability in the lead-acid motive battery industry, we were invited to participate in formulating four national quality standards relating to lead-acid motive batteries. Details of such standards are set out in the section headed "Research and Development" in this prospectus.

We have entered into agreements with reputable PRC automobile manufacturers, including Geely and Jianghuai, to cooperate in the development of prototype lead acid motive batteries for electric cars. We have commenced production and supply of such prototype batteries to such automobile manufacturers at a small volume during the Track Record Period. All five models of motive battery products developed by us for electric cars have passed the quality tests prescribed by the China North Vehicle Quality Supervision and Testing Laboratory* (中國北方汽車質量監督實驗所), a national-level quality testing institute recognized by the China National Accreditation Service for Conformity Assessment* (中國合格評定國家認可委員會) and the Certification and Accreditation Administration of the PRC* (中國國家認證認可監督管理委員會). We also possess production technology to produce storage batteries for wind and solar energy and have commenced research into Li-ion batteries. Although our electric car motive batteries and storage batteries for wind and solar energy only represented a small portion, less than 1%, of our total revenue throughout the Track Record Period and are still at the early stage of development, we believe that these new products have long-term growth potential and will further help diversify our product mix.

We work closely with various research and academic institutions to develop new motive battery products, as well as related manufacturing techniques, including collaborations with Fuzhou University* (福州大學), National Rechargeable Batteries Quality Supervision and Testing Center* (國家蓄電池質量監督檢測中心) and Ningbo Engineering Institute* (寧波工程學院). Details of such collaborations are set out in the section headed "Research and Development" in this prospectus.

We believe that we are well-positioned to increase our market share further by providing customers with innovative technology and high value-added products through our continuous efforts in research and development.

Advanced technological know-how and stringent quality control to produce high quality products

We apply our proprietary technological know-how to produce high-quality motive battery products that yield consistent performance over an extended product life cycle. These features are crucial to motive battery products as they are expected to perform steadily and provide uninterrupted power supply to transportation vehicles. We believe that the high quality of our products is well-recognized in the lead-acid motive battery industry in China.

We have obtained various awards and certifications in relation to our lead-acid motive battery products, including the certificate of "National Key New Product" for our "long life gel sealed lead-acid battery for electric vehicles (電動車用長壽命膠體密封鉛蓄電池)" in recognition of its advanced technology and high quality as compared to other lead-acid motive batteries of its kind produced in China.

We have also emphasized product quality by implementing stringent quality control measures throughout our operation, extending from raw material procurement to production and delivery processes, including careful selection and inspection of raw materials and regular inspection and maintenance of production equipment. We have applied the standards of ISO 9001 throughout our quality control system and obtained such ISO certifications for our quality control management at all of our production facilities.

As a result, we are able to meet the stringent technical specifications and quality standards of our customers on a consistent basis. During the Track Record Period, we have not encountered any material claims or incidents in relation to product defect or safety issues concerning our products.

Focus on environment-friendly production process

Due to the increasing awareness of environmentally responsible practices among consumers and manufacturers, our Directors believe that our ability to implement effective, environmentally responsible practices and high environmental standards in our production process sets us apart from the majority of other motive battery manufacturers in China. This includes the adoption of the enclosed battery formation process (內化成工藝) in all the existing production facilities in Jiangsu province and part of the existing production facilities in Zhejiang province and our plan to employ this process in all new production facilities constructed by us in the future. As compared to the traditional battery formation process, our enclosed battery formation process (內化成工藝) substantially reduces our water usage and discharge of sulphuric acid fumes and waste water in the production process. Our Directors believe that we are one of the few major lead-acid motive battery manufacturers in China to have adopted the enclosed battery formation process (內化成工藝) in our production process. We have also received ISO 14001:2004 certifications for all of our production plants in recognition of their environmental compliance standards.

We also engaged Atkins China to perform an environmental assessment at our production plants in 2010, in order, among other things, to assess our compliance with the applicable national environmental standards. According to Atkins China, based on the records of the monitoring procedures performed by the relevant local environmental authorities pursuant to the relevant PRC laws and regulations for the period from 2007 to 2009 (except for Anhui Chaowei which kept such records for a shorter period prior to our acquisition in 2009), all of our production facilities have complied with the relevant national standards in respect of air emission and waste water discharge as well as the national standards and requirements for other relevant environmental matters, such as noise and general waste management, except for two incidents of minor deviation from certain national standards for air emission and domestic sewage discharge in relation to our production facilities in Zhejiang province and Shandong province, respectively, in which the level of air emission and waste water discharge slightly exceeded the prescribed

national standards. Save for such two incidents, no recorded deviation by us from the relevant national standards in relation to environmental protection was reported by Atkins China. The deviation relating to our production facility in Zhejiang province in February 2008 mainly as a result of inadvertent oversight of our staff was rectified shortly afterwards and the re-examinations showed satisfactory results. The deviation relating to our production facility in Shandong province in October 2009 during the course of the upgrade of our domestic sewage discharge facilities was considered minor and acceptable by the local environmental authority as stated in its report. Atkins China proposed certain measures to us in relation to compliance with more stringent international standards and we intend to follow their recommendations in order to enhance further our environmental safety.

We have received confirmations in 2010 from the relevant local environment protection authorities that all of our PRC operating subsidiaries (i) had complied with the relevant PRC environmental laws and regulations; (ii) had not been subject to any penalty or punishment as a result of any breach of any relevant PRC environmental laws and regulations; and (iii) had not been subject to any investigation by the relevant local environment protection authorities in respect of environmental issues, since their establishment. Furthermore, Zong Heng Law Firm, our legal adviser on PRC laws, has confirmed that all of our PRC operating subsidiaries have complied with all the relevant PRC environmental laws and regulations. During the Track Record Period, we did not encounter any material claims, or any administrative action or penalty by the relevant PRC authorities, in relation to environmental and occupational health and safety issues.

Experienced management team with significant industry expertise

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 senior management team possesses an average of more than 10 years of relevant experience. Our Directors believe that our experienced and committed management team enhances our ability to develop and implement our strategies quickly in response to market changes.

OUR STRATEGIES

We aim to strengthen our leading position in the motive battery industry in China and to become the world's leading manufacturer of motive battery products. We will continue to strive to achieve sustainable growth of our business and ensure that we remain competitive.

To achieve these objectives, we intend to focus on the following strategies:

Expand our production capacity to increase our market share

Our sales volume increased from approximately 12.6 million units in 2007 to approximately 26.2 million units in 2009, representing a CAGR of 44.1%. Our revenue increased from RMB1,466.1 million in 2007 to approximately RMB2,433.9 million in 2009, representing a CAGR of 28.8%. As a result, we became a leading lead-acid motive battery manufacturer (by revenue) in the PRC for the year ended 31 December 2009. According to the Frost & Sullivan Report, the total sales revenue of electric bike batteries in China is expected to continue to grow to approximately US$2,881.9 million in 2011, representing a CAGR of 24.1% from 2009 to 2011. As a leading electric bike battery manufacturer in China based on our market share by revenue, we are well positioned to benefit from the future growth of China's electric bike battery market, and we will therefore continue to focus on investing our resources to expand our production scale in order to enhance our leadership position further and increase our market share in this fast growing market.

Our annual designed production capacity as of 31 December 2009 was approximately 34.1 million units. We intend to increase our production capacity through the improvement and upgrade of our existing production facilities and the construction of new production facilities. We have commenced trial operation of (i) the first of the two phases of our new production facilities in Zhejiang province in February 2010, (ii) the new production facilities in Henan province in March 2010, and (iii) the new production facilities in Anhui province in June 2010. We expect to commence trial operation of the second phase of our new production facilities in Zhejiang province in March 2011. The following table sets out details relating to our production capacity expansion plan:

Location of Production Facilities	Date/Expected Date of Commencement of Trial Operation	Expected Date of Commencement of Full Operation	Designed Annual Production Capacity[1] As of 31 December		
			2009 *(million units)*	2010 *(million units)*	2011 *(million units)*
Existing production facilities in the provinces of Anhui, Jiangsu, Henan, Shandong and Zhejiang	–	–	34.1	34.8	36.0
First phase of new production facilities in Zhejiang province[2]	February 2010	September 2010	–	3.0 [5]	5.9
Second phase of new production facilities in Zhejiang province[2]	March 2011	November 2011	–	–	1.4 [6]
New production facilities in Henan province[3]	March 2010	December 2010	–	2.7 [5]	8.9
New production facilities in Anhui province[4]	June 2010	August 2010	–	0.7 [5]	1.5
Total:			34.1	41.2	53.7

Notes:

(1) The designed annual production capacity is based on the annual capacity of the relevant production facility, or the throughput capacity, which is calculated by estimating the number of days in a calendar year that such production facility is expected to operate (which in our case is estimated to be 330 days) taking into account downtime for regular maintenance, and multiplying that by an amount equal to such production facility's optimal daily output or throughput.

(2) The designed annual production capacity is expected to be approximately 6.6 million units upon full operation.

(3) The designed annual production capacity is expected to be approximately 9.9 million units upon full operation.

(4) The designed annual production capacity is expected to be approximately 1.7 million units upon full operation.

(5) The designed production capacity for the relevant year is calculated on a pro rata basis as follows:

$$\frac{\text{Designed annual production capacity}}{12} \times \left(\text{Actual full operation period (months)} + \text{Actual trial operation period (months)} \times 30\% \right)$$

We intend to apply approximately 55%, or approximately HK$308.2 million, of our net proceeds from the Global Offering on the construction of the new production facilities in Zhejiang province, Henan province and Anhui province, of which we intend to spend approximately 60%, 32% and 8% of such amount on the new production facilities in Zhejiang province, Henan province and Anhui province, respectively.

Participate in the market consolidation by pursuing strategic acquisitions

As a leading player in the fragmented electric bike battery market in China, we intend to participate in the consolidation of such market by pursuing, on an opportunistic basis, the strategic acquisitions of motive battery manufacturers which can provide synergy with our operations, with a view to increasing our market share and our production capacity. We have entered into letters of intent with two lead-acid motive battery manufacturers located at Changxing county in Zhejiang province in relation to the establishment of joint ventures in that county, to be engaged in the production of lead-acid motive batteries. Pursuant to the letter of intent, we shall have the controlling interest in the joint ventures. The letters of intent are not legally binding on the parties and are subject to further negotiations and formally executed contracts.

Enhance research and development capabilities to improve product quality and develop new battery products for markets with high growth potential

The electric bike market in China continues to experience rapid growth and the future development of the electric transportation device market will increase the demand for motive battery products. High-performance and environment friendly motive battery products for electric bikes will continue to be our mainstream battery products. Electric transportation devices reduce reliance on oil and gas and produce less greenhouse gas emissions and noise than internal combustion vehicles. As a result, the use of electric

transportation devices (including electric bikes, motorcycles and cars) is expected to increase in China and other countries, and our Directors believe that the market for a wide range of motive batteries for electric transportation devices will grow significantly in China. We have commenced, on a small scale, the production and supply of prototype lead-acid motive batteries for electric cars to various PRC automobile manufacturers, including Geely and Jianghuai. We intend to develop battery products for different types of electric transportation device in order to capture emerging business opportunities, including the development of Li-ion batteries as an alternative to lead-acid batteries. In addition, given the trend towards a clean energy environment, we expect to see business opportunities for storage batteries for solar and wind energy. We have started producing and supplying storage batteries for solar energy and we intend to expand our research and development efforts into this area.

Accordingly, we will continue to focus on product research and development to enhance our product quality and launch new products. We intend to recruit experienced researchers and technical personnel and invest in advanced facilities so as to strengthen our research and development capability.

Enhance our distribution network coverage and brand-building

The electric bike motive battery market in China may be categorized into the primary market and secondary market, comprising manufacturers of electric bikes and distributors of motive batteries for replacement purposes, respectively. The Directors believe, and the Frost & Sullivan Report estimates, that the demand for motive battery products in the secondary market will grow at a faster pace than the primary market and therefore we will continue to expand our existing distribution network in the secondary market. We intend to enhance the reach of our existing distribution network by increasing market coverage and attracting and retaining quality distributors and strengthening our cooperation with our existing distributors. In addition, in order to enhance the brand recognition of our "CHILWEE (超威)" brand further as well as to reinforce and expand our distribution network, we intend to continue launching "one-stop" service centers in our secondary market across China, working in cooperation with our distributors or sub-distributors. Our Directors believe that such a focused branding strategy will enable our products to be readily distinguishable and lay the foundation for us to expand our presence in the secondary market. In addition, we hope to raise the profile of our "CHILWEE (超威)" brand by devoting further resources to advertising and marketing campaigns.

Pursue strategic cooperation with suppliers of lead

Lead is our primary raw material and our ability to source quality grade lead at competitive prices in a timely manner is crucial to our production. Currently, we seek to minimize any adverse effect which may arise from any significant fluctuation in the supply, quality and price of lead primarily through inventory control. We intend to pursue strategic cooperation with lead suppliers in order to secure a stable supply of lead, reduce our cost of raw materials and enhance our competitiveness.

PRODUCTS

Our motive battery products for electric bikes are exclusively of the lead-acid variety. During the Track Record Period, we also manufactured and sold, on a small scale, wind and solar energy storage batteries and lead-acid batteries for electric cars. All of our products are produced and sold by us under our principal brand "CHILWEE (超威)".

The following table sets out an analysis of our revenue by our principal product segments for the Track Record Period:

	Year ended 31 December					Three months ended 31 March			
Product	**2007**		**2008**		**2009**	**2009**		**2010**	
	RMB'000		*RMB'000*		*RMB'000*	*RMB'000* (Unaudited)		*RMB'000*	
Lead-acid motive batteries for electric bikes	1,297,694	99.6%	2,051,324	99.5%	2,335,835	99.8%	520,257	99.9%	690,531	99.8%
Lead-acid motive batteries for electric cars and storage batteries	5,656	0.4%	9,401	0.5%	5,752	0.2%	475	0.1%	1,633	0.2%
Total	1,303,350	100%	2,060,725	100%	2,341,587	100%	520,732	100%	692,164	100%

Lead-acid motive battery products

The key components of a lead-acid motive battery include electrode plates and fibre glass dividing plates. The electrode plates are coated with oxidized lead and alloy lead. Pairs of positively charged electrode plates and negatively charged electrode plates each separated by a fibre glass dividing plate are bound together by metal strips and installed into the plastic casing of a lead-acid motive battery. The battery is then filled with sulphuric acid and charged with electricity. The number and the size of electrode plates required to be installed in a lead-acid motive battery will depend on the required level of its storage capacity and power output.

As of the Latest Practicable Date, we had produced the following 12 models of lead-acid motive batteries for electric bikes and electric motorcycles:

Lead-acid batteries for electric bikes

Model	Dimension *(mm)*	Weight *(kg)*	Power output *(w)*	Estimated hours required per charge	Estimated hours of use per charge	Estimated travelling distance per charge *(km)*	Estimated life span *(number of charges)*
6-DZM-10	L 151±2 W 99±1 H 94±2	4.2	180~350	6~10	2~2.5	45~80	≥350
6-DZM-12	L 151±2 W 99±1 H 97±2	4.4	180~350	6~10	2~2.5	50~90	≥350
6-DZM-14	L 181±2 W 77±1 H 134±2	5.5	200~350	6~10	2~2.5	50~80	≥350
6-DZM-16	L 151±2 W 99±1 H 123±2	5.8	350~500	6~10	2~2.5	50~80	≥350
6-DZM-17	L 181±2 W 77±1 H 167±2	6.5	350~500	6~10	2~2.5	50~90	≥350
6-DZM-20	L 181±2 W 77±1 H 170±2	7.2	350~500	6~10	2~2.5	50~100	≥350

Model	Dimension *(mm)*	Weight *(kg)*	Power output *(w)*	Estimated hours required per charge	Estimated hours of use per charge	Estimated travelling distance per charge *(km)*	Estimated life span *(number of charges)*
6-DZM-24	L 166±2 W 175±2 H 126±2	9.5	350~500	6~10	2~2.5	60~110	≥350
6-DZM-25	L 320±2 W 81±1 H 118±2	9.2	350~500	6~10	2~2.5	60~120	≥350
6-DZM-27	L 196±2 W 130±1 H 154±2	9.8	750~900	6~10	2~2.5	40~60	≥350
8-DZM-14	L 201±2 W 112±1 H 100±2	6.9	350~500	6~10	2~2.5	50~80	≥350
8-DZM-18	L 250±2 W 100±1 H 126±2	9	350~500	6~10	2~2.5	60~90	≥350
6-DZM-7	L 116±2 W 86±1 H 102±2	2.9	150~180	6~10	2~2.5	40~60	≥350

Our lead-acid motive batteries are generally assembled and sold in a package of three or four units for one electric bike or electric motorcycle, as generally required by our customers. All the lead-acid motive battery products produced by us are re-chargeable and can be recharged around 500 times. They are standardized and can be used in electric bikes and electric motorcycles produced by different manufacturers.

We have also produced lead-acid batteries for electric vehicles including electric cars and storage batteries. As of the Latest Practicable Date, we had produced seven models of lead-acid batteries for electric vehicles and four models of storage batteries:

Lead-acid batteries for electric vehicles

Model	Dimension *(mm)*	Weight *(kg)*	Power output *(w)*	Estimated hours required per charge	Estimated hours of use per charge	Estimated travelling distance per charge *(km)*	Estimated life span *(number of charges)*
3DM150	L 260 W 180 H 273	30	Average: 6,000 Maximum: 35,000	6~10	3	100~120	≥400
3DM180	L 260 W 180 H 273	35	Average: 6,000 Maximum: 40,000	6~10	3	120~150	≥400
4DM135	L 260 W 180 H 280	35	Average: 4,000 Maximum: 30,000	6~10	3	110~140	≥400
6DM100	L 332 W 176 H 218	35	Average: 4,000 Maximum: 22,000	6~10	3	80~110	≥400
6DM120	L 407 W 174 H 233	42	Average: 4,000 Maximum: 26,000	6~10	3	100~130	≥400

Model	Dimension *(mm)*	Weight *(kg)*	Power output *(w)*	Estimated hours required per charge	Estimated hours of use per charge	Estimated travelling distance per charge *(km)*	Estimated life span *(number of charges)*
6DM150	L 485 W 170 H 241	53.5	Average: 4,000 Maximum: 30,000	6~10	3	120~150	≥400
6DM70	L 330 W 168 H 162	26.0	Average: 2,500 Maximum: 12,000	6~10	3	40-80	≥400

Note: Models 3DM180. 6DM70, 6DM100, 6DM120 and 6DM150 are lead-acid batteries for electric cars.

Storage batteries

Model	Dimension *(mm)*	Weight *(kg)*	Estimated hours required per charge	Estimated hours of use per charge
6-CN-40	L 197 W 165 H 166	13.5	3~10	10~120
6-CN-100	L 406 W 174 H 208	37	3~10	10~120
6-CN-150	L 500 W 208 H 212	56	3~10	10~120

Model	Dimension *(mm)*	Weight *(kg)*	Estimated hours required per charge	Estimated hours of use per charge
6-CN-200	L 496 W 258 H 227	75	3~10	10~120

Presently our product mix primarily consists of four models of lead-acid batteries for electric bikes (6-DZM-10, 6-DZM-12, 6-DZM-17 and 6-DZM-20), storage batteries and lead-acid batteries for electric cars. Sales of the above four models of lead-acid batteries for electric bikes accounted for over 80% of our revenue during the Track Record Period. The following table sets out our average selling price of the above four models of lead-acid batteries during the Track Record Period:

Model	Year ended 31 December			Three months ended 31 March
	2007 *RMB*	2008 *RMB*	2009 *RMB*	2010 *RMB*
6-DZM-10	92.5	91.5	73.0	75.6
6-DZM-12	95.2	93.0	75.4	79.3
6-DZM-17	135.0	153.5	118.1	121.9
6-DZM-20	147.8	136.6	125.1	128.1

The fluctuations in our average selling price of the above four models of lead-acid batteries during the Track Record Period were mainly due to the fluctuations in the price of lead.

PRODUCTION FACILITIES, PROCESS AND TECHNOLOGIES

We currently have production facilities located in Changxing county in Zhejiang province, Binhai county in Jiangsu province, Qingyang county in Anhui province, Qinyang City in Henan province and Ningyang county in Shandong province.

Production capacity and average utilization rate

The following table sets out the annual designed production capacity and the average utilization rate of our production facilities for lead-acid motive battery products for the three years ended 31 December 2007, 2008 and 2009:

	Year ended 31 December								
	2007			2008			2009		
Location of production facilities	Designed annual production capacity[1] *(million units)*	Actual annual production volume *(million units)*	Utilization rate	Designed annual production capacity[1] *(million units)*	Actual annual production volume *(million units)*	Utilization rate	Designed annual production capacity[1] *(million units)*	Actual annual production volume *(million units)*	Utilization rate
Changxing county, Zhejiang province	7.3	6.3	86.3%	7.5	6.4	85.3%	8.8	7.1	80.7%
Ningyang county, Shandong province	3.1	2.6	83.9%	8.1	7.1	87.7%	12.3	11.0	89.4%
Qinyang City, Henan province	2.3	1.9	82.6%	4.9	4.3	87.8%	6.4	5.8	90.6%
Binhai county, Jiangsu province	1.5	1.3	86.7%	2.5	2.2	88.0%	4.6	3.4	73.9%[2]
Qingyang county, Anhui province[3]	-		-	-		-	2.0	1.2	60.0%
Total	14.2	12.1	85.2%	23.0	20.0	87.0%	34.1	28.5	83.6%

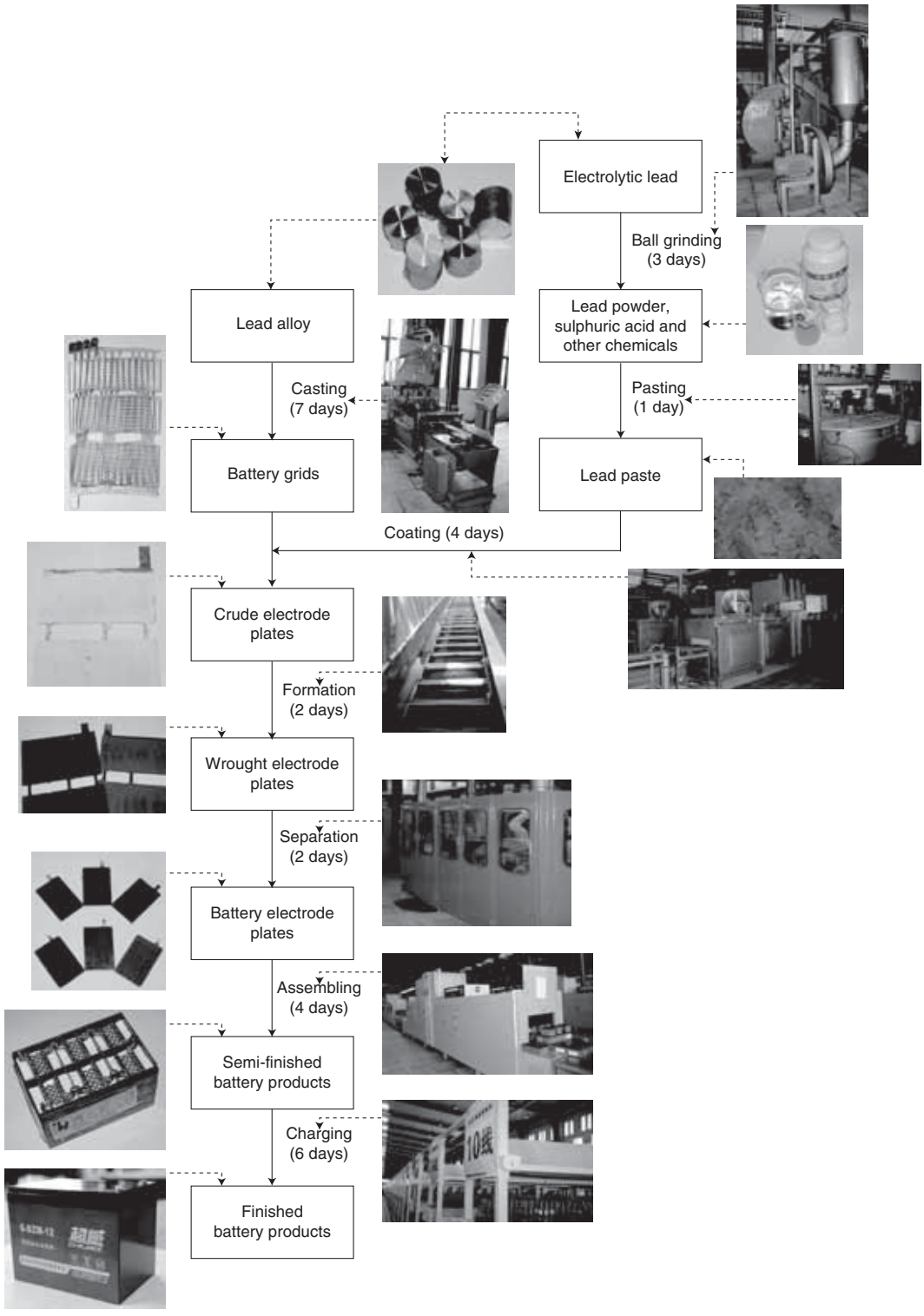
Notes:

(1) Designed annual production capacity is based on the annual capacity of the relevant production facility, or the throughput capacity, which is calculated by estimating the number of days in a calendar year that such production facility is expected to operate (which in our case, is estimated to be 330 days) taking into account downtime for regular maintenance, and multiplying that by an amount equal to such production facility's optimal daily output or throughput.

(2) The decrease in our utilization rate at our production facilities at Binhai county, Jiangsu province for the year ended 31 December 2009 was due to our efforts to renovate and upgrade the production facilities.

(3) We acquired the 85% equity interest in Anhui Chaowei in April 2009. Accordingly, its actual production volume for the period from April to December 2009 is included in calculating the utilization rate of the production facilities in Anhui Province for the year ended 31 December 2009.

Production process of lead-acid motive battery products



Note: Taking into account the normal lead time required for switching among steps during the production process, it generally takes approximately 35 days to produce a finished battery product.

Casting

The lead alloy ingots are melted into liquid and cast into battery grids in a furnace. Different amount of lead alloy ingredients together with different amount of lead paste ingredients will produce positive or negative electrode plates. Battery grids are produced in different sizes for use in lead-acid motive battery products with different storage capacity and power output.

Coating

The battery grids are then coated with a lead paste. We have also developed production know-how in relation to the production of lead paste which involves the following key steps:

(1) Ball grinding

This involves the grinding of electrolysed lead into lead powder by a ball crusher. The lead powder becomes oxidized during this process.

(2) Pasting

The lead powder is then diluted and mixed with sulphuric acid and other chemicals to produce the lead paste.

The lead paste is applied as a coating on the battery grids by automated coating machines. During this process, the lead paste has to be continuously applied to ensure that the battery grids are evenly coated. Once coating is completed, the battery grids become electrode plates which will then undergo a drying process.

Formation

The electrode plates are then immersed into sulphuric acid contained in formation slots where they are first charged with electricity and tested and then the electricity is discharged to allow the electrode plates to be further processed. The electrode plates have to be charged and discharged for a specific duration the length of which will depend on their intended storage capacity. The electrode plates are then cleaned and dried.

Separation

The electrode plates are then cut into the appropriate sizes by automated cutting machines. Each electrode plate is then weighed.

Wrapping and assembling

Pairs of positively charged and negatively charged electrode plates, each separated by a fibre glass dividing plate which acts as an insulating layer, are bound together. Different numbers of electrode plates are used in a lead-acid motive battery depending on the required level of storage capacity and power output. The electrode plates are then installed into the plastic casing of the battery by welding and the casing is then sealed.

Charging

Electrolyte is added to the semi-finished battery products with acid feeders. The battery products will be charged with electricity, with the process taking 48 hours to complete, depending on the storage capacity of the battery products. The charged battery products will then be cleaned and sealed. A serial number is affixed onto each battery once it has passed the final inspection and testing.

RAW MATERIALS, UTILITIES AND SUPPLIERS

Raw materials

The major raw materials used in our production include lead (electrolytic lead and lead alloy) and electrode plates. Other raw materials used by us include plastic battery casings and fibre glass dividing plates. The table below sets out an analysis of our costs of raw materials for the Track Record Period:

	Year ended 31 December						Three months ended 31 March			
	2007		2008		2009		2009		2010	
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (Unaudited)		*RMB'000*	
Lead	456,534	52.9%	803,383	60.0%	976,066	71.8%	211,357	73.4%	312,960	72.7%
Electrode plates	302,893	35.1%	339,823	25.4%	179,694	13.2%	31,939	11.1%	58,971	13.7%
Plastic battery castings	56,081	6.5%	98,682	7.4%	108,628	8.0%	23,214	8.1%	28,651	6.7%
Fiber glass dividing plates	19,033	2.2%	36,572	2.7%	39,559	2.9%	8,478	2.9%	10,390	2.4%
Other materials	28,727	3.3%	60,083	4.5%	56,420	4.1%	12,948	4.5%	19,378	4.5%
Total	863,268	100%	1,338,543	100%	1,360,367	100%	287,936	100%	430,350	100%

During the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, we purchased approximately 40,323 tonnes, 72,848 tonnes, 101,054 tonnes and 12,925 tonnes of lead from a total of 51, 53, 50 and 14 suppliers, respectively.

The supply and the price of lead may be subject to significant fluctuations as a result of changes in market conditions both domestically in China and internationally. Such fluctuations will have a direct impact on the supply and prices of electrolytic lead and lead alloy. 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, respectively. We

believe 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.

The decrease in the price of lead was a result of changes in market conditions; it decreased substantially as a result of the economic slow down in 2008.

We currently purchase all our supplies of electrolytic lead and lead alloy in China.

We have not entered into any hedging arrangement to protect ourselves from the risk of fluctuations in the price of lead as we do not consider that the costs and risks associated with such hedging arrangements are commercially justified based on our current volume of usage of lead. We seek to minimize any adverse effect which may arise from any significant fluctuation in the supply or price of lead primarily through inventory control. We normally maintain lead in stock which, based on our current production requirements, will be able to support us for approximately seven days of production. We closely monitor movements in the market price of lead in China and will adjust our stock level of lead if we anticipate any significant fluctuation in supply or price.

Another key component used in the production of lead-acid motive battery products is electrode plates. We obtain electrode plates required for our production of lead-acid motive battery products mainly through our own production. In the event that our production capacity is insufficient to meet our production demand at any time, we also purchase electrode plates from external suppliers. The table below sets out the respective amounts and proportions of electrode plate costs that were spent on manufacture by us and on sourcing from third party suppliers and the respective average cost during the Track Record Period:

	Year ended 31 December									Three months ended 31 March				
	2007		Average cost	2008		Average cost	2009		Average cost	2009		Average cost	2010	Average cost
	RMB'000		*(RMB/piece)*	*RMB'000*		*(RMB/piece)*	*RMB'000*		*(RMB/piece)*	*RMB'000* (Unaudited)		*(RMB/piece)*	*RMB'000*	*(RMB/piece)*
Manufacturing cost of electrode plates manufactured by us	477,269	61.2%	0.61	919,518	73.0%	0.67	1,211,218	87.1%	0.60	212,851	87.0%	0.58	367,607	86.2%	0.67
Purchase of electrode plates sourced from external suppliers	302,893	38.8%	0.89	339,823	27.0%	0.98	179,694	12.9%	0.61	31,939	13.0%	0.55	58,971	13.8%	1.10
	780,162	100%		1,259,341	100%		1,390,912	100%		244,790	100%		426,578	100%	

During the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, we purchased approximately 339 million, 355 million, 294 million and 53 million units of electrode plates, from a total of 9, 9, 4 and 4 third party suppliers, respectively.

The following table sets out the annual designed production capacity and the average utilisation rate of our production facilities for electrode plates for the three years ended 31 December 2007, 2008 and 2009:

	Year ended 31 December								
	2007			2008			2009		
Location of production facilities	Designed annual production capacity *(million pieces)*	Actual annual production volume *(million pieces)*	Utilization rate	Designed annual production capacity *(million pieces)*	Actual annual production volume *(million pieces)*	Utilization rate	Designed annual production capacity *(million pieces)*	Actual annual production volume *(million pieces)*	Utilization rate
Changxing county, Zhejiang province[1][2]	241.0	206.4	85.6%	263.5	226.7	86.0%	266.3	225.5	84.7%
Ningyang county, Shandong province[2]	373.2	237.5	63.6%[4]	703.2	627.0	89.2%	999.9	902.7	90.3%
Qinyang City, Henan province[2]	304.8	253.1	83.0%	459.2	359.7	78.3%[6]	433.1	419.4	96.8%
Binhai county, Jiangsu province[3]	227.0	84.8	37.4%[5]	208.8	169.3	81.1%	261.0	244.3	93.6%
Qingyang county, Anhui province[2]	-	-	-	-	-	-	333.6	209.9	62.9%[7]
Total	1,146.0	781.8	68.2%	1,634.7	1,382.7	84.6%	2,293.9	2,001.8	87.3%

Notes:

(1) The production facilities are located at three different factories, among which only one factory has electrode plate production capacity. The other two factories mainly purchased electrode plates from third parties to meet their production demand.

(2) The designed annual production capacity is based on the annual capacity of the relevant production facility, or the throughput capacity, which is calculated by estimating the number of days in a calendar year that such production facility is expected to operate (which in this case is estimated to be 342 days) taking into account downtime for regular maintenance, and multiplying that by an amount equal to such production facility's optimal daily output or throughput.

(3) See note (2) above, except that the number of days in a calendar year that such production facility is expected to operate is in this case estimated to be 330 days.

(4) The production facilities only commenced full operation in May 2007.

(5) The production facilities were still in trial operation.

(6) The production facilities undertook an improvement and upgrading in the first half of 2008.

(7) We acquired the 85% equity interest in Anhui Chaowei in April 2009. Accordingly, its actual production volume for the period from April to December 2009 is included in calculating the utilization rate of the production facilities in Anhui Province for the year ended 31 December 2009. In addition, the electrode plates produced by the production facilities in Anhui Province were also provided to our two factories in Jiangsu province which do not have electrode production capacity.

Utilities

Electricity and water are the principal utilities used in our production process. We obtain electricity from the local power grid companies and water from the local water suppliers, river and underground water, which are located close to our production facilities. During the Track Record Period, we did not encounter any material interruption in our supply of electricity and water.

Suppliers

We purchase all our raw materials from suppliers in China. We maintain at least three suppliers for each of the key raw materials required for our production. All our purchases are paid for in Renminbi. In the year ended 31 December 2009, approximately 29.1% of our purchases of raw materials was made on credit terms, with credit periods normally 30 days, whilst the remainder was settled by way of cash on delivery. We have not experienced any material disruption to the supply of any of the key raw materials required for our production. For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, our five largest suppliers together accounted for approximately 43.2%, 46.4%, 44.1% and 36.6% and our largest supplier accounted for approximately 12.2%, 19.9%, 13.1% and 8.0% of our purchase of raw materials.

None of our Directors or their associates nor any person who to the knowledge of our Directors owned 5% or more of our issued share capital as of the Latest Practicable Date had any interest in any of our five largest suppliers for the Track Record Period, save for Pufa Power which is a connected person of our Group. Details of its relationship are set out under the section headed "Connected Transactions – Connected Persons – Pufa Power" in this prospectus. During the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 December 2010, purchase of electrode plates from Pufa Power amounted to approximately nil, RMB78.0 million, RMB93.8 million and RMB29.8 million, respectively, representing approximately nil, 4.0%, 4.9% and 7.5%, respectively, of our total purchase of raw materials for the same periods.

SALES, MARKETING AND DISTRIBUTION

Overview

We currently sell almost all of our products in China and almost all of our sales are settled in RMB.

Our products are sold to electric bike manufacturers primarily for use in the primary market and to distributors and retailers of electric bikes, batteries, spare parts and accessories primarily for use in the secondary market, being the replacement battery

market for electric bikes. The following table sets out an analysis of our revenue from sales of lead-acid batteries for electric bikes in the primary market and in the secondary market during the Track Record Period:

	Year ended 31 December									Three months ended 31 March					
	2007			2008			2009			2009			2010		
	units (million)	*RMB'000*	*%*	*units (million)*	*RMB'000*	*%*	*units (million)*	*RMB'000*	*%*	*units (million)*	*RMB'000*	*%*	*units (million)*	*RMB'000*	*%*
										(Unaudited)					
Sales in the primary market[(1)]	9.6	986,399	76.0%	9.7	1,064,847	51.9%	7.9	688,347	29.5%	1.7	156,634	30.1%	2.9	260,535	37.7%
Sales in the secondary market[(2)]	3.0	311,295	24.0%	9.7	986,477[(3)]	48.1%[(3)]	18.2	1,647,488	70.5%	4.1	363,623	69.9%	4.5	429,996	62.3%
Total	12.6	1,297,694	100%	19.4	2,051,324	100%	26.1	2,335,835	100%	5.8	520,257	100%	7.4	690,531	100%

Notes:

(1) Sales in the primary market refers to sales to electric bike manufacturers which are primarily for use in the primary market.

(2) Sales in the secondary market refers to (i) prior to 2008, sales through local retail outlets of electric bikes, batteries, spare parts and accessories; (ii) in 2008, sales through local retail outlets and to distributors which are primarily for use in the secondary market; and (iii) from 2009, sales to distributors which are primarily for use in the secondary market.

(3) Sales in the secondary market through local retail outlets and distributors amounted to RMB264,473,000 and RMB722,004,000, representing approximately 12.9% and 35.2% of our total revenue from sales of lead-acid batteries for electric bikes, respectively, for the year ended 31 December 2008.

There is no major difference in the range of products and terms of sale (including pricing, method and timing of delivery and return policy) that we offer to our electric bike manufacturer customers and distributors save that we offer credit to certain manufacturers with whom we have established long term stable relationships, but not to distributors save in exceptional circumstances. For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, we supplied 76.0%, 51.9%, 29.5% and 37.7%, respectively, of our battery products for electric bikes in the primary market and 24.0%, 48.1%, 70.5% and 62.3%, respectively, in the secondary market through retailers or distributors.

Prior to 2008, our sales of our products to the secondary market were mainly made through local retailers of electric bikes, batteries, spare parts and accessories. Since 2008, we have focused more sales efforts in the secondary market due to our tightened credit policy and associated risk controls and also in response to the increasing demand for replacement batteries associated with growth of the electric bike market. Accordingly, in early 2008, we commenced establishing our distribution network comprising independent distributors who distributed our products on an exclusive basis and sub-distributors who further distributed our products to the end users. The majority of our distributors were local wholesalers or retailers of electric bikes, batteries, spare parts and accessories. As a result, the number of our distributors has grown from 317 as of 31 December 2008 to 390 as of 31 December 2009 and 421 as of 31 March 2010, and over 60.0% of our revenue is attributable to sales through such distributors.

Our customers

We attribute our success to, among other things, our ability to maintain customers' loyalty and our commitment to product quality. While we have not entered into any long-term sales agreement with any of our existing customers in primary or secondary markets, which we believe is consistent with the market practice in China, we believe that the business relationships with our customers are well established. The majority of our ten largest customers have over three years of business relationship with us.

For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, our five largest customers, together, accounted for approximately 12.6%, 9.3%, 12.9% and 14.4% of our turnover, and our largest customer accounted for approximately 2.7%, 2.7%, 5.1% and 6.0% of our turnover, respectively.

None of our Directors or their associates nor any person who to the knowledge of our Directors owned 5% or more of our issued share capital as of the Latest Practicable Date had any interest in any of our five largest customers for the Track Record Period.

Sales and marketing to our primary market

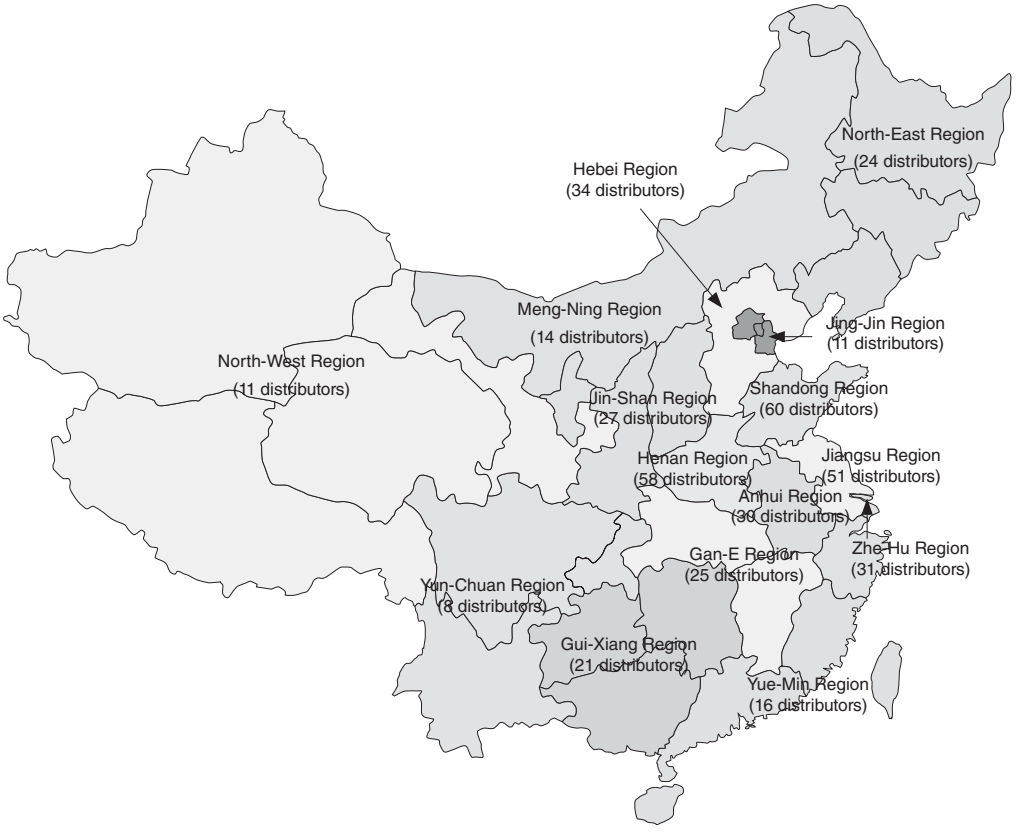
Our lead-acid motive battery products are sold to manufacturers of electric bikes, which represent our primary market. Our primary market focuses on the supply of products to electric bike manufacturers, including but not limited to market leaders such as Jiangsu Yadea Technical Development Co., Ltd.* (江蘇雅迪科技發展有限公司) ("**Yadea**"), AUCMA (Yi Nan) New Energy Electric Vehicles Co., Ltd. (澳柯瑪(沂南)新能源電動車有限公司) ("**AUCMA**") and Shandong Bidewen Power Technology Co., Ltd.* (山東比德文動力科技有限公司) ("**Bidewen**"), which are Independent Third Parties. For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 December 2010, our sales to Yadea amounted to approximately RMB23.8 million, RMB62.0 million, RMB125.0 million and RMB42.3 million, respectively, representing approximately 1.6%, 2.7%, 5.1% and 6.0%, respectively, of our total sales for the same periods; our sales to AUCMA amounted to approximately RM39.1 million, RMB51.1 million, RMB37.5 million and RMB9.4 million, respectively, representing approximately 2.7%, 2.2%, 1.5% and 1.3%, respectively, of our total sales for the same periods; and our sales to Bidewen amounted to approximately RM37.5 million, RMB27.3 million, RMB47.4 million and RMB17.5 million, respectively, representing approximately 2.6%, 1.2%, 1.9% and 2.5%, respectively, of our total sales for the same periods.

We have a dedicated key account customer service department (大客戶部) for such manufacturers, currently comprising approximately 12 sales representatives who are responsible for serving our major customers in this market, which are the leading electric bike manufacturers in China. It is our long term strategy to strengthen our cooperation with major electric bike manufacturers. To this end, we have focused on developing these relationships including through regular management visits, providing close customer care through our sales representatives and technological support and upgrades, and attending industry conferences and exhibitions.

Sales and marketing to our secondary market

For our secondary market, namely, the replacement motive battery market, we have developed a distribution network of independent distributors and sub-distributors across our 15 sales regions covering every province, autonomous region and municipality in China, which provides us with extensive market coverage and customer reach in the secondary market. As of 31 March 2010, we had 421 independent distributors who distributed our lead-acid motive batteries on an exclusive basis. We do not have ownership or management control over the network but have exclusive access to this large number of independent distributors.

The map below shows the geographical locations of our distributors across our 15 sales regions as of 31 March 2010.



Note:

We define our sales regions for the purposes of describing our secondary market (the replacement motive battery market) in China as follows:

Anhui Region	• Anhui province
Gan-E Region	• Jiangxi province
	• Hubei province
Gui-Xiang Region	• Hunan province
	• Guizhou province
	• Guangxi Zhuang autonomous region
Hebei Region	• Hebei province
Henan Region	• Henan province
Jiangsu Region	• Jiangsu province
Jin-Shan Region	• Shanxi province
	• Shaanxi province
Jing-Jin Region	• Beijing municipality
	• Tianjin municipality
Meng-Ning Region	• Inner Mongolia autonomous region
	• Ningxia Hui autonomous region
North-East Region	• Heilongjiang province
	• Jilin province
	• Liaoning province
North-West Region	• Qinghai province
	• Gansu province
	• Xinjiang Uyghur autonomous region
	• Xizhang Tibet autonomous region
Shandong Region	• Shandong province
Yue-Min Region	• Guangdong province
	• Fujian province
	• Hainan province
Yun-Chuan Region	• Chongqing municipality
	• Sichuan province
	• Yunnan province
Zhe-Hu Region	• Shanghai municipality
	• Zhejiang province

We select our distributors based on their scale of distribution network, business track record, financial condition, creditworthiness and compatibility with our own business strategies. We enter into standard distribution agreements with our distributors to regulate and incentivize their selling activities. A majority of these contracts contain agreed targets in respect of sales and market coverage and pricing terms for the distributor. Our standard distribution agreements usually have a term of one year and are renewable on a yearly basis. As such, we review the performance of our distributors under such distribution agreement on an annual basis to determine whether to renew such distribution agreement with the relevant distributor. Under such distribution agreements, either party has the right to terminate the agreement prior to its expiration in certain circumstances mainly arising from material breach of such agreements by the other party.

Under such distribution agreements, we appoint our distributors on an exclusive basis to sell our lead-acid motive battery products in their designated distribution areas, such that we are not permitted to engage another party to distribute our products in their designated areas, and they are not allowed to sell our competitors' products within their respective designated distribution areas, or sell our products outside such areas.

Distributors are required to pay us a deposit, in a sum within a range between RMB10,000 and RMB300,000 determined based on their respective credits, scale of distribution network, business track record, sales target, and relationship with us. As of 31 December 2007, 2008 and 2009 and 31 March 2010, the balance of such deposit payments received from our distributors was approximately RMB1.3 million, RMB15.6 million,

RMB20.7 million and RMB24.9 million, respectively. We set annual sales targets with our distributors based on various factors, including their location, scale of distribution network, business track record, financial condition and the demand in the relevant local market. We set the annual sales targets within a range (i) between 12,000 units and 200,000 units in 2008; (ii) between 12,000 units and 500,000 units in 2009; and (iii) between 12,000 units and 600,000 units in 2010. Based on the annual sales targets, we further set the quarter sales targets with our distributors. If any distributor fails to meet the quarter target, we are entitled, according to the distribution agreement, to issue a warning, suspend supply of products, confiscate the distributors deposit or even terminate the agreement early. We provide quality assurance to our distributors, with compensation for loss arising from defective products, provided that distributors give us prompt notice and that the quality problem has not been caused by their own actions. Revenue from sale of our products is recognized when such products are delivered and title has passed. The distributors are not allowed to return any goods to us other than for quality reasons if they fail to sell them. During the Track Record Period, we did not record any such return. We have the right to regulate our distributors' resale prices to their sub-distributors or the retail prices by requiring our distributors to set their resale prices higher than the ex-factory prices of our products. Products ordered must be paid for before delivery. So far as we are aware, there was no major breach of our agreements by our distributors during the Track Record Period.

Each distributor may sell our products in its designated area directly to retail outlets and end consumers or through sub-distributors. We have implemented a tracking coding system for each of our distributors in order to prevent products being sold outside a distributor's designated coverage. The sub-distributors subsequently sell our products to retail outlets and end consumers. Sub-distributors usually have relatively smaller and more local operations. The sub-distributors are not bound to sell our products on an exclusive basis and we have no direct control over the sub-distributors and retail outlets. However, pursuant to our standard distribution agreement, we may impose penalties on our distributors for any material breach, including stopping sales to such distributors. We believe that our distributors are therefore motivated to ensure their sub-distributors also comply with such restrictions in order not to jeopardize their own position with us.

We generally assign our marketing staff to a particular sales region to monitor the performance of distributors, assist our distributors in marketing and promoting our products there, as well as to provide training in relation to our products and on sales techniques and after-sales services. We consider it important to maintain good and efficient communications with our distributors. We arrange factory visits for our key distributors to enable them to gain a good understanding of our operations and to help increase their confidence in the quality of our products and our expertise.

In formulating our marketing strategy, we collect, review and analyze data on the sales performance of our distributors as well as their general feedback on the market perception of our products on a monthly basis. The performance of each distributor is reviewed annually prior to the renewal of its distribution agreement. Whether our distributors have achieved our sales and expansion targets is a key element of our review. Furthermore, in order to prevent accumulation of inventory at distributors, since January 2009, we request our distributors to report to us on a monthly basis, through our regional marketing staff, the amount of their inventory as of the end of that month and the expected amount of their orders. Our relevant regional marketing staff who are familiar with our distributors' sales performance are responsible for verifying our distributors' inventory level and approve the monthly sales plan for each of our distributors by reference to their inventory level. We deliver products to our distributors mainly based on such approved monthly plan.

As part of our efforts on developing our distribution network and promoting our sales in the secondary market in 2008, we encouraged 119 of our then employees to start up their own business and become our distributors ("**Employee-turned-distributors**"), as they were familiar with our products and the sales and distribution channels, and very experienced and familiar with the industry. With the establishment of an extensive distribution network, our sales in the secondary market increased substantially by approximately 67.0% from 2008 to 2009. Nonetheless, there was no substantial impact on our staff cost caused by such change.

We encouraged such employees to start up their own business by explaining to them the prospects for a potential substantial increase in personal income if they elected to become our distributors in contrast to being our sales staff. Over 80% of such employees had worked for us for more than two years prior to such change. Their average monthly salaries varied between approximately RMB300 and approximately RMB1,500 in 2007 and 2008. In addition to the salaries, certain Employee-turned-distributors received commissions from us (while they were our employees) in recognition of their sales performance. For the two years ended 31 December 2007 and 2008, amounts of approximately RMB2.0 million and approximately RMB4.4 million were paid to a total of 26 and 28 Employee-turned-distributors respectively. We did not provide any financial assistance or subsidies to such Employee- turned-distributors in order to encourage them to become our distributors. Such employees terminated their employment with us before they became our distributors, in order to ensure their independence. There was no employee who concurrently acted as our retailer or distributor during the Track Record Period and we will continue to take all necessary measures to ensure the independence of our distributors. We believe such Employee-turned-distributors chose to terminate their employment with us and became our distributors mainly because of (i) the well-established reputation of our products in the PRC market; (ii) the potential for growth in the sales of our products; and (iii) expected increase in personal income as a result of such change.

We adopted our standardized distribution agreements with such distributors and the material terms of sale offered to such distributors, including those relating to the sales targets, deposit payment and pricing, are consistent with those offered to other distributors. Having reviewed the transactions with the Employee-turned-distributors, we believe that our sales to the Employee-turned-distributors were carried out on normal commercial terms which were fair and reasonable to the Group and there was no conflict of interest involved therein. We have also received confirmations from each of the Employee-turned-distributors to confirm such conclusion.

Together with our other customers, the Employee-turned-distributors are eligible to participate in our Share Option Scheme. Details of our Share Option Scheme are set out under the paragraph headed "Share Option Scheme" in "Appendix VI – Statutory and General Information" in this prospectus.

The table below sets out the numbers of the retail outlets, our Employee-turned-distributors and other distributors as of the dates indicated:

	As of 31 December			As of 31 March
	2007	2008	2009	2010
Retail outlets	653	434	–	–
Distributors	–	317	390	421
– Employee-turned-distributors	–	119	97	93
– Other distributors	–	198	293	328

Notes:

(1) Prior to 2008, we sold our products in the secondary market through local retail outlets of electric bikes, batteries, spare parts and accessories. From early 2008, we commenced establishing our distribution network and selling our products in the secondary market through our distributors. From 2009, we sold our products in the secondary market primarily through distributors.

(2) The number of our Employee-turned-distributors decreased from 119 as of 31 December 2008 to 97 as of 31 December 2009 and to 93 as of 31 March 2010 because we ceased to engage a total of 22 and 4 Employee-turned-distributors in the year ended 2009 and the three months ended 31 March 2010, respectively, mainly due to their unsatisfactory performance.

(3) The number of other distributors increased from 198 as of 31 December 2008 to 293 as of 31 December 2009 as a result of the addition of 103 new distributors and the termination of distribution arrangements with 8 distributors mainly due to their unsatisfactory performance; and further increased to 328 as of 31 March 2010 as a result of the addition of 41 new distributors and the termination of 6 distributors mainly due to their unsatisfactory performance.

For the years ended 31 December 2008 and 2009 and the three months ended 31 March 2010, sales to the Employees-turned-distributors amounted to approximately RMB290.1 million, RMB577.9 million and RMB130.8 million, representing approximately 29.4%, 35.1% and 30.4% of our total sales in the secondary market for the same periods, respectively.

New "one-stop" service centers

We consider brand awareness and customer loyalty as the key to our future success in the secondary market. To enhance further the brand awareness and recognition of our "CHILWEE (超威)" brand and reinforce and expand our distribution network, we plan to launch "one-stop" service centers in our secondary market across China working in cooperation with our distributors or sub-distributors. These service centers will be owned and operated by our distributors or sub-distributors at their own cost, but will bear our logo and adopt our standard color and design scheme and sell our motive battery products on an exclusive basis. The service centers will also provide after-sales services including maintenance and repair services. We will provide products and guiding retail price to the service centers. We will also provide training and pay visits once every month to the distributors or sub-distributors who own such service centers to ensure their service quality and compliance with our cooperation arrangements. As of the Latest Practicable Date, we have established two such service centers in Henan province.

Transportation

We outsource the transportation of all of our products to third party logistics providers. These outsourcing arrangements allow us to reduce our capital investment and eliminate the risk of liability for transportation accidents, delivery delay and loss, as our logistics providers bear the risk. Our products are mainly delivered by truck from our production facilities to the places designated by our customers. We bear the entire cost of transporting products to our customers.

After-sales services and product warranty

We consider that the quality of our after-sales services is important. We believe that high quality after-sales services will strengthen market recognition.

Our sales representatives are responsible for ensuring that each manufacturer of electric bikes to whom we sell our products receives high quality service. For these manufacturers, the focus of our after-sales services is on maintaining follow-up visits and support by our sales representatives and ensuring that their requirements and feedback on our products are promptly relayed to us and attended to.

We also provide after-sales services to electric bike end users in the secondary market through our distributors and sub-distributors. Our distributors offer a comprehensive range of after-sales services including battery recycling, repair and maintenance and provision of spare parts for electric bikes. We understand the importance of providing efficient and prompt services, and hence we require all repairs to be completed and the battery returned to the customer within 12 hours after it has been brought to our distributor for repairs. If significant repairs have to be carried out which are beyond the expertise of the exclusive distributor, the product will be sent to us. Our staff pays visits to our distributors on a random basis to monitor the quality of the after sales service provided by them.

We provide a warranty of between 10 and 15 months on all our lead-acid motive battery products. Under the terms of our warranty, we undertake to repair or replace the battery free of charge in the event of any malfunction within the warranty period.

Advertising and promotion

We also advertise our brand and products in industry journals and technical publications, and on television networks and outdoor billboards, to broaden our brand recognition and awareness.

We cooperate with distributors to advertise and market our products. As such, we paid marketing fees to selected distributors based on various factors, such as their location, scale of distribution network and the demand in the relevant local markets, in 2008 and 2009. During the two years ended 31 December 2008 and 2009, such marketing fees paid to our distributors amounted to approximately RMB32.2 million and RMB67.2 million, respectively. As we have established an extensive and stable distribution network in the secondary market, we have stopped paying such marketing fees since January 2010. For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, our advertising expenses and marketing fees amounted to approximately RMB8.3 million, RMB38.0 million, RMB78.4 million and RMB4.3 million, respectively.

Customer credit control

For the Track Record Period, we did not have any material bad debts from our customers. We attribute this to our strict credit control policy. Currently, we offer credit to certain manufacturers of electric bikes with whom we have established long term stable relationships, but not to distributors save in exceptional circumstances. We monitor closely the credit standing of each of our primary market customers and if necessary we will adjust the credit periods or limit the amount granted to any such customer. We have a policy of normally allowing a credit period of 15 days for most of our electric bike manufacturer customers with proven credit history. More extended credit periods may be granted to

customers on a case by case basis upon reviewing their settlement history, relationship with us and creditworthiness, and our Directors consider that this arrangement can retain customers' loyalty as well as maintain our relationship with them. Settlement is usually effected by way of cash, cheque or telegraphic transfer to our designated bank account. We do not offer credit to our distributors save in exceptional circumstances. Our distributors are required to make a deposit with us when they enter into the distribution agreement and such deposit will be returned when the agreement is terminated. Our distributors are also required to make full payment for our products before or upon delivery save in exceptional circumstances.

RESEARCH AND DEVELOPMENT

Research and Development

To improve our technologies and know-how, enhance our operating efficiency and develop new products, we have established a research and development center at our headquarters at Changxing county, Zhejiang province. As of the Latest Practicable Date, our research and development team comprised 33 staff and two persons with Ph.D degrees seconded by Fuzhou University under a joint post-doctoral work station program.

Our research and development team has developed new production technology and techniques for the production of high-quality lead-acid motive battery products that yield consistent performance over an extended product life cycle. Our "long life gel sealed lead-acid battery for electric vehicles* (電動車用長壽命膠體密封鉛蓄電池)" has been recognized as a "National Key New Product* (國家重點新產品)" jointly by four PRC government agencies, including the Ministry of Science and Technology and the Ministry of Environmental Protection. As of the Latest Practicable Date, we had registered 47 patents and applied for 18 new patents for our technological know-how in China. Of such registered patents, eight are invention patents for our lead-acid motive battery production technologies. We were recognized as a "National Torch Program Key Enterprise in High and New Technology* (國家火炬計劃重點高新技術企業)" by the Ministry of Science and Technology of China in March 2009. In view of our strong research and development capability in the lead-acid motive battery industry, we were invited to participate in formulating four national quality standards for lead-acid motive batteries, namely GB/T 23577-2009 standards for the containers for lead-acid batteries (鉛酸蓄電池槽), GB/T 26636-2009 standards for the plates for lead-acid batteries (鉛酸蓄電池用極板), GB/T 18332.1-2009 standards for lead-acid batteries used for electric vehicles (電動道路車輛用鉛酸蓄電池) and GB/T 22199-2008 standards for sealed lead-acid batteries used for electric mopeds (電動助力用鉛酸蓄電池).

We have entered into agreements with reputable PRC automobile manufacturers, including Geely and Jianghuai, to cooperate in the development of prototype lead acid motive batteries for electric cars. Under such cooperation arrangements, we develop and provide prototypes of lead-acid motive batteries for such PRC automobile manufacturers pursuant to their specific requirements. Pursuant to the agreements entered into with Geely during the period from June to October 2009, we agreed to develop for, and sold to, Geely four prototype lead acid motive batteries for electric cars. Pursuant to an agreement entered into with Jianghuai on 2 November 2009, we have developed for, and sold to, Jianghuai two prototype lead acid motive batteries for electric cars.

All five models of motive battery products developed by us for electric cars have passed the quality tests by the China North Vehicle Quality Supervision and Testing Laboratory* (中國北方汽車質量監督實驗所), a national-level quality testing institute recognized by the China National Accreditation Service for Conformity Assessment* (中國合格評定國家認可委員會) and the Certification and Accreditation Administration of the PRC* (中國國家認證認可監督管理委員會). We also possess production technology to produce storage batteries for wind and solar energy and have commenced research into Li-ion batteries, which, we believe, can further diversify our product mix in the long term.

We work closely with various research and academic institutions to develop new motive battery products, as well as related manufacturing techniques, including collaborations with Fuzhou University* (福州大學) which is a national key comprehensive university, Ningbo Engineering College* (寧波工程學院) which is a university focusing on engineering subjects, and National Rechargeable Batteries Quality Supervision and Testing Center* (國家蓄電池質量監督檢測中心) which is an industrial institution specializing in the quality testing of lead acid batteries.

We have set up a post-doctoral work station with Fuzhou University* (福州大學) at our headquarters in Changqing county of Zhejiang province for the research and development of technologies relating to gel lead-acid batteries. Such post-doctoral station has been recognized as a "Post-doctoral Work Station of Zhejiang Province* (浙江省博士後科研工作站)" by the relevant authority of Zhejiang province in December 2008 in recognition of our strong research and development capabilities in the lead-acid batteries area. Under our agreement with Fuzhou University* (福州大學) dated 16 March 2009, it shall lead the research and development on gel lead-acid batteries while we shall provide the venue, raw materials and equipment and pay research fees in a total amount of RMB1.75 million over a period of 5 years. Fuzhou University* (福州大學) will have the ownership of the research results but we will be granted a license to use all such research results free of additional fees.

We entered into a cooperation agreement with Ningbo Engineering Institute* (寧波工程學院) on November 2009 on research and development on the production of key raw materials for Li-ion batteries. According to such agreement, Ningbo Engineering Institute* (寧波工程學院) shall assist us to construct a production line to produce key raw materials for Li-ion motive and storage batteries and we shall jointly carry out further research and development activities to improve our production process and technologies for such materials. We shall pay Ningbo Engineering Institute* (寧波工程學院) an annual research fee in an amount of RMB1 million subject to its fulfillment of the research and development target jointly set by both parties. The agreement shall be valid for a period of five years commencing from 1 February 2010. Ningbo Engineering Institute* (寧波工程學院) shall transfer to us the title to the patents developed during our joint research and development activities for nil consideration. We also entered into training agreements with National Rechargeable Batteries Quality Supervision and Testing Center* (國家蓄電池質量監督檢測中心) on 22 December 2009 for the provision of training to our staff in charge of the quality testing of our battery products.

Furthermore, at our invitation, professors and senior engineers from such universities and institutions regularly give guidance on our research and development projects and provide training for our research and development staff.

In line with our business strategy of further enhancing our research and development capability, our research and development expenses have increased gradually during the Track Record Period. Our total research and development expenses for the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010 were approximately RMB3.5 million, RMB10.7 million, RMB15.8 million and RMB6.3 million, respectively.

QUALITY CONTROL

We adhere to a strict system of quality control throughout our operation, extending from raw material procurement, production and delivery processes, and including careful selection and inspection of raw materials and regular production equipment inspection and maintenance. Our quality control team monitors every stage of our production processes and ensures consistent product quality that meets our internal quality standards and policies, and our customers' stringent requirements. We have applied the standards of ISO 9001 throughout our quality control system and obtained ISO 9001 certifications for the quality management systems of all of our production plants. The ISO certification process involves subjecting our manufacturing processes and quality management systems to annual reviews. We believe this certification process provides independent verification to our customers regarding the quality control employed in our production processes.

INVENTORY MANAGEMENT

We monitor and control our inventory levels of raw materials, work-in-progress and finished products to optimize our operations. We have inventory management procedures that monitor the planning and allocation of warehouse space and stock of raw materials and finished products to coordinate with delivery requirements and schedules. Our policy requires close coordination among our sales and marketing department and our raw materials procurement and storage teams.

We closely supervise our daily production and maintain suitable inventory levels of raw materials and finished goods in all of our production facilities. Our inventory of raw materials primarily comprises electrolytic lead and lead alloy, and our policy is to store at least seven days' supply of electrolytic lead and lead alloy.

Our practice is to keep our inventory of battery products at a level representing not more than 15 days' sales amount, principally for the purpose of meeting any unexpected demand from our major customers.

We carry out physical stock counts to monitor our inventories, including level and age of inventory. Spot checking is carried out on a monthly basis, and an overall stock count is carried out to identify damaged or obsolete inventory on a quarterly basis. It is our policy to make allowance for inventory valuation and obsolescence losses if damaged or obsolete inventory is identified.

ENVIRONMENTAL AND OCCUPATIONAL HEALTH AND SAFETY

Environmental Protection

We are subject to the national and local environmental laws and regulations in China on environmental matters, such as the discharge of exhaust fumes, waste water, and solid waste. The main pollutants generated by us are lead dust or mist and waste water which contain lead and sulphuric acid. We are required to comply with the environmental laws, rules and regulations promulgated by the PRC government. Details of such requirements are set out under the section headed "Regulatory Overview – Laws and Regulations Relating to Environmental Protection".

Lead is the key raw material used in our production of lead-acid motive battery products. An excessive intake of lead powder and lead fumes, whether through inhaling or skin contact, would have a harmful effect on health. Lead poisoning may also result from occupations that involve close and frequent contact with or exposure to lead powder and lead fumes. Lead powder and lead fumes are generated during the lead processing process. In addition, the acid preparation and battery formation processes also produce acid fumes. We have installed ventilation systems at all our production plants to collect lead powder, lead fumes and acid fumes for treatment and disposal pursuant to the applicable environmental laws and regulations in China.

Our production process generates waste water containing lead and sulphuric acid. Such waste water is neutralized and treated to remove lead content in accordance with the applicable environmental standards in China. We have installed such waste water treatment facilities at all our production plants. Waste water generated in our production process, after the required treatment, will either be collected and reused for our production requirements or discharged to the municipal waste water collection systems for further treatment and discharge to the environment.

We have adopted the enclosed battery formation process* (內化成工藝) in all of the existing production plant in Jiangsu province and part of the existing production facilities in Zhejiang province, and intend to apply such process in all plants constructed by us in the future. As compared to the traditional battery formation process, our enclosed battery formation process* (內化成工藝) substantially reduces our water usage and discharge of sulphuric acid gas and waste water in the production process. We obtained subsidies in 2009 from the Zhejiang provincial government for construction of production lines employing the enclosed battery formation process* (內化成工藝) in recognition of its contribution to an energy-saving and sustainable economy. We have also received ISO 14001:2004 certifications in recognition of our environmental compliance standards for all of our production plants.

To enhance further the overall environmental safety and preventive measures, we established a team comprising a total of approximately 40 staff at our headquarters and at each production facility who are responsible for monitoring our compliance with various environmental and occupational health and safety requirements under the PRC laws and regulations on a regular basis and providing timely reports and advice to the management. Most of such staff have obtained hands-on knowledge and experience in the areas of

environmental protection and occupational health and safety. To improve our staff's professional knowledge on environmental protection and occupational health and safety matters, we have engaged, for an initial term of one year from 10 June 2010, Professor Wang Jia De (王家德) ("**Prof. Wang**") as an external consultant with extensive knowledge and experience in those areas to provide training to our staff on technical knowledge, practical experience and related policies, to assist us in formulating and implementing our environmental safety and protection related measures and procedures and to cooperate with us in the research and development of environmental protection solutions. Pursuant to such engagement, Prof. Wang shall provide training to our staff at least six times each year and spend two to three days each month to provide on-site technical advisory services to us. Prof. Wang is currently a professor at the College of Biological and Environmental Engineering* (生物及環境工程學院) of Zhejiang University of Technology* (浙江工業大學). Prof. Wang obtained a Ph.D degree in chemical process and mechanical engineering* (化工過程與機械工學) from Zhejiang University of Technology* (浙江工業大學) in 2006. He has strong experience in teaching and research on biology and environmental issues and specializes in areas including environmental biology, volatile organic compounds pollution control and waste water treatment and utilization. He has published various research reports and academic articles, been in charge of various major research projects at the national or provincial levels and has obtained various awards in the environmental protection arena. He has participated in the research and development of more than 10 environmental protection techniques which have been granted with patents.

During the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, we spent RMB4.0 million, RMB6.1 million, RMB6.9 million and RMB1.7 million, respectively, on purchases of environmental protection facilities. We will continue to make investment on environmental protection in compliance with the relevant PRC laws and regulations and in line with our production facilities expansion plan. We expect to incur approximately RMB4.5 million and RMB5.0 million on compliance with the applicable environmental protection laws and regulations for the years ending 31 December 2010 and 2011, respectively.

We also engaged Atkins China, at a fee of RMB374,115, to perform an environmental assessment at our production plants in 2010, in order to, inter alia, assess our compliance with the applicable national environmental standards. According to Atkins China, based on the records of the monitoring procedures performed by the relevant local environmental authorities pursuant to the relevant PRC laws and regulations for the period from 2007 to 2009 (except for Anhui Chaowei which kept such records for a shorter period prior to our acquisition in 2009), all of our production facilities have complied with the relevant national standards in respect of air emission and waste water discharge as well as the national standards and requirements for other relevant environmental matters such as noise and general waste management, except for two incidents of minor deviation from certain national standards for air emission and domestic sewage discharge in relation to our production facilities in Zhejiang province and Shandong province, respectively, in which the level of air emission and waste water discharge slightly exceeded the prescribed national standards. Save for such two incidents, no recorded deviation by us from the relevant national standards in relation to environmental protection was reported by Atkins China. The deviation relating to our production facility in Zhejiang province in February 2008, mainly as a result of inadvertent oversight of our staff, was rectified shortly

afterwards and the re-examinations showed satisfactory results. The deviation relating to our production facility in Shandong province in October 2009 during the course of the upgrade of our domestic sewage discharge facilities was considered acceptable by the local environmental authority as stated in its report. We have not been subject to any penalty or punishment due to these two deviations.

According to Atkins China's report, pursuant to the relevant environmental impact assessment requirements under the applicable PRC laws and regulations, a buffer distance is required between residential areas and lead-acid battery production premises, and therefore the residents within 800 meters from our production premises in Ningyang county of Shandong province (the "**Local Residents**") are required to be relocated. Pursuant to the applicable PRC laws and regulations, the relevant local government is responsible for the planning and organization of such relocation. In October 2005, the local government of Ningyang county confirmed the relocation plan for the Local Residents which was scheduled for completion in October 2008. Due to the delay in such relocation, in March 2010, the local government of Ningyang county granted a grace period to the Local Residents to June 2010. We have further obtained a confirmation from the local government of Ningyang county that such relocation is in progress and is expected to be completed by December 2010. It further confirmed that we can carry on our operation on such premises without any interruption by such relocation.

Atkins proposed certain recommendations to us in relation to the further enhancement of our environmental protection and safety management, including improvement of the operation of the wastewater treatment facilities at our production facilities in Zhejiang province and investigation of whether there is a need to upgrade the wastewater treatment facilities at our factory in Shandong province. We have accepted and acted on such recommendations. Furthermore, Atkins China proposed certain measures to us in relation to compliance with more stringent international standards and we intend to follow their recommendations in order to enhance further our environmental safety.

We have received confirmations in 2010 from the relevant local environmental protection authorities that all of our PRC operating subsidiaries (i) had complied with the relevant PRC environmental laws and regulations; (ii) had not been subject to any penalty or punishment as a result of any breach of any relevant PRC environmental laws and regulations; and (iii) had not been subject to any investigation by the relevant local environment protection authorities in respect of environmental issues, since their establishment. Furthermore, Zong Heng Law Firm, our legal adviser on PRC laws, has confirmed that all of our PRC operating subsidiaries have complied with all the relevant PRC environmental laws and regulations.

During the Track Record Period, we have not encountered any material claims, or any administrative action or penalty by the relevant PRC authorities, in relation to environmental issues.

Occupational Health and Safety

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.

Notwithstanding such measures taken by us, exposure to lead powder and lead fumes would inevitably affect the blood and urine lead levels of the workers engaged in the production of lead-acid batteries to a certain extent. As such, we 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, in order to monitor the blood and urine lead level of such employees and take remedial actions in a timely manner. The medical checks include measurement of blood and urine lead level. According to the Diagnostic Criteria of Occupational Chronic Lead Poisoning* (《職業性慢性鉛中毒診斷標準》) (GBZ37 – 2002), respectively, a person whose blood lead or urine lead level reaches or exceeds 600 μg/L or 120 μg/L is subject to lead detoxification medication and treatment.

Despite the implementation of the protective measures as mentioned above, it may not be possible to eliminate the impact of exposure to lead powder and lead fumes on the health of our employees. According to the results of medical checks conducted on our production employees, during the three years ended 31 December 2007, 2008 and 2009, we had 347, 142 and 189 positive cases of lead level exceeding such national standards, respectively, representing approximately 6.9%, 2.2% and 2.4% of our employee headcount as of the end of each relevant period. According to the results of such medical checks, the average blood and urine lead level of such affected employees was 665 μg/L and 130 μg/L, respectively. Over 80% of such affected employees were engaged in production processes with close contact to lead and were found to have excessive lead levels in the year immediately after they joined us. We have arranged proper and timely lead detoxification medication and treatment 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 levels of such affected employees have dropped to fall within the national standards following upon proper and timely medical treatment; and (ii) none of our employees has been diagnosed with long term occupational disease caused by lead poisoning. However, as the symptoms of long-term occupational diseases by prolonged exposure to lead, such as nervous disorders, are not always immediately apparent, there is no assurance that that our affected employees will not show symptoms associated with lead poisoning later. We have not encountered any claim for compensation or received any penalty in relation to such incidents. Nonetheless, to reduce such excess lead level cases and enhance the protection of our employees' occupational health and safety, we intend to enhance our overall work environment further by taking the measures mentioned above in relation to environmental protection and strengthen the education and training of our employees in relation to occupational health protection.

We have also arranged commercial medical and life insurance cover against work-related accidents for our employees engaged in production. We have also obtained an undertaking from Mr. Zhou that he will keep us fully indemnified for any loss suffered by us that would not be covered by our medical and life insurance in relation to any work-related accidents of our employees.

We have received certification in 2010 for all of our production plants in recognition of the compliance of our occupational health and safety management system with the GB/T28001-2001 standards. We have received confirmations in 2010 from the relevant local occupational health and safety authorities that all of our PRC operating subsidiaries have complied with the relevant PRC laws and regulations in respect of occupational health and safety and have not been subject to any penalty or punishment as a result of any breach of any such PRC laws and regulations since their establishment. Zong Heng Law Firm, our legal adviser on the PRC laws, has confirmed that all of our PRC operating subsidiaries have complied with all the relevant PRC laws and regulations in respect of occupational health and safety.

During the Track Record Period, we have not encountered any material claims or incidents in relation to occupational health and safety issues or been involved in any accident causing death or serious bodily injury in the course of our business operations.

INSURANCE

We maintain insurance policies with insurance companies in China which cover our equipment, facilities, buildings and their improvements, and vehicles. These insurance policies cover losses (including loss of potential profit) arising from fire, lightning and explosion.

However, in line with the usual industry practice, we do not maintain product liability insurance, as it is not required under the PRC laws and regulations.

We have not maintained any insurance coverage against environmental liability or possible injury to third parties due to environmental matters as there is no such insurance generally available in China.

We also contribute to social insurance for our employees as required by the PRC social security regulations, including a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a maternity insurance plan and a work-related injury insurance plan for our employees.

COMPETITION

As we sell almost all of our products in China, our major competitors are PRC based motive battery product manufacturers. According to the Frost & Sullivan Report, we were ranked as a leading supplier of lead-acid motive batteries for electric bikes in China in 2009 in terms of revenue, accounting for approximately 18.3% of the total market. The six largest manufacturers of lead-acid motive batteries for electric bikes in China in 2009 accounted for approximately 56.2% of the total market, and the remainder of the market is shared among numerous manufacturers in China. Both the primary and the secondary markets are fragmented. The six largest manufacturers of lead-acid batteries for electric

bikes supplying the primary market and the secondary market, respectively, accounted for approximately 54.1% and 57.8% of the total revenue in these respective markets in 2009. We accounted for 13.7% and 21.3% of the total revenue in the primary and secondary markets, respectively, and we were a leading manufacturer for both of the primary and secondary markets in 2009.

Our Directors believe that competition in China's market for lead-acid motive 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 price, high quality products, ability to meet customers' requirements and comprehensive range of after-sale services.

MAJOR AWARDS AND RECOGNITION

As of the Latest Practicable Date, we had been granted the following major awards, certificates and memberships:

Award/Certificate/ Membership	Awarding/Issuing Organization	Date of Issue	Term of Validity
Certificate of National Torch Program Key Project (Long Life Gel Sealed Lead-Acid Battery For Electric Vehicles)* (國家級火炬計劃重點項目證書(電動車用長壽命膠體密封鉛蓄電池))	Torch High Technology Industry Development Center of Ministry of Science and Technology of the PRC (中國科學技術部火炬高技術產業開發中心)	May 2005	N/A
Certificate of National Torch Program Key Project (Long Life Cycle Valve-controlled Lead-acid Motive Batteries for Locomotives)* (國家級火炬計劃項目證書(長壽命鐵路機車車輛用閥控式密封鉛蓄電池))	Torch High Technology Industry Development Center of Ministry of Science and Technology of the PRC (中國科學技術部火炬高技術產業開發中心)	May 2005	N/A
Membership (會員)	China Electrical Equipment Industry Association (中國電器工業協會)	August 2005	August 2005 to June 2010
Certificate of National Key New Product (Long-Life Cycle Lead-acid Motive Batteries in Gel Electrolyte for Electric Vehicles)* (國家重點新產品證書(電動車用長壽命膠體密封鉛蓄電池))	Ministry of Science and Technology of the PRC (中國科學技術部) Ministry of Commerce of the PRC (中國商務部) General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中國國家質量監督檢驗檢疫總局) Ministry of Environmental Protection of the PRC (中國環境保護部)	November 2006	November 2006 to November 2009

Award/Certificate/ Membership	Awarding/Issuing Organization	Date of Issue	Term of Validity
Provincial High and New Technology Research and Development Center for Environment-friendly Rechargeable Batteries* (環保型蓄電池省級高新技術研究開發中心)	Science and Technology Department of Zhejiang Province (浙江省科學技術廳)	December 2006	N/A
Certificate of Prestigious Product in Zhejiang Province* (浙江名牌產品證書)	Zhejiang Bureau of Quality and Technical Supervision (浙江省質量技術監督局)	December 2006	December 2006 to December 2009
Certificate of Well-known Trademark in Zhejiang Province* (浙江省著名商標證書)	Zhejiang Administration for Industry and Commerce (浙江省工商行政管理局)	February 2007	February 2007 to February 2010
Certificate of High and New Technology Enterprise* (高新技術企業認定證書)	Science and Technology Department of Zhejiang Province (浙江省科學技術廳)	November 2007	November 2007 to November 2009
Certificate of Conformity for Quality Control Management System – GB/T 19001-2000 idt ISO 9001:2000 Standards (質量管理體系認證證書 – GB/T 19001-2000 idt ISO 9001:2000標準)	**Chaowei Power:** The International Certificate Network/China Certificate Center for Quality Mark Certification Group (國際認證聯盟／中國品質認證中心方圓標志認證集團)	21 February 2008	21 February 2008 to 20 February 2011
	Jiangsu Chaowei: China Quality Certification Centre (中國質量認證中心)	2 June 2008	2 June 2008 to 1 June 2011
Certificate of Conformity for Quality Control Management System – GB/T 19001-2008 ISO 9001:2008 Standards (質量管理體系認證證書 – GB/T 19001-2008 ISO 9001:2008標準)	**Chaowei Power and Changxing Zhongcheng:** Beijing Zhong-Da-Hua-Yuan Certification Center (北京中大華遠認證中心)	26 January 2010	26 January 2010 to 25 January 2013
	Anhui Chaowei: Beijing Zhong-An-Zhi-Huan Certification Center (北京中安質環認証中心)	1 December 2009	1 December 2009 to 30 November 2012
	Shandong Chaowei: Beijing United Intelligence Certification Co., Ltd. (北京聯合智業認證有限公司)	26 February 2010	26 February 2010 to 25 February 2013
	Henan Chaowei: Beijing Zhong-Da-Hua-Yuan Certification Center (北京中大華遠認證中心)	22 January 2010	22 January 2010 to 21 January 2013

Award/Certificate/ Membership	Awarding/Issuing Organization	Date of Issue	Term of Validity
Certificate of Conformity for Environmental Management System – GB/T 24001-2004 ISO 14001:2004 Standards (環境管理體系認證證書 – GB/T 24001-2004 ISO14001:2004 標準)	**Chaowei Power and Changxing Zhongcheng:** Beijing Zhong-Da-Hua-Yuan Certification Center (北京中大華遠認證中心)	26 January 2010	26 January 2010 to 25 January 2013
	Anhui Chaowei: Beijing Zhong-An-Zhi-Huan Certification Center (北京中安質環認証中心)	1 December 2009	1 December 2009 to 30 November 2012
	Shandong Chaowei: Beijing United Intelligence Certification Co., Ltd. (北京聯合智業認證有限公司)	26 February 2010	26 February 2010 to 25 February 2013
	Jiangsu Chaowei: Beijing Zhong-Da-Hua-Yuan Certification Center (北京中大華遠認證中心)	26 February 2010	26 February 2010 to 25 February 2013
	Henan Chaowei: Beijing Zhong-Da-Hua-Yuan Certification Center (北京中大華遠認證中心)	22 January 2010	22 January 2010 to 21 January 2013
Certificate of Conformity for Occupational Health and Safety System – GB/T 28001-2001 Standards (職業健康安全管理體系認證證書 – GB/T 28001-2001 標準)	**Chaowei Power and Changxing Zhongcheng:** Beijing Zhong-Da-Hua-Yuan Certification Center (北京中大華遠認證中心)	26 January 2010	26 January 2010 to 25 January 2013
	Anhui Chaowei: Beijing Zhong-An-Zhi-Huan Certification Center (北京中安質環認証中心)	1 December 2009	1 December 2009 to 30 November 2012
	Shandong Chaowei: Beijing United Intelligence Certification Co., Ltd. (北京聯合智業認證有限公司)	26 February 2010	26 February 2010 to 25 February 2013
	Jiangsu Chaowei: Beijing Zhong-Da-Hua-Yuan Certification Center (北京中大華遠認證中心)	26 February 2010	26 February 2010 to 25 February 2013
	Henan Chaowei: Beijing Zhong-Da-Hua-Yuan Certification Center (北京中大華遠認證中心)	22 January 2010	22 January 2010 to 21 January 2013

Award/Certificate/ Membership	Awarding/Issuing Organization	Date of Issue	Term of Validity
Well-known Trademark of China* (中國馳名商標) (1)	Intermediate People's Court of Shangrao City of Jiangxi Province (江西省上饒市中級人民法院)	17 March 2008	N/A
Exemplary Enterprise in Patent Development and Management of Zhejiang Province* (專利示範企業)	Intellectual Property Office of Zhejiang Province (浙江省知識產權局) Economic and Trade Commission of Zhejiang (浙江省經濟貿易委員會)	August 2008	N/A
Top 100 High and New Technology Enterprise in Zhejiang Province* (浙江省高新技術企業100强)	Science and Technology Department of Zhejiang Province (浙江省科學技術廳)	September 2008	N/A
Certificate of High and New Technology Enterprise* (高新技術企業證書)	Science and Technology Department of Zhejiang Province (浙江省科學技術廳) Zhejiang Provincial Department of Finance (浙江省財政廳) State Administration of Taxation of Zhejiang Province (浙江省國家税務局) Local Taxation Bureau of Zhejiang Province (浙江省地方税務局)	December 2008	N/A
National Torch Program Key Enterprise in High and New Technology* (國家火炬計劃重點高新技術企業)	Torch High Technology Industry Development Center of Ministry of Science and Technology of the PRC (中國科學技術部火炬高技術產業開發中心)	March 2009	March 2009 to 31 December 2010
Brand with the Strongest Influence in the Electrical Equipment Industry of China* (中國電器工業最具影響力品牌)	China Electrical Equipment Industrial Association (中國電器工業協會)	March 2009	N/A
Excellent Research and Development Center for 2008* (優秀研究開發中心)	Science and Technology Department of Zhejiang Province (浙江省科學技術廳)	May 2009	N/A
Outstanding Member for 2005 to 2009* (2005-2009年度優秀會員)	China Industrial Association of Power Sources (中國化學與物理電源行業協會)	December 2009	N/A

Note:

The Well-known Trademark of China award serves as a recognition of our brand for our high quality products. With such recognition, an owner of China Well-known Trademark is able to enjoy certain special protection and preferential treatment under the laws and regulations in China.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property rights are of fundamental importance to our businesses since we rely to a significant extent on customer recognition of our brand name.

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. We had also applied for a trademark and 18 patents in China. Details of our intellectual property are set out in the section headed "Intellectual Property Rights of the Group" in Appendix VI to this prospectus.

We actively take steps to protect our intellectual property rights and have implemented a set of internal intellectual property management rules. Our intellectual property is uniformly managed by our employees in charge of new product development. Matters related to trademarks and patents are required to comply strictly with procedures as set out in our internal intellectual property management rules.

PROPERTIES

We operate our businesses through properties in the PRC. As of 31 March 2010, these properties comprised: (i) the land use rights to 12 parcels of land with a total site area of approximately 707,164 square meters; (ii) 127 buildings and units with a total gross floor area of approximately 218,267 square meters and various structures; (iii) 16 buildings and structures under construction with a total planned gross floor area of approximately 103,393 square meters; and (iv) a parcel of leased land with a total site area of approximately 166,623 square meters and 35 leased buildings and various structure with a gross floor area of approximately 61,151 square meters. Furthermore, we also held two units in an office building with a total gross floor area of approximately 1,040 square meters for investment purposes. Such properties have been leased to an Independent Third Party for a term of 38 months commencing from 13 August 2009 and expiring on 12 October 2012 at an annual rent of RMB1.2 million, exclusive of management fees, water and electricity charges. We have also entered into agreements with an Independent Third Party to purchase two units in a building which are currently vacant and have a total gross floor area of approximately 119 square meters, for a total consideration of RMB597,069; they are intended to be used as our staff quarters.

We have obtained all the required land use rights and building ownership certificates for all our properties. We have entered into valid lease agreements with lessors for all the leased properties and the lessors have obtained all the necessary title certificates for such properties and the lease agreements have been properly registered with the PRC authorities. Among such leased properties, a parcel of land with a site area of approximately 166,623 square meters and 30 buildings and various structures constructed on the land, located at Binhai county in Zhejiang province, is leased from an independent third party for a term of 10 years expiring on 31 December 2015. The lessor has further given us an option to renew the lease upon its expiration.

Please refer to the property valuation report set forth in Appendix IV to this prospectus for further details of our properties.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

As of the Latest Practicable Date, we were not a party to any material arbitration, litigation or administrative proceedings which could be expected to have a material adverse effect on our business or results of operations. We are not aware of any such arbitration, litigation or administrative proceedings pending or threatened against us.

All of our operations are in China. We are required to conduct our business in compliance with the PRC laws and regulations. A summary of the laws and regulations applicable to our operations in the PRC is set out in the section headed "Regulatory Overview" in this prospectus. As advised by Zong Heng Law firm, (i) as of the Latest Practicable Date, we had duly obtained the requisite approvals, permits, consents and licences for our operations in China; and (ii) we were in compliance with all relevant PRC laws and regulations during the Track Record Period. Furthermore, we are establishing internal monitoring procedures and engaging external PRC legal advisers with a view to ensuring on-going compliance with the relevant regulatory requirements.

CONNECTED TRANSACTIONS

Our Group has entered into certain agreements with each of Pufa Power Co., Ltd. (普發電源有限公司) ("**Pufa Power**"), Henan Yifeng Electric Bikes Manufacturing Co., Ltd. (河南屹峰電動車製造有限公司) ("**Henan Yifeng E-bikes**"), and Changxing Xiante Plastics Co., Ltd. (長興先特塑業有限公司) ("**Changxing Xiante**") which will become, or, for prudence sake and enhancement of corporate governance, shall be regarded as connected persons of our Company upon Listing. Transactions under such agreements of a continuing nature between our Group, and each of Pufa Power, Henan Yifeng E-bikes, and Changxing Xiante will constitute continuing connected transactions of our Company under Rule 14A.35 of the Hong Kong Listing Rules. Details of such agreements and such continuing connected transactions are set out below.

CONNECTED PERSONS

Pufa Power

Pufa Power is 100% owned by Mr. Zhou Xian (周賢) and Mr. Cheng Baogui (程寶貴), who are both Independent Third Parties of our Group. However, pursuant to a contracting agreement ("**Pufa Power Contracting Agreement**") dated 18 February 2008 and entered into between Pufa Power on the one part and Ms. Ding Wei (丁偉), Ms. Zhang Lingyun (張凌雲), Mr. Wang Yijun (王益軍) Mr. Dou Changhai (竇長海) and Mr. Wang Yuxiang (王玉祥) (collectively the "**Contractors**") on the other part, the Contractors have taken up the operations of Pufa Power in exchange for an annual payment payable to the shareholders of Pufa Power of RMB1.8 million for 2008, RMB2.0 million for 2009 and RMB2.0 million for 2010 respectively. Pursuant to a written confirmation dated 18 February 2008 signed by the Contractors, Ms. Ding Wei (丁偉) and Ms. Zhang Lingyun (張凌雲), both sisters-in-law of Mr. Zhou, the chairman and an executive director of our Company, together are required to contribute 30% of the annual fees payable to the shareholders of Pufa Power, and will be entitled to share 30% of the profits (if any) generated from the operations of Pufa Power under the Pufa Power Contracting Agreement. Under the Hong Kong Listing Rules, Ms. Ding Wei (丁偉) and Ms. Zhang Lingyun (張凌雲) will become connected persons of our Company upon Listing. Whilst Ms. Ding Wei (丁偉) and Ms. Zhang Lingyun (張凌雲) are not shareholders of Pufa Power, in view of the arrangement under the Pufa Power Contracting Agreement set out above, the Directors consider that, for prudence sake and enhancement of corporate governance, Pufa Power shall be regarded as an associate of Ms. Ding Wei (丁偉) and Ms. Zhang Lingyun (張凌雲) for the purposes of the Hong Kong Listing Rules, and accordingly shall be regarded as a connected person of our Company upon Listing.

Henan Yifeng E-bikes

Mr. Chai Chenglei (柴成雷) holds 30% of the shares of Henan Chaowei, one of the PRC subsidiaries of our Company. Under the Hong Kong Listing Rules, Mr. Chai Chenglei (柴成雷) will become a connected person of our Company upon Listing. As Mr. Chai Chenglei (柴成雷) is also the chairman of the board of directors of Henan Yifeng E-bikes and has 45% interest in Henan Yifeng E-bikes, Henan Yifeng E-bikes is an associate of Mr. Chai Chenglei (柴成雷) and accordingly will become a connected person of our Company upon Listing.

Changxing Xiante

Changxing Xiante is 52% owned by Ms. Ding Wei (丁偉) and Ms. Zhang Lingyun (張凌雲), who are both sisters-in-law of Mr. Zhou, the chairman and the executive director of our Company. Under the Hong Kong Listing Rules, Ms. Ding Wei (丁偉) and Ms. Zhang Lingyun (張凌雲) will become connected persons of our Company upon Listing and Changxing Xiante will be regarded as an associate of Ms. Ding and Ms. Zhang for the purpose of the Hong Kong Listing Rules, and accordingly shall be regarded as a connected person of our Company upon Listing.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions will constitute exempted continuing connected transactions for our Group under Rule 14A.33(3) of the Hong Kong Listing Rules by reason of each of the applicable percentage ratios (other than the profits ratio) being less than 0.1% on an annual basis and accordingly, will be exempted from the reporting, announcement, annual review and independent shareholders' approval requirements stipulated under the Hong Kong Listing Rules:

	Description of Transaction	Parties
1.	Supply of active additives (活性物)	Chaowei Power and Pufa Power

Details of this continuing connected transaction and the principal terms of the relevant agreement are set out below. The prices charged for active additives under such agreement have been determined based on normal commercial terms between the parties, on an arm's length basis.

Supply of active additives

Pufa Power is a electrode plates manufacturer and supplies electrode plates to our Group. Active additives are a type of technology related raw materials used in the production of electrode plates. In order to ensure the quality of the electrode plates to be supplied by Pufa Power to us meets our production requirements, we may, from time to time, sell active additives which we manufactured by ourselves, to Pufa Power which they will use to manufacture electrode plates to be supplied to us from time to time.

Pursuant to an agreement (the "**Active Additives Supply Agreement**") dated 10 June 2010 entered into between Pufa Power and Chaowei Power, Chaowei Power has agreed to supply to Pufa Power for a term of three years with retrospective effect from 1 January 2010 to 31 December 2012, renewable upon expiry (subject to compliance with the provisions under the Hong Kong Listing Rules regarding continuing connected transactions).

Pricing

Pursuant to the Active Additives Supply Agreement, Chaowei Power will supply active additives to Pufa Power at a current price of RMB38.46 per pack, excluding value-added taxes or RMB45 per pack, including value-added taxes (subject to adjustments which shall not, in any event, be lower than the price of active additives

sold by our Group to Independent Third Parties), which price is comparable to that of active additives sold to Independent Third Parties. In view of the above, the Directors consider that it is fair and reasonable and on normal commercial terms to sell activities to Pufa Power at a current price of RMB38.46 per pack.

Historical figures and annual caps

The historical transaction amounts for the three years ended 31 December 2009 and the three months ended 31 March 2010 and the annual caps for the three years ending 31 December 2012 are summarized below:

Historical figures				Annual caps for year ending 31 December		
31 December 2007	31 December 2008	31 December 2009	31 March 2010	2010	2011	2012
(RMB)				*(RMB)*		
N/A	0.7 million	1.1 million	0.3 million	1.3 million	1.7 million	2.2 million

There were no sales of active additives to Pufa Power during the year ended 31 December 2007 since Chaowei Power only began to supply active additives to Pufa Power in March 2008. The annual caps were determined based on, among other things, the historical transaction amounts and, solely for determination of the annual cap which shall not constitute any assurance or guarantee as to the future performance of our Group, the projected growth of business and our projected growth in revenue of approximately 30% per annum between 2009 to 2012, which was estimated taking into account a totality of factors, including:

(i) the anticipated expansion of our manufacturing capacity; and

(ii) the anticipated increase in our sales.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions between members of our Group will, upon Listing, constitute non-exempt continuing connected transactions of our Company under Chapter 14A of the Hong Kong Listing Rules by reason of any of the applicable percentage ratios (other than the profits ratio) being greater than 5% on an annual basis or the annual consideration being greater than HK$10,000,000:

	Description of Transaction	Parties
1.	Purchase of electrode plates (電極板)	Chaowei Power and Pufa Power
2.	Supply of lead-acid batteries	Chaowei Power and Henan Yifeng E-bikes
3.	Purchase of plastic battery cases (電池塑殼)	Chaowei Power and Changxing Xiante

Details of these continuing connected transactions and the principal terms of the relevant agreements are set out below. The prices charged for electrode plates, lead-acid batteries and plastic battery cases under such agreements have been determined based on commercial negotiations between the parties, in each case on an arm's length basis.

1. Purchase of electrode plates

As explained, Pufa Power is an electrode plates manufacturer. During the Track Record Period, we purchased electrode plates from third party suppliers, including Pufa Power, when our production capacity for electrode plates was insufficient to meet our production demand. Based on the information provided by Pufa Power, for the two years ended 31 December 2009 and the three months ended 31 March 2010, Pufa Power has 17, 19 and 21 production lines and 120, 150 and 195 employees respectively, with an annual production capacity of approximately 176 million, 239 million and 67 million units of electrode plates. For the two years ended 31 December 2009 and the three months ended 31 March 2010, approximately 81%, 78% and 75% of its products were supplied to Chaowei Power and Chaowei Power has been its major customer. Given that we have not come across any quality problems or late delivery in relation to the electrode plates supplied by Pufa Power since we began to source electrode plates from Pufa Power, we believe that Pufa Power has the ability to continue to supply high-quality electrode plates to us.

Pursuant to an agreement (the "**Electrode Plates Purchase Agreement**") dated 10 June 2010 entered into between Pufa Power and Chaowei Power, Pufa Power has agreed to supply electrode plates to Chaowei Power for a term of three years with retrospective effect from 1 January 2010 to 31 December 2012, renewable upon expiry (subject to compliance with the provisions under the Hong Kong Listing Rules regarding continuing connected transactions).

Pricing

Pursuant to the Electrode Plates Purchase Agreement, Pufa Power will supply electrode plates to Chaowei Power at a price determined by reference to the lowest average price of lead quoted on the Shanghai Metals Market (www.smm.cn) and a processing fee of RMB4,400 per tonne which covers other costs of Pufa Power, such as the cost of other raw materials required for the production of electrode plates (e.g. active additives), labour, water and electricity and other miscellaneous overhead, machinery depreciation, plus a reasonable profit margin of Pufa Power. The said processing fee of RMB4,400 per tonne is calculated by reference to the prevailing market price of the above components thus will be subject to adjustment (which shall not, in any event, be higher than the processing fee charged by other suppliers of electrode plates of our Group who are Independent Third Parties). The price of electrode plates provided by Pufa Power is comparable to that from Independent Third Parties. In view of the above, the Directors consider that it is fair and reasonable and on normal commercial terms to purchase electrode plates from Pufa Power at such price.

Historical figures and annual caps

The historical transaction amounts for the three years ended 31 December 2009 and the three months ended 31 March 2010 and the annual caps for the three years ending 31 December 2012 are summarized below:

Historical figures				Annual caps for year ending 31 December		
31 December 2007	31 December 2008	31 December 2009	31 March 2010	2010	2011	2012
(RMB)				*(RMB)*		
Nil	78.0 million	93.8 million	29.8 million	121.9 million	158.0 million	206.0 million

There were no purchase of electrode plates from Pufa Power for the year ended 31 December 2007 since Pufa Power and Chaowei Power only commenced the cooperation in March 2008. The annual caps were determined based on, among other things, the historical transaction amounts, and, solely for determination of the annual cap which shall not constitute any assurance or guarantee as to the future performance of our Group, the projected growth of business of and our projected growth in revenue of approximately 30% per annum between 2009 to 2012, which was estimated taking into account a totality of factors, including:

(i) the anticipated expansion of our manufacturing capacity; and

(ii) the anticipated increase in our sales.

In addition, in order to ensure timely delivery and quality of electrode plates sourced from external suppliers, going forward, we expect to concentrate the sources of procurement of electrode plates from reliable suppliers and expect the number of suppliers from which we will source electrode plates will decrease. As Pufa Power has so far been a reliable supplier of our Group, we expect the purchases of electrode plates from Pufa Power may increase in future.

2. Supply of lead-acid batteries

Henan Yifeng E-bikes is a electric bikes manufacturer.

Pursuant to an agreement (the "**Lead-acid Batteries Supply Agreement**") dated 10 June 2010 entered into between Henan Yifeng E-bikes and Chaowei Power, Chaowei Power has agreed to supply lead-acid batteries to Henan Yifeng E-bikes for a term of three years with retrospective effect from 1 January 2010 to 31 December 2012, renewable upon expiry (subject to compliance with the provisions under the Hong Kong Listing Rules regarding continuing connected transactions).

Pricing

Pursuant to the Lead-acid Batteries Supply Agreement, Chaowei Power will supply lead-acid batteries to Henan Yifeng E-bikes at market price which shall not, in any event, be lower than the price of lead-acid batteries sold by our Group to other Independent Third Parties. In view of the above, the Directors consider that it is fair and reasonable and on normal commercial terms to sell lead-acid batteries to Henan Yifeng E-bikes at such price.

Historical figures and annual caps

The historical transaction amounts for the three years ended 31 December 2009 and the three months ended 31 March 2010 and the annual caps for the three years ending 31 December 2012 are summarized below:

Historical figures				Annual caps for year ending 31 December		
31 December 2007	31 December 2008	31 December 2009	31 March 2010	2010	2011	2012
(RMB)				*(RMB)*		
13.5 million	24.0 million	9.7 million[Note]	4.7 million	12.6 million	16.3 million	21.2 million

Note:

The transaction amount for the year ended 31 December 2009 decreased since compared to other suppliers of lead-acid batteries of Henan Yifeng E-bikes, our credit terms to Henan Yifeng E-bikes are more stringent and resulted in Henan Yifeng E-bikes increasing its purchases from other suppliers during the period. However, pursuant to a framework agreement dated 3 January 2010 and entered into between Chaowei Power and Henan Yifeng E-bikes, Henan Yifeng E-bikes has agreed to increase purchases of lead-acid batteries from Chaowei Power for the three years ended 31 December 2012 which are accordingly expected to increase generally on an annual basis as set out in the annual caps above. Accordingly, we expect our sales to Henan Yifeng E-bikes for the year ending 31 December 2010 will significantly increase compared to that of 2009 and will maintain a stable growth rate of approximately 30% per annum up to the period ending 31 December 2012.

The annual caps were determined based on, among other things, the historical transaction amounts, and, solely for determination of the annual cap which shall not constitute any assurance or guarantee as to the future performance of our Group, our projected growth of business and revenue of approximately 30% per annum between 2009 and 2012, which was estimated taking into account a multiplicity of factors, including:

(i) the anticipated expansion of our manufacturing capacity; and

(ii) the anticipated increase in our sales.

3. Purchase of plastic battery cases

Changxing Xiante is engaged in the manufacturing and the sales of plastic battery cases. Based on the information provided by Changxing Xiante, for the year ended 31 December 2009 and the three months ended 31 March 2010, Changxing Xiante owned eight and nine production lines and 34 and 35 employees respectively, with production capacity of approximately 5.9 million and 3.4 million units of plastic battery cases for the year ended 31 December 2009 and the three months ended 31 March 2010. For the year ended 31 December 2009 and the three months ended 31 March 2010, approximately 58% and 56% of the products of Changxing Xiante were supplied to Chaowei Power and Chaowei Power has been its major customer. Given that we have not come across any quality problems or late delivery in relation to the plastic battery cases supplied by Changxing Xiante, this and due to our mutual trust and strong relationship, we believe that Changxing Xiante has the ability to continue to supply high-quality plastic battery cases to us.

Pursuant to an agreement (the "**Battery Plastic Cases Purchase Agreement**") dated 10 June 2010 entered into between Changxing Xiante and Chaowei Power, Changxing Xiante has agreed to supply plastic battery cases to Chaowei Power for a term of three years with retrospective effect from 1 January 2010 to 31 December 2012, renewable upon expiry (subject to compliance with the provisions under the Hong Kong Listing Rules regarding continuing connected transactions).

Pricing

Pursuant to the Battery Plastic Cases Purchase Agreement, Changxing Xiante will supply plastic battery cases to Chaowei Power at market price which shall not, in any event, be higher than the price of plastic battery cases sourced by our Group from Independent Third Party Suppliers. In view of the above, the Directors consider that it is fair and reasonable and on normal commercial terms to purchase battery plastics cases from Changxing Xiante at such price.

Historical figures and annual caps

The historical transaction amounts for the three years ended 31 December 2009 and the three months ended 31 March 2010 and the annual caps for the three years ending 31 December 2012 are summarized below:

Historical figures				Annual caps for year ending 31 December		
31 December 2007	31 December 2008	31 December 2009	31 March 2010	2010	2011	2012
(RMB)				*(RMB)*		
Nil	Nil	6.2 million[Note]	3.5 million	15.0 million	19.5 million	25.3 million

Note:

The figure is calculated based on the transactions during the five months from August 2009 to December 2009.

There were no purchase of plastic battery cases from Changxing Xiante for the two years ended 31 December 2008 and the seven months ended 31 July 2009 since Changxing Xiante was incorporated in August 2009 and Changxing Xiante and Chaowei Power commenced the cooperation in August 2009. The annual cap for 2010 is based on the historical transaction amount for 2009. The annual caps for 2011 and 2012 were determined based on, among other things, the historical transaction amounts, and, solely for determination of the annual caps for 2011 and 2012 which shall not constitute any assurance or guarantee as to the future performance of our Group, the fact that the volume of transaction between 2009 and 2010 are expected to be substantially similar on an annual basis, the projected growth of business of and our projected growth in revenue at approximately the same level per annum between 2010 and 2012, which was estimated taking into account a totality of factors, including:

(i) the anticipated expansion of our manufacturing capacity; and

(ii) the anticipated increase in our sales.

WAIVERS FROM THE STOCK EXCHANGE

Confirmation from the Directors

The Directors, including the independent non-executive Directors, confirm that the transactions described above under "non-exempt continuing connected transactions" have been, and will continue to be, entered in the ordinary and usual course of business, on normal commercial terms or on terms no less favourable than those available to our Group and are fair and reasonable so far as the Shareholders as a whole are concerned and that it is in the interest of our Company and the Shareholders as a whole to continue with these transactions after Listing.

Upon Listing, such transactions will constitute non-exempt continuing connected transactions of our Company under Rule 14A.35 of the Hong Kong Listing Rules and would be subject to compliance with reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules on each occasion they arise.

As the non-exempt continuing connected transactions of our Company referred to above will continue after Listing on a recurring basis, the Directors consider that strict compliance with the announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules would be unduly burdensome and impractical. Our Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the announcement and independent Shareholders' approval requirements and the Hong Kong Stock Exchange has granted such waiver to our Company, subject to the annual cap amounts of (i) RMB121.9 million, RMB158.0 million and RMB206.0 million under the Electrode Plates Purchase Agreement; (ii) RMB12.6 million, RMB16.3 million and RMB21.2 million under the Lead-acid Batteries Supply Agreement; and (iii) RMB15.0 million, RMB19.5 million and RMB25.3 million under the Plastic Battery Cases Purchase Agreement for the three years ending 31 December 2010, 2011 and 2012 respectively.

The Directors, including the independent non-executive Directors, confirm that the annual caps set out above are fair and reasonable and in the interests of the shareholders of our Company as a whole.

The Directors have confirmed that (i) the maximum aggregate annual transaction amount of the continuing connected transactions with each of Pufa Power, Henan Yifeng E-bikes and Changxing Xiante for the three years ending 31 December 2012 are not expected to exceed the annual caps set out above; (ii) our Company will comply with the relevant requirements set out in Chapter 14A of the Hong Kong Listing Rules, including Rules 14A.35(1), 14A.35(2), 14A.36 to 14A.40 and 14A.45 of the Hong Kong Listing Rules in relation to the above-mentioned continuing connected transactions; and (iii) our Company will re-comply with Rules 14A.35(3) and (4) of the Hong Kong Listing Rules if any of the respective annual caps set out above are exceeded, or when the relevant agreement is renewed or when there is a material change to the terms of the relevant agreement.

Confirmation from the Sponsor

The Sponsor is of the view that (i) the non-exempt continuing connected transactions set out above have been entered into in the ordinary and usual course of business of our Group and have been entered into on normal commercial terms or on terms no less favourable than those available to our Group; and (ii) that the terms of the non-exempt continuing connected transactions and the annual caps set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, our Controlling Shareholders will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised). Other than Mr. Zhou's interest in Investgain and Fame Smart, both of which, through their interest in United Holdings, were interested in the PRC subsidiaries in our Group prior to the Reorganization and which are investment holding companies and do not have any competing business with our Group as of the Latest Practicable Date, none of our Controlling Shareholders nor any of their respective associates had interest in any other companies which (i) held interest in our business during the Track Record Period and ceased to hold such interest after the Reorganization; or (ii) may, directly or indirectly, compete with our Group's business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates after the Global Offering.

Management Independence

Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Zhou, our Controlling Shareholder, is the chairman of our Board and an executive Director.

Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, according to our Articles, the interested Director(s), unless required by a majority of our independent non-executive Directors, shall not attend or participate in the discussion of the relevant resolutions at the relevant board meetings of our Company shall abstain from voting at the relevant resolutions in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

Operational Independence

We have established our own organizational structure comprised of individual departments, each with specific areas of responsibilities. Our Group has independent access to sources of supplies or raw materials for production as well as customers. We have also established various internal controls procedures to facilitate the effective operation of our business. Our Directors confirmed that our Group will not enter into any other transactions of similar nature with our Connected Persons and their associates after the Listing that will affect our operational independence.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. Our Directors confirm that as of the Latest Practicable Date, all financial assistance, including amounts due to, and loans or guarantees provided by our Controlling Shareholders to our Group, were repaid or released or otherwise settled in full. Therefore, there is no financial dependence on our Controlling Shareholders.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into a deed of non-competition in favour of our Company for itself and for the benefit of its subsidiaries ("Deed of Non-competition"), pursuant to which each of our Controlling Shareholders has undertaken to our Company (for itself and for the benefit of its subsidiaries) irrevocably that such Controlling Shareholder would not and would procure that its or his associates (except any members of our Group) would not, during the period that the Deed of Non-competition remains effective, directly or indirectly, either on such Controlling Shareholder's own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "**Restricted Business**").

The above undertaking does not apply where:

(a) the holding by our Controlling Shareholders of interests in the shares of a company other than our Group which are listed on a Recognized Stock Exchange (as defined in the Deed of Non-competition) provided that:

  (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

  (ii) the total number of the shares held by our Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of our company in question and such Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective associates in aggregate.

(b) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business has first been offered or made available by our Controlling Shareholders and/or their respective associates to us, and after decision by our independent non-executive Directors and approval by our Shareholders (if required) under the relevant laws and regulations (including but not limited to the Hong Kong Listing Rules) and in accordance with our Articles of Association, has declined in writing such opportunity to invest, participate, be engaged in or operate the Restricted Business, and that the principal terms by which such Controlling Shareholder (or his or its respective associates) subsequently invests, participates, engages in or operates the Restricted Business are no more favourable than those offered to the member of our Group.

Pursuant to the Deed of Non-competition, the above restrictions would only cease to have effect upon the earlier of: (i) the Shares of our Company cease to be listed on the Hong Kong Stock Exchange; and (ii) in relation to each Controlling Shareholder, such Controlling Shareholder ceases to hold an equity interest in our Company (directly or indirectly) and (iii) the relevant Controlling Shareholders and/or their respective associates jointly or severally are entitled to exercise or control the exercise of less than 30% in aggregate of the voting power at general meetings of our Company and no longer the single largest shareholder of our Company. For the avoidance of doubt, under scenario (ii), if the relevant Controlling Shareholder (or its associate(s)), through other means or entities, continues to be, jointly or severally, entitled to exercise or control the exercise of not less than 30% in aggregate of the voting rights at general meetings of our Company and remains as the single largest shareholder of our Company, the Deed of Non-competition shall cease to have effect only against the Controlling Shareholder(s) who or which do not directly hold any Shares in our Company, but shall continue to have effect against the other entities through which such Controlling Shareholder (or its associate(s)) hold Shares (directly or indirectly) in our Company.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage any conflicts of interest arising from the competing business of our Controlling Shareholders and to safeguard the interests of our Shareholders:

(i) our independent non-executive Directors will review, at least on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;

(ii) our Controlling Shareholders have undertaken to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

(iii) the decisions on whether to exercise the Deed of Non-competition will be made by our independent non-executive Directors only without the need for approval by our other Directors;

(iv) our Company will disclose factors or matters reviewed and considered by our independent non-executive Directors relating to compliance and exercise of the Deed of Non-competition, including but not limited to whether there has been any opportunity in Restricted Business being referred by our Controlling Shareholders to us, the prospects of such opportunity and the potential implications to our operations if we have taken up the same, in the annual reports of our Company;

(v) our independent non-executive Directors may engage external professional advisors at the Company's cost to assist them in deciding whether to exercise the company's rights under the Deed of Non-competition should they consider necessary;

(vi) our Controlling Shareholders will make an annual declaration in relation to compliance with the Deed of Non-competition in the annual reports of our Company.

DIRECTORS

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at the shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports; formulating proposals for profit distributions, recovery of losses and for the increase or reduction of our registered capital, as well as exercising other powers, functions and duties conferred by our Memorandum and Articles of Association. We have entered into service contracts with each of our executive Directors and letters of appointment with our non-executive Director and each of our independent non-executive Directors.

The following table sets forth certain information concerning our Directors.

Name	Age	Position
Mr. Zhou Mingming (周明明)	41	Chairman and Executive Director
Mr. Zhou Longrui (周龍瑞)	71	Executive Director
Ms. Yang Yunfei (楊雲飛)	67	Executive Director
Ms. Deng Xihong (鄧喜紅)	45	Non-executive Director
Mr. Wang Jiqiang (汪繼強)	70	Independent non-executive Director
Prof. Ouyang Minggao (歐陽明高)	51	Independent non-executive Director
Mr. Lee Conway Kong Wai (李港衛)	55	Independent non-executive Director

Executive Directors

Mr. Zhou Mingming (周明明), aged 41, is the founder of our Group, and the Chairman and an executive Director. He was appointed as our executive Director on 18 January 2010. Mr. Zhou is mainly responsible for our Group's overall strategy planning and investment decisions. Mr. Zhou received a bachelor degree in chemistry from Hangzhou Normal University (杭州師範學院) in July 1990. Mr. Zhou has over 15 years of experience in the lead-acid battery industry. Mr. Zhou is the son of Mr. Zhou Longrui and Ms. Yang Yunfei, both of whom are our executive Directors.

Mr. Zhou has not held any directorship in any other listed companies in the past three years immediately preceding the date of this prospectus. Save as disclosed herein, there are no other matters in relation to Mr. Zhou which are required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

Mr. Zhou Longrui (周龍瑞), aged 71, was appointed an executive Director of our Company on 11 March 2010. He is mainly responsible for the overall supervision of the technical aspects of our production process. Mr. Zhou joined our Group in January 1998. Mr. Zhou has rich experience in the lead-acid battery industry gained at our Group and through previous employment. Early in 1994 and since then, Mr. Zhou published several professional articles in the field of lead-acid batteries on the magazines such as Batteries (《蓄電池》), International Power Information (《國際電源商情》) and Power Technologies (《電源技術》), etc. Mr. Zhou was appointed the vice-chairman of the First Session of Lead-acid Battery Committee (第一屆鉛酸蓄電池專業委員會副主任委員) by China Electrotechnics Technology Academy (中國電工技術學會) in August 2008 and a member of National Lead-acid Battery Standardization Technology Committee (全國鉛酸電池標準化技術委員會) in July 2007. He is the father of Mr. Zhou Mingming, the Chairman and an executive Director, and the spouse of Ms. Yang Yunfei, an executive Director.

Mr. Zhou Longrui has not held any directorship in any other listed companies in the past three years immediately preceding the date of this prospectus. Save as disclosed herein, there are no other matters in relation to Mr. Zhou Longrui which are required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

Ms. Yang Yunfei (楊雲飛), aged 67, was appointed as an executive Director of our Company on 11 March 2010. She is mainly responsible for the management of the Group's financial planning. She was been with our Group since January 1998. Early in 1980 and since then, Ms. Yang worked in several battery manufacturing factories, responsible for manufacturing or overall operation of the factories and worked for the preparation of our Group. Ms. Yang has accumulated rich experience in the lead-acid battery industry gained at our Group and through previous employment. Ms. Yang Yunfei is the mother of Mr. Zhou Mingming and the spouse of Mr. Zhou Longrui.

Ms. Yang has not held any directorship in any other listed companies in the past three years immediately preceding the date of this prospectus. Save as disclosed herein, there are no other matters in relation to Ms. Yang which are required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

Non-executive Director

Ms. Deng Xihong (鄧喜紅), aged 45, was appointed as our non-executive director on 11 March 2010. Ms. Deng is a managing director of Hony Capital and is responsible for, among other things, overseeing direct investments and fund raising. Ms. Deng has more than 12 years of experience in investment banking in the U.S., Hong Kong and China. Prior to joining Hony Capital, Ms. Deng worked at J.P. Morgan in the areas of investment banking and equity capital markets. From 2006 to 2007, She served as the executive vice-president of Solarfun Power Holdings Co., Ltd., a company listed in Nasdaq (code: SOLF). Ms. Deng received a master of science degree in computer science and technology from the State University of New York at Stony Brook in December 1989, and a master degree and a bachelor degree in computer science from Tsinghua University in Beijing in 1988 and in 1985 respectively.

Saved as disclosed above, Ms. Deng has not held any directorship in any other listed companies in the past three years immediately preceding the date of this prospectus, and there are no other matters in relation to Ms. Deng which are required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

Independent Non-executive Directors

Mr. Wang Jiqiang (汪繼強), aged 70, was appointed as our independent non-executive director on 7 June 2010. Mr. Wang has more than 40 years of experience in the field of electrochemistry. Before he retired in December 2008, Mr. Wang worked in China Electronic Technology Group Limited's 18th Research Institute (中國電子科技集團公司第十八研究所) since October 1962 as a vice chief engineer and mainly in charge of battery technology development. In addition, Mr. Wang received various national awards for his expertise on battery technology, such as the first class award on science and technology advancement (科學技術進步一等獎) from the Ministry of Information Technology of the PRC (中華人民共和國信息產業部) on his research on lithium rechargeable battery technology in October 1999. Mr. Wang received a bachelor degree in electrochemistry from Fudan University in 1962.

Mr. Wang has not held any directorship in any other listed companies in the past three years immediately preceding the date of this prospectus. Save as disclose herein, there are no other matters in relation to Mr. Wang which are required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

Prof. Ouyang Minggao (歐陽明高), aged 51, was appointed as an Independent non-executive Director of our Company on 7 June 2010. Prof. Ouyang graduated from the Technical University of Denmark with a doctorate degree in Engineering in 1993. He worked at Tsinghua University (清華大學) since 1994 at which he held various titles including Ministry of Education Scholar Chang Jiang Special Professor (教育部長江學者特聘教授) and supervisor of the National Key Laboratory for Automobile Safety and Energy-saving Research (汽車安全與節能國家重點實驗室主任). Prof. Ouyang is a Standing Member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會常務委員). Prof. Ouyang is an independent non-executive Director of Sinotruk (Hong Kong) Limited, a company listed on the Hong Kong Stock Exchange.

Saved as disclosed above, Prof. Ouyang has not held any directorship in any other listed companies in the past three years immediately preceding the date of this prospectus. Save as disclosed herein, there are no other matters in relation to Prof. Ouyang which are required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

Mr. Lee Conway Kong Wai (李港衛), aged 55, was appointed an independent non-executive Director of our Company on 7 June 2010. Mr. Lee is a well-experienced accounting professional, being a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants. Mr. Lee currently also serves as an independent non-executive director of China Taiping Insurance Holdings Company

Limited, a company listed on the main board of the Hong Kong Stock Exchange, and Sino Vanadium Inc., a company listed on the Toronto Stock Exchange since October 2009. Mr. Lee holds a bachelor degree in arts from the Kingston Polytechnic (currently known as Kingston University) in 1980, and a post graduate diploma in business from the Curtin University of Technology in 1988.

Save as disclosed above, Mr. Lee has not held any directorship in any other listed companies in the past three years immediately preceding the date of this prospectus. Save as disclosed herein, there are no other matters in relation to Mr. Lee which are required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

SENIOR MANAGEMENT

The following table sets forth certain information concerning our other senior management members.

Name	Age	Position
Mr. Gao Xinkun (高鑫坤)	46	vice-president
Prof. Chen Tixian (陳體銜)	71	head of the research institute
Mr. Zhou Mingsong (周明松)	38	head of the marketing department
Mr. Qian Shunrong (錢順榮)	40	head of the production department
Mr. Ng Chi Kit (吳智傑)	37	chief financial officer and company secretary

Mr. Gao Xinkun (高鑫坤), aged 46, is our vice-president and is mainly responsible for assisting our Directors in overall management of our Group and strategic planning. Mr. Gao joined our Group in October 2005. Mr. Gao received a bachelor degree in mathematics from Zhejiang Normal University (浙江師範學院) in July 1984. Mr. Gao was enrolled as a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in January 2000. Mr Gao has more than 10 years of experience in financial management. Prior to joining our Group, Mr. Gao worked as the executive director and the vice general manager of Tianneng Power International Limited (天能動力國際有限公司), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, from April 2003 to September 2005. Mr. Gao worked as the chief financial officer of Hangzhou Auto Parts Factory (杭州汽車零部件總廠) from September 1999 to September 2002.

Prof. Chen Tixian (陳體銜), aged 71, is the head of our research and development department and is responsible for leading the research activities of our Group. Prof. Chen graduated with a bachelor's degree in chemistry and physics from Xiamen University (廈門大學) in 1961. Prof. Chen has over 30 years of experience in the lead-acid battery industry. Prof. Chen lectured in the chemistry department of Xiamen University between 1961 and 1989 when he retired as a professor. Prof. Chen joined our Group in April 2004 and has since held his current position as the head of the research department of our Group.

Mr. Zhou Mingsong (周明松) aged 38, is the head of the marketing department of our Group and is responsible for supervising the preparation and execution of the annual sales plan. Mr. Zhou graduated from the Zhejiang Province Jinhua Sales and Marketing College (浙江金華供銷學校) with a certificate in statistics in July 1993. He joined our Group in September 1999 and has held the several positions in our Group including production staff, production team leader, deputy chief of the production department, head of inventory, assistant manager of the after-sales service department, manager of the after-sales service department, head of the sales department and deputy general manager of the marketing department.

Mr. Qian Shunrong (錢順榮), aged 40, is the head of the production department of our Group and is responsible for the overall management of the production department. Mr. Qian completed his junior high school education in 1985. Mr. Qian joined our Group in 2003 and has held several positions in our Group including deputy general manager of Henan Chaowei, head of the supervision and management department and deputy general manager of the production department.

Mr. Ng Chi Kit (吳智傑), aged 37, is our chief financial officer and company secretary. Since joining our group in January 2010, Mr. Ng has been responsible for oversight of our Group's financial and accounting operations, and company secretarial and internal control function. Mr. Ng holds a bachelor degree in accountancy from the Hong Kong Polytechnic University in 1997 and is an Associate Member of Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants. Prior to joining our Group, Mr. Ng worked in the Assurance and Advisory Business Service Department of Ernst & Young and was promoted as a senior manager in 2004. Mr. Ng has over 10 years of experience in accounting and auditing.

COMPANY SECRETARY

Mr. Ng Chi Kit (吳智傑) is our company secretary of our Company. Please refer to his biography under the paragraph headed "– Senior Management" above.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Hong Kong Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Substantially all of our business operations are located, managed and conducted in China. Our head office and the vast majority of the members of the senior management (other than Mr. Ng Chi Kit, the chief financial officer and the Company Secretary) are and will continue to be based in China. None of our executive Directors are ordinarily based in Hong Kong. We do not and, in the foreseeable future, will not have any management presence in Hong Kong.

Accordingly, we have applied to and have obtained from the Hong Kong Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Hong Kong Listing Rules. In order to maintain effective communication with the Hong Kong Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Hong Kong Stock Exchange and ourselves:

(a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Hong Kong Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange and ensure that they comply with the Hong Kong Listing Rules at all times. The two authorized representatives are Mr. Zhou, our executive Director, and Mr. Ng Chi Kit, our chief financial officer and company secretary. Mr. Ng is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Hong Kong Stock Exchange within a reasonable time frame upon the request of the Hong Kong Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the two authorized representatives is authorized to communicate on our behalf with the Hong Kong Stock Exchange.

(b) Each of the authorized representatives has means to contact all members of the board of Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Hong Kong Stock Exchange, the authorized representatives and our Directors, we have implemented a policy that (a) our Directors will provide their respective office phone numbers, mobile phone numbers, residential phone numbers, fax numbers and email addresses (if applicable) to the authorized representatives; (b) in the event that any of our executive Directors expects to travel or is not working at his/her office, he/she will have to provide the phone number of the place of his/her accommodation to the authorized representatives; and (c) all the Directors and authorized representatives will provide their office phone numbers, mobile phone numbers, fax numbers and email addresses to the Hong Kong Stock Exchange.

(c) In addition, each of our Directors (including the independent non-executive Directors) who is not ordinarily resident in Hong Kong has confirmed that he or she possesses or can apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet the Hong Kong Stock Exchange within a reasonable period.

(d) We have appointed BNP Paribas as our compliance adviser (the "**Compliance Adviser**") to act an additional channel of communication with the Hong Kong Stock Exchange pursuant to Rule 3A.19 of the Hong Kong Listing Rules. For details of the Compliance Adviser, please refer to the paragraph headed "Compliance Adviser" under this section of the Prospectus.

(e) Each of our Directors (including the independent non-executive Directors) has provided his or her mobile phone number, office phone number, e-mail address and fax number to the Hong Kong Stock Exchange.

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Hong Kong Listing Rules, we have appointed BNP Paribas as our Compliance Adviser to act as our additional channel of communication with the Hong Kong Stock Exchange for the period commencing on the date of the initial Listing of our Shares on the Main Board of the Hong Kong Stock Exchange and ending on the date on which we comply with Rule 13.46 in respect of our financial results for the first full financial year commencing after the date of our initial Listing. The contact person of our Compliance Adviser will be fully available to answer enquiries from the Hong Kong Stock Exchange.

We have entered into a compliance adviser's agreement with the Compliance Adviser, the material terms of which are summarized as follows:

(a) we have appointed the Compliance Adviser for the purpose of Rule 3A.19 of the Hong Kong Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;

(b) the Compliance Adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our channels of communication with the Hong Kong Stock Exchange;

(c) we have agreed to indemnify the Compliance Adviser for certain actions against it and losses incurred by it arising out of or in connection with the performance by the Compliance Adviser of its duties under the compliance adviser's agreement; and

(d) we may terminate the appointment of the Compliance Adviser, by service of a one-month notice, only if its work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 3A.26 of the Hong Kong Listing Rules. The Compliance Adviser will have the right to resign or terminate its appointment by service of a one-month notice to us if we materially breach the agreement.

BOARD COMMITTEES

Audit committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and paragraph C.3 of the Code of Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules. The audit committee currently consists of three independent non-executive Directors, being Mr. Lee Conway Kong Wai, Mr. Wang Jiqiang and Prof. Ouyang Minggao, with Mr. Lee Conway Kong Wai serving as chairman of the committee. Mr. Lee Conway Kong Wai has the appropriate professional qualification as set out in Rule 3.10(2) of the Hong Kong Listing Rules.

The primary duties of the audit committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management systems, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration committee

We have established a remuneration committee with written terms of reference in compliance with paragraph B.1 of the Code of Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules. The remuneration committee currently consists of an executive director and two independent non-executive Directors, being Mr. Zhou Mingming, Mr. Lee Conway Kong Wai and Mr. Wang Jiqiang, with Mr. Lee Conway Kong Wai serving as chairman of the committee.

The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management.

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our executive Directors, who are also our employees, receive compensation in the form of salaries, bonuses and other allowances. The aggregate amount of remuneration (including fees, salaries and discretionary bonuses) which were paid by our Group to our Directors for the years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010 were approximately RMB0.4 million, RMB1.0 million, RMB0.7 million, and RMB0.1 million respectively.

Upon completion of the Global Offering, our remuneration committee will make recommendations on the remuneration of our directors taking into account the performance of our directors and market standards and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration to our directors during the years ended 31 December 2007, 2008 and 2009 may not reflect the future levels of remuneration of our Directors.

The aggregate amount of remuneration (including fees, salaries and discretionary bonuses) which were paid by our Group to the five highest paid individuals, including our Directors, during the years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010 were approximately RMB0.5 million, RMB1.4 million, RMB1.1 million, and RMB0.2 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended 31 December 2007, 2008 and 2009. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments including contributions to pension schemes have been paid or are payable, in respect of the years ended 31 December 2007, 2008 and 2009, by us or any of our subsidiaries to our Directors, and no payments were made during the years ended 31 December 2007, 2008 and 2009 by us to any of our

Directors as an inducement to join or upon joining our Group. According to the present arrangements, the aggregate remuneration of our Directors (including benefits in kind and contributions to our Directors as remuneration by us but excluding any discretionary bonus payable to our Directors) for the financial year ending 31 December 2010 is forecast to be approximately RMB1.1 million.

EMPLOYEES

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. The following table shows an approximate breakdown of our employees by their functions and engagement relationship with us.

Function

	Engaged through employment agency	Engaged by our Group directly	Total
Merchandise	3	25	28
Production	7,366	1,027	8,393
Sales	0	129	129
Administration	297	249	546
Research and development	0	34	34
Quality control and testing	185	180	365
Finance and accounting	6	40	46
Human resources	101	85	186
	7,958	1,769	9,727

We engage a substantial number of employees through employment agencies in order to benefit from the flexibility of contractual engagement on an as needed basis. According to the agency agreements entered into between the employment agents and us, we shall pay an annual fee ranging from approximately RMB80 to RMB120 for each employee we engage through such agents.

As advised by our PRC legal advisor, the agreements entered into between the employment agencies and us in relation to such labor outsourcing arrangements are legal, effective and in compliance with all applicable laws and regulations. Pursuant to these agreements, the employment agencies are responsible for the social insurance for such employees. According to the Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》), which became effective on 1 January 2008, we may be jointly liable if the employment agencies fail to comply with all applicable labor laws and any relevant requirements relating to such arrangements and cause any damage to the interests of such contract employees. Nonetheless, having assumed the relevant liabilities, we have the right to claim against such employment agencies in respect of its liabilities arising from such breach or infringement.

We have not experienced any significant problems with our employees or disruption to its operations due to labour disputes not have we experienced any difficulty with the recruitment and retention of experienced staff. Our Directors believe that we maintain a good working relationship with our employees.

The remuneration package of our employees includes salary and bonuses. We made contributions to mandatory social security funds for our employees to provide for retirement, medical, unemployment, work-related injury and maternity benefits as required by the PRC social security regulations. Our contributions to such social insurance funds for the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010 amounted to approximately RMB5.1 million, RMB7.7 million, RMB8.9 million and RMB1.5 million, respectively.

The local social insurance authorities where our subsidiaries are located have confirmed that all of our subsidiaries have complied with the requirements under the applicable PRC laws and regulations and the requirements of local government, and that none of our subsidiaries has been penalized for non-compliance with social insurance regulations and no dispute has occurred between our subsidiaries and local government authorities in charge of social security.

Assuming the Over-allotment Option is not exercised at all, our Company's issued share capital immediately following the Global Offering and the Capitalization Issue will be as follows:

Authorized share capital:		*US$*
10,000,000,000	Shares	100,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalization Issue:

(Shares)		*US$*	**Approximate percentage of issued share capital (%)**
100,000	Shares in issue as of the date of this prospectus	1,000	0.01
749,900,000	Shares to be issued under the Capitalization Issue	7,499,000	74.99
250,000,000	Shares to be issued under the Global Offering	2,500,000	25.00
1,000,000,000	Total	10,000,000	100

Assuming the Over-allotment Option is exercised in full, our Company's issued share capital immediately following the Global Offering and the Capitalization Issue will be as follows:

Authorized share capital:		*US$*
10,000,000,000	Shares	100,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalization Issue:

(Shares)		*US$*	**Approximate percentage of issued share capital (%)**
100,000	Shares in issue as of the date of this prospectus	1,000	0.0096
749,900,000	Shares to be issued under the Capitalization Issue	7,499,000	72.2795
250,000,000	Shares to be issued under the Global Offering	2,500,000	24.0964
37,500,000	Share to be issued pursuant to the exercise of the Over-allotment Option	375,000	3.6145
1,037,500,000	Total	10,375,000	100

Note:

The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in the sections headed "Share Option Scheme" in Appendix VI of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option); and

(ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this general mandate, see the paragraph headed "Written resolutions of all the Shareholders of our Company passed on 7 June 2010" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Hong Kong Listing Rules. A summary of the relevant rules of the Hong Kong Listing Rules is set out in the paragraph headed "Repurchase by our Company of our own securities" in Appendix VI to this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiration of the period within which our Company is required by law or Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this repurchase mandate, see the paragraph headed "Written resolutions of all the Shareholders of our Company passed on 7 June 2010" in Appendix VI to this prospectus.

Each of the following persons will, immediately following completion of the Global Offering and the Capitalization Issue (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding** *(Assuming no exercise of over-allotment option)*
Mr. Zhou[(1)(2)]	Interest in controlled corporations	417,000,000	41.70%
Great State[(1)]	Beneficial owner	345,585,000	34.56%
Jolly Pride[(2)]	Beneficial owner	71,415,000	7.14%
Mr. John Huan Zhao[(3)]	Interest in controlled corporation	150,000,000	15%
Chinese Academy of Sciences Holdings Co., Ltd.[(3)]	Interest in controlled corporation	150,000,000	15%
Employees' Shareholding Society of Legend Holdings Limited[(3)]	Interest in controlled corporation	150,000,000	15%
Chinese Academy of Sciences[(3)]	Interest in controlled corporation	150,000,000	15%
Legend Holdings Limited[(3)]	Interest in controlled corporation	150,000,000	15%
Right Lane Limited[(3)]	Interest in controlled corporation	150,000,000	15%
Hony Capital Management Limited[(3)]	Interest in controlled corporation	150,000,000	15%
Hony Capital Fund 2008 GP Limited[(3)]	Interest in controlled corporation	150,000,000	15%
Hony Capital Fund 2008 GP, L.P.[(3)]	Interest in controlled corporation	150,000,000	15%
Hony Capital Fund 2008, L.P.[(3)]	Interest in controlled corporation	150,000,000	15%
Castle Lead	Beneficial owner	150,000,000	15%

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding *(Assuming no exercise of over-allotment option)*
Mr. Zhou Longrui[(4)]	Interest in controlled corporation and interest in spouse	72,450,000	7.24%
High Joy	Beneficial owner	36,225,000	3.62%
Ms. Yang Yunfei[(5)]	Interest in controlled corporation and interest in spouse	72,450,000	7.24%
Shiny Century	Beneficial owner	36,225,000	3.62%
Khazanah Nasional Berhad[(6)]	Interest in controlled corporation	75,000,000	7.50%
Teluk Batik Investments (Cayman Islands) Limited	Beneficial owner	75,000,000	7.50%

Notes:

(1) Mr. Zhou is interested in the entire issued share capital of Great State and is therefore deemed to be interested in the 345,585,000 Shares which Great State will hold upon Listing.

(2) Mr. Zhou is interested in the entire issued share capital of Jolly Pride is therefore deemed to be interested in the 71,415,000 Shares which Jolly Pride will hold upon Listing. In addition, pursuant to a trust deed dated 14 June 2010 and entered into between Mr. Zhou and Jolly Pride in favour of 53 individuals who are employees of our Group (the "**Jolly Pride Trust Deed**"), the economic interest of all the Shares which it holds from time to time shall belong to the said 53 individuals. However, other than the economic interest in the Shares, all other rights as Shareholder (including but not limited to voting rights and right to participate in shareholders meeting in our Company) shall not be exercisable by the said 53 individuals and shall be exercised by Jolly Pride exclusively. As Mr. Zhou is the sole director of Jolly Pride, Mr. Zhou also controls the exercise of the rights of all the Shares held by Jolly Pride by virtue of the terms of the Jolly Pride Trust Deed.

(3) Castle Lead is wholly-owned by Hony Capital Fund 2008, L.P. Hony Capital Fund 2008, L.P. is controlled by its sole general partner, Hony Capital Fund 2008 GP, L.P. Hony Capital Fund 2008 GP, L.P. is in turn controlled by its sole general partner, Hony Capital Fund 2008 GP Limited. Hony Capital Fund 2008 GP Limited is wholly-owned by Hony Capital Management Limited, which is in turn owned as to 45% by Legend Holdings Limited (through its wholly-owned subsidiary, Right Lane Limited) and 55% by Mr. John Huan Zhao. Legend Holdings Limited is ultimately controlled and is owned as to 35% by the Employees' Shareholding Society of Legend Holdings Limited, 36% by the Chinese Academy of Sciences (whose interests in Legend Holdings Limited are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.,) and 29% by China Oceanwide Holdings Group. Each of Hony Capital Fund 2008, L.P., Hony Capital Fund 2008 GP, L.P. and Hony Capital Fund 2008 GP Limited, Hony Capital Management Limited, Right Lane Limited, Legend Holdings Limited, Chinese Academy of Sciences, Employees' Shareholding Society of Legend Holdings Limited, Chinese Academy of Sciences Holdings Co., Ltd., and Mr. John Huan Zhao is interested pursuant to the SFO in the 150,000,000 Shares which Castle Lead will hold upon Listing.

(4) Mr. Zhou Longrui is interested in the entire issued share capital of High Joy and is therefore deemed to be interested in the 36,225,000 Shares which High Joy will hold upon Listing. In addition, as Mr. Zhou Longrui is the spouse of Ms. Yang Yunfei, pursuant to the SFO, he is also deemed to be interested in the 36,225,000 Shares in which Ms. Yang Yunfei is interested by reason of her being the sole shareholder of Shiny Century.

(5) Ms. Yang Yunfei is interested in the entire issued share capital of Shiny Century and is therefore deemed to be interested in the 36,225,000 Shares which Shiny Century will hold upon Listing. In addition, as Ms. Yang Yunfei is the spouse of Mr. Zhou Longrui, pursuant to the SFO, she is also deemed to be interested in the 36,225,000 Shares in which Mr. Zhou Longrui is interested by reason of his being the sole shareholder of High Joy.

(6) Teluk Batik Investments (Cayman Islands) Limited is wholly-owned by Khazanah Nasional Berhad, a public limited company incorporated in Malaysia which is the investment holding arm of the Malaysia Government. Khazanah Nasional Berhad is deemed to be interested in the 75,000,000 Shares which Teluk Batik Investments (Cayman Islands) Limited will hold upon Listing pursuant to the SFO.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering and the Capitalization Issue, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

*The following discussion should be read in conjunction with our audited consolidated financial information together with the accompanying notes, as set forth in the Accountants' Report in Appendix I to this prospectus. Our financial statements have been prepared in accordance with International Financial Accounting Standards ("**IFRS**").*

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Factors that could cause or contribute to such differences include those disclosed in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading lead-acid motive battery manufacturer in the fast growing electric bike market in China. According to the Frost & Sullivan Report, for the year ended 31 December 2009, we had the largest market share by revenue in China's electric bike motive battery market, both overall and in the lead-acid motive battery segment, with market share of approximately 17.1% and 18.3%, respectively.

Our Directors believe that we are well-positioned to enhance our market position because of our product quality, production capacity, strong reputation, customer-oriented services and extensive sales network in our target markets.

For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, our revenue was RMB1,466.1 million, RMB2,316.9 million, RMB2,433.9 million and RMB710.5 million, respectively, of which, revenue from sales of lead-acid motive batteries for electric bikes accounted for approximately 88.5%, 88.5%, 96.0% and 97.2%, respectively. Our profit and total comprehensive income attributable to owners of our Company for the same periods was RMB84.2 million, RMB128.1 million, RMB201.9 million and RMB74.0 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 18 January 2010 as an exempted company with limited liability under the Cayman Islands Companies Law.

Our Company is an holding company and its subsidiaries are mainly engaged in manufacture and sales of motive batteries and other related products.

Prior to the Reorganization, Chaowei Power was a wholly owned subsidiary of United Holdings. Pursuant to the Reorganization, (1) the Company was incorporated and with various transfer of interest agreements, owned by the same shareholders of United Holdings, (2) Chaowei BVI and Chaowei HK were also incorporated and became subsidiaries of the Company and (3) United Holdings transferred its equity interest in Chaowei Power to Chaowei HK. The Company became the holding company of Chaowei Power and its subsidiaries on 9 March 2010. The Group comprising the Company and its subsidiaries resulting from the Reorganization is regarded as a continuing entity.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment or acquisition where there is a shorter period. The consolidated statements of financial position of the Group as of 31 December 2007, 2008 and 2009 has been prepared to present the consolidated assets and liabilities of the companies now comprising the Group as of 31 December 2007, 2008 and 2009 as if the current group structure had been in existence at that dates, taking into account the effective date of acquisitions of entity from outsiders.

Acquisitions of subsidiaries other than those of the Reorganization during the Track Record Period are accounted for from their respective dates of acquisitions by the purchase/acquisition method of accounting.

The Financial Information is presented in RMB, the currency of the primary economic environment in which the principal subsidiaries of our Company operate (the functional currency of the subsidiaries).

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial position have been, and will continue to be, affected by a number of factors, including:

Economic growth and level of demand for lead-acid motive products in the PRC

We derive substantially all of our revenue from sales of lead-acid motive batteries in China. Economic growth in China and the level of demand for lead-acid motive batteries in China, particularly the level of demand for lead-acid motive batteries for electric bikes, have a significant impact on all aspects of our operations, including, but not limited to, the demand for and pricing of our products, the availability and cost of raw materials, utilities, labor costs and other operating expenses.

According to the Frost & Sullivan Report, the Chinese electric bike battery industry has grown rapidly since 2005. Sales of electric bike lead-acid batteries in the Chinese market increased 400.1% to US$1,870.4 million in 2009 from US$374.0 million in 2005. Based on current market statistics, about 92.7% of rechargeable batteries used in electric bikes in China are lead-acid batteries. As a result, we believe the growth of the lead-acid battery industry in China will continue to have a direct impact on our results of operations.

Product mix

Our operating results are also affected by our product mix. Our technology know-how and production facilities enable us to switch production from one product to another in a short period of time. We are therefore able to adjust to and take advantage of changing market conditions to produce the products in highest demand. Presently our product mix primarily consists of four models of lead-acid batteries for electric bikes (6-DZM-10, 6-DZM-12, 6-DZM-17 and 6-DZM-20), storage batteries and lead-acid batteries for electric cars. Sales of the above four models of lead-acid batteries for electric bikes accounted for 84.0%, 84.7%, 92.7% and 93.4% of our revenue for the years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, respectively. Any change in our product mix could affect our financial condition and results of operations.

Pricing

Competition and demand affect the pricing of our products. According to the Frost & Sullivan Report, there are approximately 220 electric bike battery manufacturers in China in 2009 and the lead-acid battery industry is fragmented and competitive. Due to consistent high quality and brand awareness in the market, our lead-acid motive battery products typically enjoy price premiums over products sold by most of our competitors in China. Our average selling price per battery was RMB103.5, RMB106.0, RMB89.5 and RMB93.4, respectively, during the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010. The average selling price per battery decreased from RMB106.0 in 2008 to RMB89.5 in 2009, primarily due to the decrease in our average lead purchase price per tonne (net of value-added tax) from RMB14,264 in 2008 to RMB11,837 in 2009. The average selling price per battery increased from RMB89.5 in 2009 to RMB93.4 in the three months ended 31 March 2010, primarily due to an increase in our average lead purchase price per tonne (net of valued-added tax) from RMB11,837 in 2009 to RMB13,251 in the three months ended 31 March 2010.

Sales volume

Our results of operations are directly affected by our sales volume, which in turn is largely determined by the market demand for our motive battery products, and our ability to meet that demand. Our sales volume increased across our major product segments in 2007, 2008 and 2009 primarily due to the increasing customers demand for our products. We sold approximately 12.6 million, 19.4 million, 26.2 million and 7.4 million units of lead-acid motive batteries in the years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, respectively. With a designated annual production capacity of over 41.2 million units in 2010, we believe we are well-positioned to meet growing market demand for our products.

Production capacity and facility expansion

We have expanded our production capacity significantly in recent years through acquisition and installation of new production facilities and re-engineering and modifying our existing production lines to improve our production efficiency. Our annual production capacity was approximately 14.2 million, 23.0 million and 34.1 million units in the years ended 31 December 2007, 2008 and 2009, respectively.

Our annual production capacity reached over 41.2 million units in 2010. We believe that the increases in our production capacity in recent years have strengthened our market position and enhanced our competitiveness in the market since we are able to produce lead-acid motive battery products of higher quality. However, to the extent that we encounter difficulties in achieving increased production volumes relative to our existing capacity, it could have a material adverse effect on our business and results of operations.

Cost of raw materials

Price fluctuations of raw materials we use in our production process affect our cost of sales and could adversely impact our results of operations. Electrolytic lead and lead alloy are the principal raw materials for the production of lead-acid battery. Our profitability is dependent on our ability to secure a sufficient and constant supply of electrolytic lead and lead alloy at acceptable price levels. The prices of electrolytic lead and lead alloy are approximately the same and determined principally by supply and demand in the international and domestic commodity markets. During the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, we had 51, 53, 50 and 14 lead suppliers, respectively, and we purchased approximately 40,323 tonnes, 72,848 tonnes, 101,054 tonnes and 12,925 tonnes of lead, respectively, during the same periods. For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, our cost of lead amounted to approximately RMB456.5 million, RMB803.4 million, RMB976.1 million and RMB313.0 million, respectively, representing 40.3%, 43.8%, 56.4% and 59.1%, respectively, of our total cost of sales for the same periods. Our average lead purchase price per tonne (net of value-added tax) during the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010 was approximately RMB16,401, RMB14,264, RMB11,837 and RMB13,251, respectively. The decrease in lead price from 2007 to 2009 was a result of changes in market conditions. Lead price decreased substantially during the three years ended 31 December 2007, 2008 and 2009 as a result of the economic slowdown in 2008. Lead price has gone up since the second half of 2009 as a result of the economic recovery. As a result, our average selling price per battery has increased from RMB89.5 in 2009 to RMB93.4 in the three months ended 31 March 2010.

We purchase some electrode plates from third party suppliers in the event that our production capacity is insufficient to meet our production demand at that time. During the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, we had 9, 9, 4 and 4 third party suppliers of electrode plates, respectively, and we purchased approximately 339 million, 355 million, 294 million and 53 million units of electrode plates, respectively, during the same periods.

We typically purchase electrolytic lead and lead alloy from suppliers based on the prevailing prices on the commodity market. Electrolytic lead and lead alloy prices fluctuate over time, and the prevailing price at the time of our purchase may not be equal to the prevailing prices at the time of our sale. However, we are generally able to pass on cost increases of electrolytic lead and lead alloy to our customers through subsequent orders by increasing selling prices of our products.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENT

The discussion and analysis of our financial position and results of operations are based on the Financial Information prepared in accordance with the significant accounting policies set out in the Accountants' Report included in Appendix I to this prospectus. Preparation of Financial Information requires us to make estimates and judgments in applying certain critical accounting policies which may have a significant impact on our results. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ from these estimates under different assumptions and conditions. Our management has identified below the accounting policies, estimates and judgments that are most critical to our Financial Information.

Basis of consolidation

The Financial Information incorporates the financial statements of our Company and entities controlled by our Company (its subsidiaries). Control is achieved where our Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Business combinations

Business combinations prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognized at their fair values at the acquisition date.

Goodwill arising on acquisition was recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect previously recognized goodwill.

Business combinations on or after to 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with IFRS 5.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests was initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognized when the goods are delivered and title has passed.

Deposits received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Estimated impairment of receivables

Trade receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, management considered detailed procedures have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, 2008, 2009 and 31 March 2010, the carrying amounts of trade and other receivables are approximately RMB62,135,000, RMB58,508,000, RMB72,166,000 and RMB79,443,000. Details of movements of allowance for trade receivables and other receivables are disclosed in Notes 20 and 22 to the Accountants' Report included in Appendix I to this prospectus respectively.

Warranty

We provide a warranty of up to fifteen months on all lead-acid motive battery products. Under the terms of warranty, we undertake to repair or replace the battery free of charge in the event of any malfunctioning within the warranty period.

Estimated costs related to product warranty are accrued at the time of sale and are based upon past warranty claims and unit sales history and adjusted as required to reflect actual costs incurred, as information becomes available.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expect, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of comprehensive income for the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2009 and 2010:

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

Revenue

A substantial portion of our revenue is derived from the sale of lead-acid motive battery products. We also generate revenue from sales of materials and electrode plates. During the Track Record Period, we sell substantially all of our products in the PRC. The following table shows our revenue by product category for the years/periods indicated:

	Year ended 31 December			Three months ended 31 March	
Product	**2007**	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Lead-acid motive batteries for electric bikes	1,297,694	2,051,324	2,335,835	520,257	690,531
Lead-acid motive batteries for electric cars and storage batteries	5,656	9,401	5,752	475	1,633
Materials *Note*	106,188	242,791	92,302	41,878	18,384
Electrode plates	56,570	13,395	–	–	–
Total	1,466,108	2,316,911	2,433,889	562,610	710,548

Note:

Materials include lead and active additives.

Our products are primarily sold in the primary market and in the secondary market. The following table sets out the breakdown of our revenue from sales of lead-acid batteries for electric bikes in the primary market and in the secondary market for the years/period indicated:

	Year ended 31 December						Three months ended 31 March			
	2007		**2008**		**2009**		**2009**		**2010**	
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (Unaudited)		*RMB'000*	
Sales in the primary market	986,399	76.0%	1,064,847	51.9%	688,347	29.5%	156,634	30.1%	260,535	37.7%
Sales in the secondary market	311,295	24.0%	986,477	48.1%	1,647,488	70.5%	363,623	69.9%	429,996	62.3%
Total	1,297,694	100.0%	2,051,324	100.0%	2,335,835	100.0%	520,257	100%	690,531	100%

Our sales in the primary market decreased RMB376.5 million, or 35.4%, from RMB1,064.8 million for the year ended 31 December 2008 to RMB688.3 million for the year ended 31 December 2009. The decrease was primarily because we had focused more sales efforts in the secondary market due to our tightened credit policy and associated risk controls. Our increased sales efforts in the secondary market were also in response to the increasing demand for replacement batteries with growth of the electric bike market. We usually offer credit to electric bike manufacturers in the primary market, but not to purchasers in the secondary market. Distributors are required to make a deposit with us when they enter into the distribution agreement and to make full payment for our products before or upon delivery. By increasing sales in the secondary market, we had significantly increased our liquidity and capital resources. As a result, our sales in the secondary market as a percentage of our revenue from sales of lead-acid batteries for electric bikes had increased steadily from 24.0% in 2007 to 70.5% in 2009. Our sales in the secondary market increased to RMB430.0 million in the three months ended 31 March 2010 as compared to RMB363.6 million in the same period in 2009. Our sales in the primary market increased to RMB260.5 million in the three months ended 31 March 2010 as compared to RMB156.6 million in the same period in 2009. Our sales in the primary market as a percentage of our revenue from sales of lead-acid batteries for electric bikes in the three months ended 31 March 2010 increased to 37.7% from 30.1% in the same period in 2009. The increase was primarily because sales of electric bikes increased as more people started to buy electric bikes due to the economic recovery.

We also derived revenue from sales of materials and electrode plates. This was primarily because we outsourced some production of electrode plates and lead-acid batteries to third party manufacturers because of our insufficient production capacity to meet the market demand. We had supplied lead, active additives and electrode plates to such third party manufacturers to ensure that the electrode plates and lead-acid motive batteries sold to us meet our quality standards. We did not derive any revenue from sales of electrode plates in 2009 because we had stopped outsourcing the production of lead-acid batteries to third party manufacturers since the second half of 2008 as a result of our increased production capacity.

Cost of sales

Our cost of sales primarily comprises cost of raw materials, labor, energy, and other production costs. Our raw materials primarily comprise lead, electrode plates, plastic battery casings and fiber glass dividing plates. With respect to the electrode plates and lead-acid batteries we purchased from third parties, the purchase costs of electrode plates were recognized under “raw materials” and the purchase costs of lead-acid batteries were split and recognized under “raw materials”, “labor”, “energy” and “other production costs”, respectively.

The following table sets out the breakdown of our cost of sales for the years/period indicated:

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Lead-acid motive batteries					
Raw materials	863,268	1,338,543	1,360,367	287,936	430,350
Labor	47,010	77,157	97,076	20,598	27,235
Energy	32,380	65,692	86,024	17,435	23,282
Other production costs [(1)]	50,696	99,025	113,414	24,651	31,837
	993,354	1,580,417	1,656,881	350,620	512,704
Materials (including lead and active additives)	88,779	241,491	73,005	39,559	16,606
Electrode plates [(2)]	51,519	13,117	–	–	–
Total	1,133,652	1,835,025	1,729,886	390,179	529,310

Notes:

(1) Other production costs include depreciation charge, other indirect production materials and other miscellaneous overhead.

(2) This refers to the cost of sales for the electrode plates sold to third parties under the processing arrangements.

Our cost of sales was RMB1,133.7 million, RMB1,835.0 million, RMB1,729.9 million and RMB529.3 million, respectively, for the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010. While our revenue increased 5.0% from RMB2,316.9 million in 2008 to RMB2,433.9 million in 2009, our cost of sales decreased 5.7% from RMB1,835.0 million in 2008 to RMB1,729.9 million in 2009. The decrease was mainly attributable to a decrease in the cost of electrode plates and a decrease in lead price. As a percentage of revenue, the cost of sales decreased to 71.1% in 2009 from 79.2% in 2008. Such decrease of percentage was mainly attributable to a decrease in the average cost of sales per battery as a result of the decrease in lead price, partially offset by a decrease in the average selling price per battery. Our cost of sales as a percentage of revenue increased to 74.5% in the three months ended 31 March 2010 from 71.1% in 2009. The increase was primarily due to an increase in the average cost of sales per battery as a result of the increase in lead price, partially offset by an increase in the

average selling price per battery. The following table sets forth the breakdown of our cost of raw materials for lead-acid motive batteries for the years/periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2007		2008		2009		2009		2010	
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (Unaudited)		*RMB'000*	
Lead	456,534	52.9%	803,383	60.0%	976,066	71.8%	211,357	73.4%	312,960	72.7%
Electrode plates	302,893	35.1%	339,823	25.4%	179,694	13.2%	31,939	11.1%	58,971	13.7%
Plastic battery castings	56,081	6.5%	98,682	7.4%	108,628	8.0%	23,214	8.1%	28,651	6.7%
Fiber glass dividing plates	19,033	2.2%	36,572	2.7%	39,559	2.9%	8,478	2.9%	10,390	2.4%
Other materials	28,727	3.3%	60,083	4.5%	56,420	4.1%	12,948	4.5%	19,378	4.5%
Total	863,268	100%	1,338,543	100%	1,360,367	100%	287,936	100%	430,350	100%

Our cost of lead and electrode plates was RMB759.4 million, RMB1,143.2 million, RMB1,155.8 million and RMB371.9 million, respectively, for the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010. As a percentage of our total cost of sales, our cost of lead and electrode plates was 67.0%, 62.3%, 66.8% and 70.3%, respectively, for the same periods.

Gross profit

For the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, our gross profit was approximately RMB332.5 million, RMB481.9 million, RMB704.0 million and RMB181.2 million, respectively. Our gross profit margin, which is equal to gross profit divided by revenue, was approximately 22.7%, 20.8%, 28.9% and 25.5%, respectively, for the same periods. The decrease in gross profit margin from 2007 to 2008 was primarily due to an increase in the average cost of sales per battery as well as an increase in cost of sales for sale of materials as a percentage of revenue from sale of materials. Our gross profit margin for sale of materials was only 0.5% in 2008, as compared to 16.4% in 2007. Such decrease was primarily due to the decrease in lead price in the last quarter of 2008 as a result of the economic slowdown. Our gross profit margin for sale of lead-acid batteries remained relatively stable at 23.8% and 23.3% in 2007 and 2008, respectively. Our gross profit margin in 2009 increased to 28.9% from 20.8% in 2008, primarily due to the decrease in the cost of sales as a percentage of revenue as discussed above. Our gross profit margin in the three months ended 31 March 2010 decreased to 25.5% from 28.9% in 2009, primarily due to the increase in the cost of sales as a percentage of revenue as discussed above.

Other income

Our other income primarily includes government grants and interest income. Government grants primarily represent subsidies for our expansion of production facilities, our expenditure in technological research and development, environmental protection measures. We also received government subsidies in recognition of the contribution we made in relation to the development of lead-acid motive battery products and the relevant technologies. These subsidies are made by the relevant local governmental authorities based on their respective policies, on a discretionary basis, and they are one-off and non-recurrent. There are no unfulfilled conditions or contingencies attached to the government subsidies currently reflected in our financial statements.

The following table sets forth a breakdown of our other income for the years/period indicated:

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Government grants					
– grants related to income	3,060	3,407	6,970	2,661	14,835
– grants related to assets	51	51	126	13	87
Interest income	2,440	6,334	3,653	1,189	514
Dividend income from available for sale investments	38	66	74	–	–
Gain on disposal of prepaid lease payments	–	1,480	–	–	–
Insurance compensation	–	1,444	80	18	11
Rental income	–	–	480	–	300
Others	156	486	2,338	66	506
	5,745	13,268	13,721	3,947	16,253

Our other income increased 133.3% from RMB5.7 million in 2007 to RMB13.3 million in 2008, primarily due to an increase in interest income from RMB2.4 million in 2007 to RMB6.3 million in 2008, gains on disposal of prepaid lease payments of RMB1.5 million and insurance compensation of RMB1.4 million we received for damages to the roof of our factorities in Zhejiang province caused by the snow disaster in 2008. The damage did not affect our production and had no material impact on our operations. Our other income increased 3.0% from RMB13.3 million in 2008 to RMB13.7 million in 2009, primarily due to the increase in government grants we received in 2009, partially offset by a decrease in our interest income. Our government grants in 2009 primarily related to (i) government grants of RMB1.3 million received by Anhui Chaowei, which became our subsidiary in 2009; (ii) government grants of RMB3.1 million received by Chaowei Power, most of which

were granted as rewards or incentives for our research and development efforts and environmental protection measures. The increase in government grants in the three months ended 31 March 2010 as compared to the same period in 2009 was primarily due to government grants of RMB6.7 million and RMB5.5 million received by Shandong Chaowei and Henan Chaowei, respectively, as an incentive for their contribution to the local economy.

Distribution and selling expenses

Our distribution and selling expenses primarily comprise provision relating to product warranty, advertising expenses and marketing fees, transportation costs, commission expenses (paid to marketing and distribution staff and external sales agents) and salary of marketing and distribution staff. Distribution and selling expenses represented approximately 9.4%, 9.2%, 13.2% and 9.9%, respectively, of our total revenue for the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010. The significant increase in our distribution and selling expenses was primarily due to the increase in provision relating to product warranty, advertising expenses and marketing fees and transportation costs as a result of the significantly increased sales volume.

The following table sets forth a breakdown of our distribution and selling expenses for the years/periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Transportation costs	28,749	42,003	68,845	20,932	15,916
Commission expenses	23,059	17,065	21,669	8,339	10,835
Provision	61,704	95,180	123,440	26,866	35,489
Advertising expenses and marketing fees	8,279	38,016	78,376	15,249	4,299
Staff costs	1,650	1,680	5,331	772	1,184
Others	14,451	18,663	24,245	7,732	2,867
	137,892	212,607	321,906	79,890	70,590

Our distribution and selling expenses increased from RMB137.9 million in 2007 to RMB212.6 million in 2008, and further increased to RMB321.9 million in 2009. The overall increase was primarily due to increases in provision relating to product warranty, advertising expenses and marketing fees as well as an increase in transportation costs as a result of the significantly increased sales volume. Our distribution and selling expenses were RMB70.6 million in the three months ended 31 March 2010, a decrease of RMB9.3 million from RMB79.9 million in the same period in 2009. The decrease was primarily due to a decrease in advertising expenses and marketing fees as we no longer provide

marketing fees to distributors as well as a decrease in transportation cost, partially offset by an increase in provision relating to product warranty. The decrease in our transportation cost was primarily because of the locations of our production plants as well as our greater bargaining power over logistics companies.

Administrative expenses

Our administrative expenses primarily comprise salary of administrative staff, staff retirement benefits, depreciation costs, bad debt provisions and other expenses. Other expenses mainly represented tax payment for stamp duty, land and buildings, rental payment and bank charges.

The following table sets forth a breakdown of our administrative expenses for the years/periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Staff costs	27,105	36,322	45,386	9,775	11,275
Depreciation and amortization	4,600	5,190	7,851	1,493	1,966
Travelling expenses	3,068	1,903	3,191	436	1,088
Entertainment expenses	3,299	2,328	3,089	663	1,383
Office supplies and utilities	7,178	5,715	7,846	2,161	2,341
Allowance for trade or other receivables	2,123	55	1,413	254	554
Consultation fee	7,070	2,781	2,730	412	1,163
Other expenses	9,605	8,774	12,146	1,420	2,266
	64,048	63,068	83,652	16,614	22,036

Our administrative expenses decreased 1.4% from RMB64.0 million in 2007 to RMB63.1 million in 2008. The decrease was primarily due to a decrease in consultation fee from RMB7.1 million in 2007 to RMB2.8 million in 2008, a decrease in allowance for trade and other receivables and a decrease in office supplies and utilities. The decrease was partially offset by an increase in our staff costs from RMB27.1 million in 2007 to RMB36.3 million as a result of an increase in our average headcount from 676 in 2007 to 717 in 2008. Our consultation fee in 2007 was primarily related to our attempt to list our ordinary shares on the Alternative Investment Market of the London Stock Exchange, which did not happen due to (1) the market conditions in 2007; and (2) our decision to list our ordinary shares on the Hong Kong Stock Exchange. We did not file any registration statement or any other document with the London Stock Exchange.

Our administrative expenses increased 32.6% from RMB63.1 million in 2008 to RMB83.7 million in 2009. The increase was primarily due to an increase in staff costs from RMB36.3 million in 2008 to RMB45.4 million in 2009 as a result of an increase in our average headcount from 717 in 2008 to 906 in 2009, an increase in allowance for trade and other receivables, office supplies and utilities and entertainment expenses. The increase in our administrative expenses was in line with our business expansion. Our consultation fees in 2008 and 2009 primarily included internet service fees, professional valuation fees, professional advisory fees and audit fees. The professional advisory fees incurred in 2008 and 2009 amounted to approximately RMB2.2 million and RMB1.8 million, respectively, which included advisory fees for listing and advisory fees for compliance, internal control and other matters in connection with our business operation. The professional valuation fees incurred in 2008 and 2009 amounted to approximately RMB0.2 million and RMB0.6 million, respectively, which included property valuation fees and other evaluation fees such as environmental evaluation fees.

Our administrative expenses were RMB22.0 million in the three months ended 31 March 2010, an increase of RMB5.4 million from RMB16.6 million in the same period in 2009. The increase was primarily due to an increase in staff costs from RMB9.8 million in the three months ended 31 March 2009 to RMB11.3 million in the same period in 2010, an increase in depreciation and amortization and travelling expenses. The increase in our administrative expenses was in line with our business expansion. Included in allowance for trade or other receivables in 2009 represented allowance for trade receivable of RMB2.5 million and reversal of allowance for other receivables of RMB1.1 million. Reversal of allowance for other receivables represented the recovery of bad debt for the loan to a transportation company in prior years.

Research and development expenses

Our research and development expenses primarily comprise cost of research materials and salary of research and development staff.

Other expenses

Our other expenses primarily comprise charity donations and loss on disposal of property, plant and equipment.

Finance costs

Finance costs consist of interest payments on bank loans and other borrowings and interest expenses on finance leases.

Taxation

Our effective tax rate for each of the three years ended 31 December 2007, 2008 and 2009 was approximately 15.5%, 19.8% and 20.3%, respectively. Our effective tax rate was lower in 2007 as compared to 2008 and 2009 because Chaowei Power was granted a tax exemption in 2007, but only a half reduction in the tax rate for 2008 and 2009 (the actual tax rate after half reduction for 2008 and 2009 was 12.5%). If we are subsequently classified as

a resident enterprise by the PRC tax authorities under the New Enterprise Income Tax Law, we will be subject to PRC income tax at a tax rate of 25%. Please see the section headed "Risk Factors – 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". As advised by Zong Heng Law Firm, our legal adviser on PRC Law, whether our Company will be treated as a resident enterprise in the PRC is subject to the decision of relevant PRC tax authorities. As at the date of this prospectus, we are not identified as a resident enterprise in the PRC.

Under the New Enterprise Income Tax Law, withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. No deferred taxation has been provided in respect of undistributed profits of our PRC subsidiaries as the dividends declared in March 2010 and the dividends to be declared to foreign investors in the foreseeable future were or will be paid out of the retained profit of our PRC subsidiaries accumulated before 1 January 2008. We may also use the available share premium of our Company to pay dividends in the future.

PRC income tax

The fluctuations in our effective tax rate are primarily due to changes in tax adjustments during the Track Record Period. The tax rate applicable to our PRC subsidiaries can be found at Note 11 to Appendix I to this prospectus. There are recent changes in the PRC tax laws which took effect as of 1 January 2008. For details of the effect of the new PRC tax laws, see "Risk Factors – Risks Relating to Our Business – 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".

The following table sets forth the tax rates applicable to our PRC subsidiaries for the years indicated:

	Year ended 31 December			
	2007	**2008**	**2009**	**2010**
Changxing Zhongcheng	33%	25%	25%	25%
Chaowei Power	Exempt	12.5%	12.5%	12.5%
Jiangsu Chaowei	33%	25%	25%	25%
Henan Chaowei	33%	25%	25%	25%
Shandong Chaowei	33%	25%	25%	25%
Anhui Chaowei [Note]	N/A	N/A	15.0%	15.0%

Note:

Anhui Chaowei was acquired by us in April 2009.

Cayman Islands profits tax

We are not subject to Cayman Islands profits tax as we had no assessable income arising in or derived from the Cayman Islands during the Track Record Period.

Hong Kong profits tax

We are not subject to Hong Kong profits tax as we had no assessable income arising in or derived from Hong Kong during the Track Record Period.

Three months ended 31 March 2010 compared to the three months ended 31 March 2009

Revenue

Our revenue increased 26.3% from RMB562.6 million in the three months ended 31 March 2009 to RMB710.5 million in the same period in 2010. The increase was primarily attributable to an increase sales volume from 5.8 million units to 7.4 million units as well as an increase in the average selling price per battery from RMB90.2 to RMB93.4. The increase in the average selling price per battery was primarily due to the increase in lead price. Our average lead purchase price per tonne (net of value-added tax) during the three months ended 31 March 2009 and 2010 was RMB9,960 and RMB13,251, respectively.

Cost of sales

Our cost of sales increased 35.6% from RMB390.2 million in the three months ended 31 March 2009 to RMB529.3 million in the same period in 2010, primarily due to increased sales volume as well as an increase in lead price. Our cost of sales as a percentage of revenue increased to 74.5% in the three months ended 31 March 2010 from 69.4% in the same period in 2009. The increase was primarily due to an increase in the average cost of sales per battery as a result of the increase in lead price, partially offset by an increase in the average selling price per battery.

Gross profit

Our gross profit increased 5.1% from RMB172.4 million in the three months ended 31 March 2009 to RMB181.2 million in the same period in 2010, primarily as a result of increased sales volume. Our gross profit margin decreased from 30.6% in the three months ended 31 March 2009 to 25.5% in the same period in 2010, primarily due to the increase in cost of sales as a percentage of revenue for the reasons discussed above.

Other income

Our other income increased 317.9% from RMB3.9 million in the three months ended 31 March 2009 to RMB16.3 million in the same period in 2010. The increase was primarily attributable to an increase in government grants we received from RMB2.7 million in the three months ended 31 March 2009 to RMB14.8 million in the same period in 2010, partially offset by a decrease in our interest income from RMB1.2 million in the three months ended 31 March 2009 to RMB0.5 million in the same period in 2010. The increase in government grants was primarily due to government grants of RMB6.7 million and RMB5.5 million received by Shandong Chaowei and Henan Chaowei, respectively, as an incentive for their contribution to the local economy.

Distribution and selling expenses

Our distribution and selling expenses were RMB70.6 million in the three months ended 31 March 2010, a decrease of RMB9.3 million from RMB79.9 million in the same period in 2009. The decrease was primarily due to a decrease in advertising expenses and marketing fees as we no longer provide marketing fees to distributors as well as a decrease in transportation cost, partially offset by an increase in provision relating to product warranty. The decrease in our transportation cost was primarily because of the locations of our production plants as well as our greater bargaining power over logistics companies.

Administrative expenses

Our administrative expenses were RMB22.0 million in the three months ended 31 March 2010, an increase of RMB5.4 million from RMB16.6 million in the same period in 2009. The increase was primarily due to an increase in staff costs from RMB9.8 million in the three months ended 31 March 2009 to RMB11.3 million in the same period in 2010, an increase in depreciation and amortization and travelling expenses. The increase in our administrative expenses was in line with our business expansion.

Research and development expenses

Research and development expenses increased 70.3% from RMB3.7 million in the three months ended 31 March 2009 to RMB6.3 million in the same period in 2010. The increase was primarily due to the increase in the cost of research materials as a result of an increased number of research projects.

Other expenses

Our other expenses increased 28.6% from RMB0.7 million in the three months ended 31 March 2009 to RMB0.9 million in the same period in 2010. Our other expenses in the three months ended 31 March 2010 primarily related to charity donations.

Finance costs

Our finance costs increased 51.9% from RMB2.7 million in the three months ended 31 March 2009 to RMB4.1 million in the same period in 2010. The increase was primarily due to the an increase in interest expenses on our bank and other borrowings as a result of the increase in our average bank borrowings, partially offset by a decrease in interest expenses on finance leases.

Profit before taxation

For the above reasons, our profit before tax increased 28.8% from RMB72.6 million in the three months ended 31 March 2009 to RMB93.5 million in the same period in 2010.

Taxation

Our income tax expenses decreased 10.4% from RMB16.3 million for the three months ended 31 March 2009 to RMB14.6 million for the same period in 2010. The decrease was primarily because the tax rates for Chaowei Power and Anhui Chaowei, the most profitable two subsidiaries in the three months ended 31 March 2010, were only 12.5% and 15.0%, respectively.

Profit and total comprehensive income for the period

For the above reasons, our profit and total comprehensive income for the period increased 39.9% from RMB56.4 million in the three months ended 31 March 2009 to RMB78.9 million in the same period in 2010. Our net profit margin increased from 10.0% for the three months ended 31 March 2009 to 11.1% for the same period in 2010.

Profit and total comprehensive income for the period attributable to owners of the Company

Our profit and total comprehensive income for the period attributable to owners of our Company was RMB74.0 million in the three months ended 31 March 2010, an increase of 54.2% from RMB48.0 million in the same period in 2009.

Non-controlling interests

Our profit and total comprehensive income for the period attributable to non-controlling interest was RMB4.8 million in the three months ended 31 March 2010, a decrease of 42.2% from RMB8.3 million in the same period in 2009. The decrease was mainly due to a decrease in the net profit of Henan Chaowei.

Year ended 31 December 2009 compared to year ended 31 December 2008

Revenue

Our revenue increased 5.0% from RMB2,316.9 million in 2008 to RMB2,433.9 million in 2009. The increase was primarily attributable to the increase in sales volume from 19.4 million units in 2008 to 26.2 million units in 2009, partially offset by a decrease in the average selling price per battery from RMB106.0 to RMB89.5. The decrease in the average selling price per battery was primarily due to a decrease in lead price. Our average lead purchase price per tonne (net of value-added tax) decreased from RMB14,264 in 2008 to RMB11,837 in 2009.

Cost of sales

Our cost of sales decreased 5.7% from RMB1,835.0 million in 2008 to RMB1,729.9 million in 2009, primarily due to the decrease in the cost of electrode plates and a decrease in lead price. The decrease in the cost of electrode plates was primarily because we purchased electrode plates from Jiuhua Power in 2008 but we acquired Jiuhua Power in 2009 and it became our subsidiary and changed its name to Anhui Chaowei. As a

percentage of revenue, the cost of sales decreased to 71.1% in 2009 from 79.2% in 2008. Such decrease of percentage was mainly attributable to a decrease in the average cost of sales per battery as a result of the decrease in lead price, partially offset by a decrease in the average selling price per battery.

Gross profit

Our gross profit increased 46.1% from RMB481.9 million in 2008 to RMB704.0 million in 2009 primarily as a result of the significant increase in our sales volume. Our overall gross profit margin increased from 20.8% in 2008 to 28.9% in 2009, primarily due to the decrease in the cost of sales as a percentage of revenue for the reasons discussed above.

Other income

Our other income increased 3.0% from RMB13.3 million in 2008 to RMB13.7 million in 2009. The increase was primarily attributable to an increase in government grants we received from RMB3.4 million in 2008 to RMB7.0 million in 2009, partially offset by a decrease in our interest income from RMB6.3 million in 2008 to RMB3.7 million in 2009 and a decrease in insurance compensation we received from RMB1.4 million in 2008 to RMB80,000 in 2009. Our government grants in 2009 primarily related to (i) government grants of RMB1.3 million received by Anhui Chaowei, which became our subsidiary in 2009; (ii) government grants of RMB3.1 million received by Chaowei Power, most of which were granted as rewards or incentives for our research and development efforts and environmental protection measures. The insurance compensation we received in 2008 was for damages to the roof of our factories in Zhejiang province caused by the snow disaster in 2008. The damage did not affect our production and had no material impact on our operations.

Distribution and selling expenses

Our distribution and selling expenses increased 51.4% from RMB212.6 million in 2008 to RMB321.9 million in 2009. The increase was primarily due to an increase in provision relating to product warranty from RMB95.2 million in 2008 to RMB123.4 million in 2009, an increase in advertising expenses and marketing fees from RMB38.0 million in 2008 to RMB78.4 million in 2009, as well as an increase in transportation costs from RMB42.0 million in 2008 to RMB68.8 million in 2009. The increases in provision relating to product warranty, advertising expenses and marketing fees and transportation costs were primarily attributable to an increase in our sales volume from 19.4 million units in 2008 to 26.2 million units in 2009.

Administrative expenses

Our administrative expenses increased 32.6% from RMB63.1 million in 2008 to RMB83.7 million in 2009. The increase was primarily due to an increase in staff costs from RMB36.3 million in 2008 to RMB45.4 million in 2009 as a result of an increase in our average headcount from 717 in 2008 to 906 in 2009, an increase in allowance for trade and other receivables, office supplies and utilities and entertainment expenses. The increase was in line with our business expansion.

Research and development expenses

Research and development expenses increased 47.7% from RMB10.7 million in 2008 to RMB15.8 million in 2009. The increase was primarily due to the increase in the cost of research materials as a result of an increased number of research projects. Our research projects in 2009 primarily related to the development of storage batteries for solar and wind energy, gel batteries and li-on batteries. Our research projects in 2008 primarily related to the development of storage batteries for solar and wind energy.

Other expenses

Our other expenses increased 20.0% from RMB3.5 million in 2008 to RMB4.2 million in 2009, primarily due to the increase in our charity donations from RMB1.1 million in 2008 to RMB2.1 million in 2009, partially offset by a decrease in losses on disposal of property, plant and equipment from RMB2.3 million in 2008 to RMB0.6 million in 2009.

Finance costs

Our finance costs decreased 63.4% from RMB26.2 million in 2008 to RMB9.6 million in 2009. The decrease was primarily due to the significant decrease in interest expenses on our bank and other borrowings as a result of the decrease in our average bank and other borrowings in 2009 as well as a decrease in interest expenses on finance leases.

Profit before taxation

For the above reasons, our profit before tax increased 58.5% from RMB179.0 million in 2008 to RMB283.7 million in 2009.

Taxation

Our income tax expense increased 63.0% from RMB35.4 million in 2008 to RMB57.7 million in 2009. We paid more taxes in 2009 mostly because of the increased profit before taxation.

Profit and total comprehensive income for the year

For the above reasons, our profit and total comprehensive income for the year increased 57.4% from RMB143.6 million in 2008 to RMB226.0 million in 2009 and our net profit margin increased from 6.2% in 2008 to 9.3% in 2009.

Profit and total comprehensive income for the year attributable to owners of the Company

Our profit and total comprehensive income for the year attributable to owners of our Company was RMB201.9 million in 2009, an increase of 57.6% from RMB128.1 million in 2008.

Non-controlling interests

Our profit and total comprehensive income attributable to non-controlling interests increased 55.5% from RMB15.5 million in 2008 to RMB24.1 million in 2009. The increase was primarily due to the increase in the net profit of Henan Chaowei.

Year ended 31 December 2008 compared to year ended 31 December 2007

Revenue

Our revenue increased 58.0% from RMB1,466.1 million in 2007 to RMB2,316.9 million in 2008. The increase was primarily attributable to a significant increase in sales volume from 12.6 million units in 2007 to 19.6 million units in 2008, as well as an increase in the average selling price per battery from RMB103.5 in 2007 to RMB106.0 in 2008.

Cost of sales

Our cost of sales increased 61.9% from RMB1,133.7 million in 2007 to RMB1,835.0 million in 2008. The increase was primarily due to a significant increase in our sales volume. As a percentage of revenue, the cost of sales increased to 79.2% in 2008 from 77.3% in 2007. Such increase of percentage was mainly attributable to an increase in the average cost of sales per battery as well as an increase in cost of sales for sale of materials as a percentage of revenue from sale of materials.

Gross profit

Our gross profit increased 44.9% from RMB332.5 million in 2007 to RMB481.9 million in 2008 as a result of the significant increase in our sales volume. Our gross profit margin decreased from 22.7% in 2007 to 20.8% in 2008. The decrease in gross profit margin from 2007 to 2008 was primarily due to an increase in the average cost of sales per battery as well as an increase in cost of sales for sale of materials as a percentage of revenue from sale of materials. Our gross profit margin for sale of materials was only 0.5% in 2008, as compared to 16.4% in 2007. Such decrease was primarily due to the decrease in lead price in the last quarter of 2008 as a result of the economic slowdown. Our gross profit margin for sale of lead-acid batteries remained relatively stable at 23.8% and 23.3% in 2007 and 2008, respectively.

Other income

Our other income increased 133.3% from RMB5.7 million in 2007 to RMB13.3 million in 2008. The increase was primarily attributable to (i) an increase in interest income from RMB2.4 million in 2007 to RMB6.3 million in 2008, and (ii) a RMB1.4 million insurance compensation we received for the operating loss as a result of the snow disaster in 2008. The insurance compensation we received in 2008 was for damages to the roof of our factories in Zhejiang province caused by the snow disaster in 2008. The damage did not affect our production and had no material impact on our operations. Our government grants in 2007 primarily related to (i) government grants of RMB1.5 million received by Chaowei Power, most of which were for our research and development efforts; (ii) government

grants of RMB1.0 million received by Henan Chaowei as an incentive for its contribution to the local economy; and (iii) government grants of RMB0.5 million received by Jiangsu Chaowei as an incentive for its contribution to the local economy.

Distribution and selling expenses

Our distribution and selling expenses increased 54.2% from RMB137.9 million in 2007 to RMB212.6 million in 2008. The increase was primarily due to an increase in provision relating to product warranty from RMB61.7 million in 2007 to RMB95.2 million in 2008, an increase in advertising expenses and marketing fees from RMB8.3 million in 2007 to RMB38.0 million in 2008, as well as an increase in transportation costs from RMB28.7 million in 2007 to RMB42.0 million in 2008. The increases in provision relating to product warranty, advertising expenses and marketing fees and transportation costs were primarily attributable to an increase in our sales volume from 12.6 million units in 2007 to 19.4 million units in 2008. The increase was partially offset by a decrease in our commission expenses from RMB23.1 million in 2007 to RMB17.1 million in 2008. The increase in our advertising expenses and marketing fees from 2007 to 2008 was because in 2008 we provided marketing fees to selected distributors.

Administrative expenses

Our administrative expenses decreased 1.4% from RMB64.0 million in 2007 to RMB63.1 million in 2008. The decrease was primarily due to a decrease in consultation fee from RMB7.1 million in 2007 to RMB2.8 million in 2008, a decrease in allowance for trade and other receivables and a decrease in office supplies and utilities. The decrease was partially offset by an increase in our staff costs from RMB27.1 million in 2007 to RMB36.3 million in 2008 as a result of an increase in our average headcount from 676 in 2007 to 717 in 2008. Our consultation fee in 2007 was primarily related to our attempt to list our ordinary shares on the Alternative Investment Market of the London Stock Exchange, which did not happen due to (1) the market conditions in 2007; and (2) our decision to list our ordinary shares on the Hong Kong Stock Exchange. We did not file any registration statement or any other document with the London Stock Exchange.

Research and development expenses

Research and development expenses increased 205.7% from RMB3.5 million in 2007 to RMB10.7 million in 2008. The increase was primarily due to the increase in the cost of research materials. Our research projects in 2007 and 2008 primarily related to the development of storage batteries for solar and wind energy.

Other expenses

Our other expenses increased significantly from RMB0.8 million in 2007 to RMB3.5 million in 2008, primarily due to an increase in losses on disposal of property, plant and equipment from RMB0.5 million in 2007 to RMB2.3 million in 2008, as well as an increase in our charity donations from RMB0.1 million in 2007 to RMB1.1 million in 2008.

Finance costs

Our Finance costs increased 14.9% from RMB22.8 million in 2007 to RMB26.2 million in 2008, primarily due to an increase in interest expenses on our bank and other borrowings as a result of an increase in our average bank and other borrowings in 2008 as well as an increase in interest expenses on finance leases.

Profit before taxation

For the above reasons, our profit before tax increased 63.9% from RMB109.2 million in 2007 to RMB179.0 million in 2008.

Taxation

Our income tax expense increased 109.5% from RMB16.9 million in 2007 to RMB35.4 million in 2008. The increase was primarily because (i) our profit before taxation increased significantly in 2008 and (ii) Chaowei Power was granted a tax exemption in 2007 but only a half reduction in the tax rate in 2008 (the actual tax rate after half reduction for 2008 was 12.5%).

Profit and total comprehensive income for the year

For the above reasons, our profit and total comprehensive income for the year increased 55.6% from RMB92.3 million in 2007 to RMB143.6 million in 2008 and our net profit margin decreased from 6.3% in 2007 to 6.2% in 2008.

Profit and total comprehensive income for the year attributable to owners of the Company

Our profit and total comprehensive income for the year attributable to owners of our Company was RMB128.1 million in 2008, an increase of 52.1% from RMB84.2 million in 2007.

Non-controlling interests

Our profit and total comprehensive income attributable to non-controlling interests increased 93.8% from RMB8.0 million in 2007 to RMB15.5 million in 2008. The increase was primarily due to the increase in the net profit of Shandong Chaowei and Henan Chaowei.

DESCRIPTION OF CERTAIN BALANCE SHEET ITEMS

Inventories

The following table sets out a breakdown of our inventories as of the dates indicated:

	As of 31 December			As of 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	38,703	53,925	220,680	95,205
Work in process	151,301	145,319	219,461	198,086
Finished goods	25,143	28,091	30,593	31,230
Total	215,147	227,335	470,734	324,521

Our total inventories increased from RMB215.1 million as of 31 December 2007 to RMB227.3 million as of 31 December 2008, and further increased to RMB470.7 million as of 31 December 2009. The overall increase was primarily due to an increase in raw material purchases as a result of increased production volume as well as our anticipation of an increase in lead price. We usually purchase more lead when we anticipate that lead price will increase in the future.

Our total inventories decreased from RMB470.7 million as of 31 December 2009 to RMB324.5 million as of 31 March 2010. The decrease was primarily due to a decrease in our raw material purchases as we did not expect the lead price to rise substantially in the second quarter of 2010.

As of 30 April 2010, all of our total inventories as of 31 March 2010 had been used or sold.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended 31 December			Three months ended 31 March
	2007	2008	2009	2010
Average Inventory Turnover (Days) *Note*	58	44	74	68

Note:

Average inventory equals inventory at the beginning of the year/period plus inventory at the end of the year/period, divided by two. Turnover of average inventory (in days) equals average inventory divided by cost of sales for the relevant year and then multiplied by 365 days for each of the three years ended 31 December 2009. Average turnover days for three months ended 31 March 2010 equals average inventory divided by cost of sales for the relevant year and then multiplied by 90 days and the average inventory was calculated based on the inventory as of 1 January 2010 plus the inventory as of 31 March 2010 divided by two.

Our average inventory turnover days decrease from 58 days in 2007 to 44 days in 2008, primarily due to the increase in our cost of sales as a result of increased sales volume. Our average turnover days increased from 44 days in 2008 to 74 days in 2009, primarily due to the increase in our raw material purchases as a result of increased production volume as well as our anticipation of an increase in lead price. We usually purchase more lead when we anticipate that lead price will increase in the future. Our average inventory turnover days decreased from 74 days in 2009 to 68 days for the three months ended 31 March 2010, primarily due to a decrease in our raw material purchases as we did not expect the lead price to rise substantially in the second quarter of 2010.

Trade receivables

Our trade receivables primarily represent receivables from our primary market customers. We normally have a policy allowing a credit period of 15 days for most of our electric bike manufacturer customers with proven credit history. An extended credit period would be granted to customers on a case by case basis upon reviewing their settlement history, relationship with us and credibility. Trade receivables at the respective reporting dates mainly comprise amounts receivable from sales of our products to such customers. We do not offer a credit period to our distributors save in exceptional circumstances. Our distributors are otherwise required to make a deposit with us when they enter into the distribution agreement and to make full payment for our products before or upon delivery. No interest is charged on the trade receivables.

The following table sets out an aging analysis of trade receivables (net of allowance for doubtful debts) as of the dates indicated:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 15 days	43,550	22,167	14,643	36,530
16 – 90 days	8,409	11,782	2,697	4,673
91 – 180 days	3,905	2,787	1,478	1,094
181 – 365 days	199	413	550	758
	56,063	37,149	19,368	43,055

Our trade receivables decreased by 33.9% from RMB56.1 million as of 31 December 2007 to RMB37.1 million as of 31 December 2008, and further decreased by 47.7% to RMB19.4 million as of 31 December 2009. The overall decrease was primarily because we have tightened our credit policy and associated risk controls by focusing more sales efforts in the secondary market as we only exceptionally offer credit to purchasers in the secondary market. As a result, our sales in the secondary market as a percentage of our revenue increased significantly from 21.2% in 2007 to 42.6% in 2008, and further increased to 67.7% in 2009. By increasing sales in the secondary market, we have increased our liquidity and capital resources.

Our trade receivables were RMB43.1 million as of 31 March 2010, an increase of RMB23.7 million from RMB19.4 million as of 31 December 2009. The increase was primarily due to increase sales in March 2010 as compared with December 2009, in particular increased sales in the primary market as we offer a credit period of 15 days to electric bike manufacturer customers with proven credit history.

As of 30 April 2010, approximately RMB32.4 million, or 75.1%, of our trade receivables as of 31 March 2010 had been settled.

The following table sets out average turnover days for our trade receivables for the periods indicated:

	Year ended 31 December			Three months ended 31 March
	2007	2008	2009	2010
Trade Receivable Turnover (Days) *Note*	9	7	4	4

Note:

Average trade receivables equal trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period divided by two. Trade receivables turnover days equal average trade receivables divided by revenue and multiplied by 365 for each of the three years ended 31 December 2007, 2008 and 2009. Trade receivables turnover days for the three months ended 31 March 2010 equal average trade receivables divided by revenue and multiplied by 90 days and the average trade receivables were calculated based on the trade receivables as of 1 January 2010 plus the trade receivables as of 31 March 2010 divided by two.

Our average trade receivable turnover days decreased from 9 days in 2007 to 7 days in 2008, and further decreased to 4 days in 2009. The overall decrease was primarily a result of the decrease in our trade receivables due to (1) we have tightened our credit policy and associated risk controls; and (2) we only exceptionally grant credit to distributors and sales to distributors as a percentage of our revenue increased significantly from 21.2% in 2007 to 42.6% in 2008, and further to 67.7% in 2009. Our average trade receivable turnover days were 4 days for the three months ended 31 March 2010, remaining stable as compared to 4 days in 2009.

Bills receivables

The following table sets out an aging analysis of our bills receivables as of the dates indicated:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	98,582	47,039	10,362	169,115
91 – 180 days	118,638	114,900	165,968	80,299
	217,220	161,939	176,330	249,414

Our bills receivables decreased 25.5% from RMB217.2 million as of 31 December 2007 to 161.9 million as of 31 December 2008, primarily due to (1) we have tightened our credit policy and associated risk controls; and (2) we only exceptionally grant credit to distributors and sales to distributors as a percentage of our revenue increased significantly from 21.2% in 2007 to 42.6% in 2008. Our bills receivables increased slightly from RMB161.9 million as of 31 December 2008 to RMB176.3 million as of 31 December 2009, primary due to increased sales in the fourth quarter of 2009 as compared to the same period of 2008.

Our bills receivables were RMB249.4 million as of 31 March 2010, an increase of RMB73.1 million from RMB176.3 million as of 31 December 2009. The increase was primarily due to increased sales in March 2010 as compared with December 2009.

As of 30 April 2010, approximately RMB37.0 million, or 14.8%, of our bills receivables as of 31 March 2010 had been settled.

Prepayment and other receivables

The following table sets forth our prepayments and other receivables as of the dates indicated:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to suppliers	62,449	40,950	31,752	46,334
Other receivables	6,072	21,359	52,798	36,388
	68,521	62,309	84,550	82,722

The following table sets forth a breakdown of our other receivables as of the dates indicated:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Value-added tax recoverable	–	8,951	46,296	18,987
Prepayments to employees	2,087	1,123	2,068	3,244
Loans receivable	679	6,073	2,197	–
Others	3,306	5,212	2,237	14,157
	6,072	21,359	52,798	36,388

Our prepayments decreased 34.3% from RMB62.4 million as of 31 December 2007 to RMB41.0 million as of 31 December 2008, and further decreased 22.4% to RMB31.8 million as of 31 December 2009. The overall decrease in prepayments was primarily because of our greater bargaining power to negotiate with suppliers which enables us to reduce our prepayment to suppliers.

Our prepayments were RMB46.3 million as of 31 March 2010, an increase of RMB14.5 million from RMB31.8 million as of 31 December 2009. The increase was primarily due to more deposit paid for the purchase of raw materials in April 2010.

As of 30 April 2010, approximately RMB40.8 million, or 88.1%, of our prepayments to suppliers as of 31 March 2010 had been recognized as purchases.

Our other receivables increased 250.8% from RMB6.1 million as of 31 December 2007 to RMB21.4 million as of 31 December 2008, and further increased 146.7% to RMB52.8 million as of 31 December 2009. The overall increase was primarily due to the significant increase in value-added tax recoverables. The increase in value-added tax recoverables was primarily due to an increase in raw material purchases as well as a change in PRC's tax policy which allows the input value-added tax incurred for purchase of fixed assets to be offset and deducted from output value-added tax.

Some of our PRC subsidiaries recorded loans receivable in the years ended 31 December 2007, 2008 and 2009. The loans receivable primarily related to loans to suppliers and Beijing Li Xian Feng which were unsecured, interest-free. As at 28 February 2010, all such loans had been settled, and there are no other similar loans or obligations between the Company's PRC subsidiaries and independent third parties. Accordingly, the Company believes that there is no dispute or controversy or legal risk relating to such loans

or obligations between its PRC subsidiaries and independent third parties. Zong Heng Law Firm, our legal advisers on PRC laws, has confirmed that such loans or obligations were in compliance with the Contract Law of the People's Republic of China and all other applicable PRC laws and regulations. Since such loans had been settled and all obligations been fulfilled as of 28 February 2010, there is no dispute or controversy relating to such loans or obligations between the Company's PRC subsidiaries and independent third parties and there is no legal risks relating to the same.

Our Directors confirm that we will not provide similar borrowings to third parties after the Global Offering.

Our other receivable as of 31 December 2009 had been subsequently settled in February 2010.

Our other receivables were RMB36.4 million as of 31 March 2010, a decrease of RMB16.4 million from RMB52.8 million as of 31 December 2009. The decrease was primarily due to settlement of value-added tax recoverable against the value-added tax payable arising from sales of batteries during the three months ended 31 March 2010.

As of 30 April 2010, all of our value-added tax recoverable as of 31 March 2010 had been settled.

Trade payables

Our trade payables represent amounts payable in connection with the purchases of materials necessary for our production and other raw materials from various suppliers. The average credit period taken for the settlement of trade purchases is 30 days.

The following table sets forth an aging analysis of trade payables as of the dates indicated:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	40,751	43,094	72,047	71,982
31 – 90 days	35,106	49,209	68,010	60,066
91 – 180 days	42,129	59,789	66,503	55,669
181 – 365 days	2,659	4,208	9,142	10,050
1 – 2 years	2,017	2,893	2,717	4,427
Over 2 years	–	17	1,740	1,877
	122,662	159,210	220,159	204,071

Our trade payables increased 29.7% from RMB122.7 million as of 31 December 2007 to RMB159.2 million as of 31 December 2008. The increase was primarily because (1) we purchased more raw materials as a result of increased sales volume; and (2) approximately RMB59.9 million and RMB27.5 million of our bills receivables were endorsed with recourse to third parties as of 31 December 2007 and 2008, respectively, and correspondingly RMB59.9 million and RMB27.5 million were included in the consolidated statements of financial position as trade payables as of 31 December 2007 and 2008, respectively. Under the relevant PRC law, for bills receivable endorsed to other third parties, the holder may exercise the right of recourse against the endorser, drawer or other debtors of the draft upon a refusal of payment to a draft. Based on relevant accounting standards, financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and a company has transferred substantially all the risks and rewards of ownership of the financial assets. If a company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognize the financial asset. For bills receivables endorsed with recourse to other third parties to settle its trade payable, as those bills receivables could not be derecognized based on the above-mentioned reason, the corresponding trade payables were still included in the consolidated statements of financial position.

Our trade payables further increased 38.3% from RMB159.2 million as of 31 December 2008 to RMB220.2 million as of 31 December 2009, primarily because approximately RMB101.3 million of our bills receivables were endorsed with recourse to third parties as of 31 December 2009 and correspondingly RMB101.3 million were included in the consolidated statement of financial position as trade payables as of 31 December 2009.

Our trade payables were RMB204.1 million as of 31 March 2010, a decrease of RMB16.1 million from RMB220.2 million as of 31 December 2009. Approximately RMB94.0 million of our bills receivables were endorsed with recourse to third parties as of 31 March 2010 and correspondingly RMB94.0 million were included in the consolidated statement of financial position as trade payables as of 31 March 2010.

As of 30 April 2010, approximately RMB122.8 million, or 60.2%, of our trade payables as of 31 March 2010 had been settled.

The following table sets forth average turnover days for our trade payables for the periods indicated:

	Year ended 31 December			Three months ended 31 March
	2007	2008	2009	2010
Trade Payable Turnover (Days) *Note*	35	28	40	36

Note:

Average trade payables equal trade payables at the beginning of the year/period plus trade payables at the end of the year/period divided by two. Trade payables turnover days equal average trade payables divided by cost of sales and multiplied by 365 for each of the three years ended 31 December 2007, 2008 and 2009. Trade payables turnover days for the three months ended 31 March 2010 equal average trade payables divided by cost of sales and multiplied by 90 days and the average trade payables were calculated based on the trade payables as of 1 January 2010 plus the trade payables as of 31 March 2010 divided by two.

Our average trade payable turnover days decreased from 35 days in 2007 to 28 days in 2008, primarily due to the increase in our cost of sales from RMB1,133.7 million in 2007 to RMB1,835.0 million in 2008. Our average trade payable turnover days increased from 28 days in 2008 to 40 days in 2009, primarily because approximately RMB101.3 million of our bills receivables were endorsed with recourse to third parties as of 31 December 2009 and correspondingly RMB101.3 million were included in the consolidated statements of financial position as trade payables as of 31 December 2009. Our average trade payables turnover days in 2007 and 2009 and the three months ended 31 March 2010 were longer than the 30-day credit period normally granted by our suppliers, primarily because approximately RMB59.9 million, RMB101.3 million and RMB94.0 million of our bills receivables as of 31 December 2007 and 2009 and 31 March 2010, respectively, were endorsed with recourse to third parties and correspondingly RMB59.9 million, RMB101.3 million and RMB94.0 million were included in the consolidated statement of financial position as trade payables as of 31 December 2007 and 2009 and 31 March 2010, respectively.

Other payables

The following table sets forth a breakdown of our other payables as of the dates indicated:

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received from distributors and others	2,991	22,531	38,466	38,359
Other payables *Note*	16,091	49,921	41,573	20,664
Advance from customers	5,690	25,788	32,594	30,871
Accrued payroll and welfare	11,635	17,833	25,072	12,418
Other tax payable	4,623	8,641	2,108	10,799
Interest payable	51	259	226	433
	41,081	124,973	140,039	113,544

Note:

Other payables primarily include accrued commission expenses, advertising expenses and marketing fees and other accruals.

As of 30 April 2010, approximately RMB0.5 million, or 1.9%, of deposits received from distributors as of 31 March 2010 and approximately RMB28.7 million, or 93.0%, of advances from customers as of 31 March 2010 had been recognized as revenue.

Amounts due from/to related parties

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related entities:				
Trade nature				
– Henan Yifeng	3,295	2,045	342	5,855
Non-trade nature				
– Chai Chenglei (1)	70	421	1,698	–
– Qian Haichun (1)	–	–	2,379	–
	3,365	2,466	4,419	5,855
Amount due from a director				
– Zhou Mingming (3)	–	5,646	30	–
Total	3,365	8,112	4,449	5,855

All amounts due from related parties were denominated in RMB, unsecured and interest free.

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related entities:				
Non-trade nature				
– Henan Yifeng	3,616	–	–	–
– Henan Gaoyuan	595	585	–	–
– United holdings (2)	–	71	71	60
– Chai Chenglei	2,500	1,000	–	–
– Li Jie	2,000	2,000	–	–
– Qian Haichun (1)	–	–	2,000	–
Total	8,711	3,656	2,071	60

All amounts due to related parties are unsecured, interest free and to be settled in accordance with agreed credit term or payable on demand.

Notes:

(1) The amount due to/from related parties that were non-trade nature had been fully settled by the Group/relevant related parties before 31 March 2010.

(2) The amount due to United holdings had been fully repaid in April 2010.

(3) The amount due from a director had been fully settled before 31 March 2010.

LIQUIDITY AND CAPITAL RESOURCES

Based on our current and anticipated levels of operations and conditions in the markets and industry, we believe that our proceeds from this Global Offering, our cash and bank deposits, cash flow from operations, our banking relationships and future financings will enable us to meet our working capital, capital expenditures, and other funding requirements for the foreseeable future. However, our ability to fund our working capital needs, repay our indebtedness and finance other obligations depend on our future operating performance and cash flow, which are in turn subject to prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all.

In general, we have the ability to generate adequate cash from our operations to fund our ongoing operating cash needs and the continuing expansion of our business. We may use short-term bank borrowings to finance operations and repay bank borrowings once our funding position is in surplus. We have not experienced and do not expect to experience any difficulties meeting our obligations as they become due. We will use part of the proceeds from the Global Offering to fulfill our capital commitments for future expansion.

Our net cash and cash equivalents as of 31 December 2007, 2008 and 2009 and 31 March 2010 were RMB70.7 million, RMB177.1 million, RMB150.8 million and RMB345.7 million, respectively.

Our net current assets as of 31 December 2007, 2008 and 2009 and 31 March 2010 were RMB207.2 million, RMB232.8 million, RMB404.3 million and RMB541.0 million, respectively.

Net current assets/liabilities

The following table sets forth the breakdown of our current assets and liabilities as of the dates indicated:

	At 31 December			At 31 March	At 30 April
	2007	2008	2009	2010	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
CURRENT ASSETS					
Inventories	215,147	227,335	470,734	324,521	369,018
Trade receivables	56,063	37,149	19,368	43,055	69,574
Bills receivable	217,220	161,939	176,330	249,414	260,415
Prepayments and other receivables	68,521	62,309	84,550	82,722	116,169
Amounts due from related parties	3,365	8,112	4,449	5,855	5,505
Prepaid lease payments-current portion	425	932	1,451	1,472	1,472
Money market funds	–	100,000	–	–	–
Restricted bank deposits	82,407	119,006	7,861	200	200
Bank balances and cash	70,682	177,087	150,842	345,667	204,635
	713,830	893,869	915,585	1,052,906	1,026,988
CURRENT LIABILITIES					
Trade payables	122,662	159,210	220,159	204,071	208,527
Bills payable	3,895	106,157	7,070	–	–
Other payables	41,081	124,973	140,039	113,544	97,539
Amounts due to related parties	8,711	3,656	2,071	60	–
Income tax payable	8,597	14,312	29,017	19,604	18,133
Dividend payable	–	–	–	65,000	32,500
Obligations under finance leases-current portion	5,596	6,174	–	–	–
Deferred income-current portion	984	1,451	350	350	350
Provision	33,542	45,164	57,539	64,280	70,955
Bank borrowings-due within one year	150,080	116,000	55,000	45,000	30,000
Other borrowings	131,511	83,985	–	–	–
	506,659	661,082	511,245	511,909	458,004
NET CURRENT ASSETS	207,171	232,787	404,340	540,997	568,984

Cash flow

We conduct all of our operations through our operating subsidiaries in China. Cash flows generated by our operating subsidiaries on a stand-alone basis may differ significantly from that presented in our consolidated statements of cash flows.

The following table sets forth certain information regarding our consolidated statements of cash flows for the periods indicated:

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

Note:

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

Net cash generated from (used in) operating activities

We derive our net cash inflow from operating activities primarily through the receipt of payments for the sale of our lead-acid motive battery products. Our cash outflow from operating activities is used primarily for raw material purchases, payment of utilities, selling and distribution costs, and staff salaries.

Our net cash flow generated from operating activities reflects our profit before taxation, as adjusted for non-cash items, such as depreciation, and the effects of changes in working capital, such as increases or decreases in trade and other receivables, accruals and other payables, and income tax payment.

Our net cash generated from operating activities was RMB82.3 million for the three months ended 31 March 2010, primarily as a result of operating profits of RMB93.5 million adjusted by an increase in non-cash item of RMB16.6 million, a decrease in inventories of RMB142.1 million, partially offset by an increase in receivables, deposits and prepayments of RMB97.7 million, a decrease in payables, deposits received and accrued charges of RMB50.1 million and an income tax payment of RMB23.4 million.

Our net cash generated from operating activities in 2009 was RMB13.9 million, primarily as a result of operating profits of RMB283.7 million adjusted by an increase in non-cash item of RMB37.4 million, as well as an increase in provision of RMB12.4 million, partially offset by an increase in inventories of RMB221.6 million, a decrease in payables, deposits received and accrued charges of RMB54.0 million and an income tax payment of RMB47.9 million.

Our net cash generated from operating activities in 2008 was RMB488.3 million, primarily as a result of operating profits of RMB179.0 million adjusted by an increase in non-cash item of RMB46.3 million, an increase in payables, deposits received and accrued charges of RMB222.8 million and a decrease in receivables, deposits and prepayments of RMB85.7 million, partially offset by an increase in inventories of RMB18.9 million and an income tax payment of RMB39.6 million.

Our net cash used in operating activities in 2007 was RMB52.3 million, primarily as a result of operating profits of RMB109.2 million adjusted by an increase in non-cash item of RMB37.6 million, an increase in payables, deposits received and accrued charges of RMB44.6 million, an increase in provision of RMB19.8 million and a decrease in amounts due from related companies of RMB9.5 million, partially offset by an increase in receivables, deposits and prepayments of RMB177.8 million, and increase in inventories of RMB73.2 million and an income tax payment of RMB21.7 million.

Net cash used in investing activities

Our net cash used in investing activities was RMB48.9 million for the three months ended 31 March 2010, which pertained mainly to the payment for purchases of property, plant and equipment of RMB60.3 million and addition to prepaid lease payments of RMB1.0 million, partially offset by a decrease in restricted bank deposits of RMB7.7 million, repayment of advance to loans receivable of RMB2.2 million and repayment from related parties of RMB1.9 million.

Our net cash generated from investing activities in 2009 was RMB14.8 million, which pertained mainly to proceeds on disposal of money market funds of RMB257.0 million and a decrease in restricted bank deposits of RMB111.1 million, partially offset by the payment for purchases of property, plant and equipment of RMB168.1 million, the purchases of money market funds for RMB157.0 million and the acquisition of subsidiaries for RMB50.6 million.

Our net cash used in investing activities in 2008 was RMB237.3 million, which pertained mainly to the purchases of money market funds for RMB265.0 million, the payment for purchases of property, plant and equipment of RMB73.3 million, an increase in restricted bank deposits of RMB36.6 million and the addition to prepaid lease payments of RMB25.1 million, partially offset by the proceeds on disposal of money market funds of RMB165.0 million.

Our net cash used in investing activities in 2007 was RMB126.8 million, which pertained mainly to the payment for purchases of property, plant and equipment of RMB73.1 million, an increase in restricted bank deposits of RMB62.4 million, partially offset by the proceeds on disposal of property, plant and equipment of RMB4.5 million.

Net cash generated from (used in) financing activities

Our net cash generated from financing activities was RMB161.5 million for the three months ended 31 March 2010, which pertained mainly to new bank borrowings raised of RMB120.0 million and advances from related parties of RMB54.9 million, partially offset by repayment of bank borrowings of RMB10.0 million, interest payment of RMB3.7 million and repayment to related parties of RMB2.0 million.

Our net cash used in financing activities in 2009 was RMB54.9 million, which pertained mainly to repayment of bank borrowings of RMB352.0 million and repayment of other borrowings of RMB184.0 million, partially offset by new bank borrowings raised of RMB445.0 million and new other borrowings raised of RMB100.0 million.

Our net cash used in financing activities in 2008 was RMB144.7 million, which pertained mainly to repayment of other borrowings of RMB358.7 million and repayment of bank borrowings of RMB220.1 million, partially offset by new other borrowings raised of RMB311.1 million and new bank borrowings raised of RMB156.0 million.

Our net cash generated from financing activities in 2007 was RMB222.9 million, which pertained mainly to new other borrowings raised of RMB316.0 million and new bank borrowings raised of RMB290.4 million, partially offset by repayment of bank borrowings of RMB279.4 million and repayment of other borrowings of RMB214.8 million.

Our investment in money market funds

As at 31 December 2008, the Group had money market funds of RMB100.0 million, which represented investment in money funds of a few regulated financial institutions in the PRC. These investments were redeemable based on quoted market price and were carried at fair value at the end of each reporting period.

We had purchased short-term low-risk money market funds when there was a surplus of fund. Our investment strategy was to only invest in short-term low-risk money market funds. In the opinion of our Directors, the purpose of the investment in such money market funds was to provide the Company with a safe place to invest in easily accessible assets which was characterized as low-risk and low-return investment. In order to control the risk, the management had designated our investment manager to be responsible for investment in money market funds or other capital-preserved financial products. Before investing in such money market funds, our investment manager had explained to our Directors the risks of the underlying assets associated with such funds. Our Directors then evaluated the risks and decided whether to invest in such funds or not. We never suffered any losses with respect to such funds and have stopped investing in such short-term capital-preserved money market funds since the end of 2009. We will no longer invest in such money market funds after listing.

Our return from the investment in money market funds was approximately RMB0.2 million and RMB0.7 million in 2008 and 2009, respectively.

Working capital

Our Directors are of the opinion that, taking into consideration the financial resources available to us including our internally generated funds, bank facilities and the estimated net proceeds from the Global Offering, the working capital available to us is sufficient for our present requirements, that is for at least the next 12 months from the date of publication of this prospectus.

Financial ratios

The following table sets forth our current ratio, gearing ratio, quick ratio, return on equity and return on assets as of the dates indicated:

	As of 31 December			As of 31 March
	2007	2008	2009	2010
Current ratio[(1)]	1.41	1.35	1.79	2.06
Gearing ratio[(2)]	0.36	0.18	0.15	0.20
Quick ratio[(3)]	0.98	1.01	0.87	1.42
Return on equity[(4)]	25.1%	28.0%	31.1%	9.9%
Return on assets[(5)]	10.1%	12.2%	16.0%	4.9%

Notes:

(1) Current ratio is calculated based on current assets divided by current liabilities.

(2) Gearing ratio is calculated based on total debt divided by total assets.

(3) Quick ratio is calculated based on current assets less inventories and then divided by current liabilities.

(4) Return on equity is calculated based on net profit divided by total equity.

(5) Return on assets is calculated based on net profit divided by total assets.

Current ratio

Our current ratio was 1.41, 1.35, 1.79 and 2.06 as of 31 December 2007, 2008 and 2009 and 31 March 2010, respectively. Our current ratio decreased from 1.41 as of 31 December 2007 to 1.35 as of 31 December 2008, primarily due to an increase in current liabilities mainly as a result of an increase in trade payables, bills payable and other payables as a result of increased sales, partially offset by an increase in current assets as a result of increases in our restricted bank deposits, bank balances and cash and our investment in money market funds. Our current ratio increased from 1.35 as of 31 December 2008 to 1.79 as of 31 December 2009, primarily due to (1) a decrease in current liabilities mainly as a result of a decrease in bills payable and a significant decrease in our short-term borrowings; and (2) an increase in current assets resulting from an increase in our total inventories. In 2009 we settled part of our short-term borrowings and draw down the long-term bank borrowings to support the further expansion of our production facilities and to maintain sufficient working capital. The increase in our total inventories as of 31

December 2009 was primarily due to an increase in raw material purchases as a result of increased production volume as well as our anticipation of an increase in lead price. We usually purchase more lead when we anticipate that lead price will increase in the future.

Our current ratio increased from 1.79 as of 31 December 2009 to 2.06 as of 31 March 2010, primarily due to an increase in bank balances and cash and bills receivable as a result of increased sales, partially offset by a decrease in total inventories. We increased our long-term borrowings in the first quarter of 2010 to support the further expansion of our production facilities and to maintain sufficient working capital. The decrease in our total inventories was primarily due to a decrease in our raw material purchases as we did not expect the lead price to rise substantially in 2010.

Gearing ratio

Our gearing ratio was 0.36, 0.18, 0.15 and 0.20 as of 31 December 2007, 2008 and 2009 and 31 March 2010, respectively. Our gearing ratio decreased from 0.36 as of 31 December 2007 to 0.18 as of 31 December 2008, primarily due to a decrease in our total bank and other borrowings as well as an increase in our current and non-current assets. The increase in our non-current assets as of 31 December 2008 was primarily due to our purchases of more property, plant and equipment as a result of our production facility expansion. The increase in our current assets as of 31 December 2008 was primarily due to increases in our restricted bank deposits, bank balances and cash and our investment in money market funds. Our gearing ratio decreased from 0.18 as of 31 December 2008 to 0.15 as of 31 December 2009, primarily due to an increase in our current and non-current assets, partially offset by an increase in our total bank and other borrowings. The increase in our non-current assets as of 31 December 2009 was primarily due to our purchases of more property, plant and equipment as a result of our production facility expansion. The increase in our current assets as of 31 December 2009 was primarily due to an increase in our inventories as a result of increased production and sales volumes.

Our gearing ratio increased from 0.15 as of 31 December 2009 to 0.20 as of 31 March 2010, primarily due to an increase in our long-term bank borrowings to fund the further expansion of our production facilities and to maintain sufficient our working capital, partially offset by an increase in our total assets resulting mainly from our purchases of more property, plant and equipment as well as an increase in our bank balances and cash.

Quick ratio

Our quick ratio was 0.98, 1.01, 0.87 and 1.42 as of 31 December 2007, 2008 and 2009 and 31 March 2010, respectively. Our quick ratio remained relatively stable in 2007 and 2008. Our quick ratio decreased to 0.87 as of 31 December 2009 from 1.01 as of 31 December 2008, primarily due to the usage of more fund to purchase raw materials as a result of increased production volume as well as our anticipation of an increase in lead price. We usually purchase more lead when we anticipate that lead price will increase in the future. Our quick ratio increased from 0.87 as of 31 December 2009 to 1.42 as of 31 March 2010, primarily due to an increase in current assets mainly as a result of an increase in bank balances and bills receivable resulting from increased sales, as well as a decrease in our total inventories. The decrease in our total inventories was primarily due to a decrease in our raw material purchases as we did not expect the lead price to rise substantially in 2010.

Return on equity

Our return on equity was 25.1%, 28.0% and 31.1% for the three years ended 31 December 2007, 2008 and 2009, respectively. The overall increase in our return on equity was primarily due to an increase in our net profit, partially offset by an increase in our total equity. Our return on equity was 9.9% for the three months ended 31 March 2010. This was primarily due to an increase in our net profit as a result of increased sales volume and an increase in our average selling price per battery, partially offset by an increase in our average cost of sales per battery.

Return on assets

Our return on assets was 10.1%, 12.2% and 16.0% for the three years ended 31 December 2007, 2008 and 2009, respectively. The overall increase in our return on assets was primarily due to an increase in our net profit, partially offset by an increase in our total assets. Our return on assets was 4.9% for the three months ended 31 March 2010. This was primarily due to an increase in our net profit as a result of increased sales volume and an increase in our average selling price per battery, partially offset by an increase in our average cost of sales per battery.

Capital commitments

The following table represents our capital commitments to make future payments under contracts and commitments as of the dates indicated:

	As of 31 December			As of 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for – acquisition of property, plant and equipment	9,505	36,191	15,325	45,655

CAPITAL EXPENDITURE

The following table sets out our capital expenditures for the years/period indicated:

	Year ended 31 December			Three months ended 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land	–	26,289	17,072	1,044
Buildings	4,529	3,347	4,527	886
Plant and machinery	17,482	39,422	32,492	12,057
Motor vehicles	1,926	1,144	6,896	670
Furniture, fixture and equipment	3,020	4,662	2,810	1,224
Construction in progress	35,364	32,209	103,039	47,313
Total	62,321	107,073	166,836	63,194

INDEBTEDNESS

The following table sets forth our total bank and other borrowings as of the dates indicated:

	As of 31 December			As of 31 March	As of 30 April
	2007	2008	2009	2010	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Bank borrowings					
Secured	95,080	56,000	101,000	151,000	136,000
Unsecured	85,000	60,000	110,000	170,000	170,000
Other borrowings					
Secured	130,226	82,700	–	–	–
Unsecured	1,285	1,285	–	–	–
Total	311,591	199,985	211,000	321,000	306,000
Bank and other borrowings are repayable as follows:					
Within one year	281,591	199,985	55,000	45,000	30,000
In the second year	30,000	–	–	–	–
More than two years but not more than five years	–	–	156,000	276,000	276,000
Total	311,591	199,985	211,000	321,000	306,000

All of our bank and other borrowings were denominated in RMB. The effective weighted average annual interest rate of our bank borrowings for the years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010 was 6.87%, 7.46%, 4.66% and 5.03% per annum, respectively. Our secured other borrowings carried interest at fixed rates ranging from 4.20% to 6.89% and 2.86% per annum for the years ended 31 December 2007 and 2008, respectively. We discounted bills receivable of approximately RMB130.2 million and RMB82.7 million as of 31 December 2007 and 2008, respectively, to third parties with full recourse. We continued to recognize the full carrying amount of such bills receivables with the cash received on the discounting as other borrowings. As at 31 March 2010, we did not discount any bills receivables and thus no other borrowings was recognized.

Unsecured other borrowings are repayable to local county government, which are on demand, carried interest rate of 12% per annum and were fully repaid during the year ended 31 December 2009.

As of 30 April 2010, we had unutilized banking facilities of approximately RMB292.0 million.

Except as described above, as of 30 April 2010, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 30 April 2010.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we do not have any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we do not have any material off-balance sheet arrangements.

MARKET RISK

Our activities expose us primarily to the financial and market risks such as interest rate risk, credit risk and inflation. Market risk exposures are measured by sensitivity analysis. There has been no change to our exposure to market risks or the manner in which we manage and measure the risk during the Track Record Period. Details of each type of financial and market risks are described below.

Interest rate risk

We are exposed to interest rate risks resulting from our long-term and short-term borrowings. We undertake borrowings for general corporate purposes and our expansion needs. Our borrowings are subject to both fixed rates and floating rates. Borrowings at fixed rates expose us to fair value interest rate risk and borrowings at floating rates expose us to cash flow interest rate risk, respectively. Our fair value interest rate risk relates primarily to our fixed-rate bank and other borrowings subject to negotiation on an annual basis. Our cash flow interest rate risk relates primarily to the restricted bank deposits, bank balances and cash, floating interest rate bank borrowings and obligations under finance lease. We currently do not use any derivative contracts to hedge our exposure to interest rate risk. However, our management will consider hedging significant interest rate exposure should the need arise.

The sensitivity analyses below have been determined based on our exposure to interest rates for non-derivative instruments at the end of each reporting period. For variable-rate bank borrowings and restricted bank deposits, bank balances and cash and obligations under finance lease, the analysis is prepared assuming the amount of liability outstanding at the end of each reporting period was outstanding for the whole year. A 27 basis points increase or decrease is used which represents our management's assessment of the reasonably possible change in interest rates.

If interest rates had been 27 basis points higher/lower and all other variables were held constant, our profit for the year ended 31 December 2007, 2008 and 2009 would have increased/decreased by RMB375,000, RMB772,000, RMB20,000, respectively.

The effective weighted average annual rate of our bank borrowings for the years ended 31 December 2007, 2008 and 2009 were 6.87%, 7.46% and 4.66% per annum respectively. The terms of our borrowings are disclosed in section B, note 31 and 32 to the Accountants' Report of our Company set forth in Appendix I to this prospectus.

Credit risk

Our credit risk is primarily attributable to our trade receivables, bills receivable, other receivables, amounts due from related parties, bank balances and deposits. At the end of each reporting period, our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets stated in the consolidated statements of financial position.

In order to minimize the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our directors consider that our credit risk is significantly reduced.

We have no significant concentration of credit risk on bills and trade receivables, with exposure spread over a large number of counterparties and customers. Our credit risk on liquid funds is limited because the counterparties are authorized banks in the PRC.

Inflation

According to National Bureau of Statistics of China, China's overall national inflation rate, as represented by changes in the general consumer price index, was approximately 4.8%, 5.9% and -0.7% for the years ended 31 December 2007, 2008 and 2009, respectively. Inflation has not had a significant effect on our business during the Track Record Period. However, there can be no assurance as to the impact of a sustained increase in inflation on our business, financial condition, results of operations and prospects.

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

Forecast consolidated profit attributable to owners of the Company [(1)]	not less than RMB113.0 million (approximately HK$128.4 million)
Unaudited pro forma forecast earnings per Share [(2)(3)]	RMB0.113 (approximately HK$0.128)

Notes:

1. The bases and assumptions on which the forecast consolidated profit for the six-month period ending 30 June 2010 attributable to owners of the Company has been prepared are summarized in Appendix III to this prospectus.

2. The calculation of the unaudited pro forma forecast earnings per share is based on the forecast consolidated profit for the six-month period ending 30 June 2010 attributable to owners of the Company and assuming the Global Offering had been completed on 1 January 2010 and a total of 1,000,000,000 Shares had been in issue throughout the six-month period ending 30 June 2010. No account has been taken of any additional income we may have earned from the estimated net proceeds from the Global Offering, any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option, or the options granted under the Share Option Schemes.

3. The unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at an exchange rate of RMB0.88 to HK$1.00.

4. We have undertaken to the Hong Kong Stock Exchange that our interim report for the six-month period ending 30 June 2010 will be audited pursuant to Rule 11.18 of the Hong Kong Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted net tangible assets of the Group which is based on the audited consolidated net tangible assets of the Group attributable to the owners of our Company as of 31 March 2010 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, adjusted as described below. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group.

	Audited consolidated net tangible assets of the Group attributable to owners of our Company as of 31 March 2010 *RMB'000* *(1)*	**Estimated net proceeds from the Global offering** *RMB'000* *(2)*	**Unaudited pro forma adjusted net tangible assets** *RMB'000*	**Unaudited pro forma adjusted net tangible assets per Share** *RMB* *(3)*	*HK$* *(4)*
Based on the Offer Price of HK$2.18 per Share	729,177	417,911	1,147,088	1.15	1.31
Based on the Offer Price of HK$2.90 per Share	729,177	568,377	1,297,554	1.30	1.48

Notes:

1. The audited consolidated net tangible assets attributable to the owners of our Company as of 31 March 2010 are based on audited consolidated net assets attributable to the owners of our Company as of 31 March 2010 of approximately RMB744,133,000 as set out in Appendix I to this prospectus after deducting goodwill of approximately RMB14,956,000.

2. The estimated net proceeds from the Global Offering are based on 250,000,000 shares at the Offer Price of lower limit and upper limit of HK$2.18 and HK$2.90 per Share, respectively, after deduction of estimated related fees and expenses and do not take into account of any Share that may be issued pursuant to the exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share has been arrived at after making the adjustments referred to in this section and on the basis of a total of 1,000,000,000 Shares in issue immediately following completion of the Global Offering. It does not take into account of any Share which may be issued upon exercise of the Over-allotment Option.

4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share are converted into Hong Kong Dollars at an exchange rate of RMB0.88 to HK$1.00.

5. By comparing the valuation of our property interests as set out in Appendix IV to this prospectus the net valuation surplus is approximately RMB69.4 million as compared to the carrying amounts of the Group's property interests as of 31 March 2010, which has not been included in the above consolidated net tangible assets attributable to owners of our Company. The valuation surplus of our property interests will not be incorporated in our consolidated financial statements for the six-month period ending 30 June 2010. If the valuation surplus were to be included in our consolidated financial statements, an additional depreciation charge of approximately RMB2,934,000 per annum would be incurred.

DIVIDEND AND DIVIDEND POLICY

The recommendation of the payment of dividend is subject to the discretion of the Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of the Shareholders. On 30 May 2007, Chaowei Power declared dividend in the total amount of RMB23,480,000 to its shareholders and the dividend was paid in October 2007. On 5 March 2010, Chaowei Power declared dividend in the total amount of RMB65,000,000 to its shareholders and had paid RMB32,500,000 in April 2010. The remaining RMB32,500,000 will be paid in the second half of 2010. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of the Shareholders of our Company. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

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

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

DISTRIBUTABLE RESERVES

We had no reserves available for distribution to the Shareholders of our Company as of the Latest Practicable Date.

PROPERTY INTERESTS

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued the property interests attributable to us, as of 31 March 2010 at approximately RMB318.1 million. The text of its letter, summary of valuation and valuation certificates are set out in "Appendix IV – Property Valuation" to this prospectus.

Property interests include the land use rights to the parcels of land and the building ownerships of the completed buildings, the structures and the buildings under construction.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 March 2010 being the date to which our latest audited financial statements were prepared.

DISCLOSURE UNDER CHAPTER 13 OF THE HONG KONG LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there are no circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

FUTURE PLANS

Please see the section headed "Business – Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

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

- approximately 55%, or HK$308.2 million, for the expansion of our production capabilities by installing additional production facilities in Zhejiang province, Henan province and Anhui province (we intend to spend approximately 60%, 32% and 8% of such amount on the new production facilities in Zhejiang province, Henan province and Anhui province, respectively. Please see section headed "Business – Our Strategies – Expand our production capacity to increase our market share" in this prospectus for a detailed description of our production capacity expansion plan);

- approximately 20%, or HK$112.1 million, for the acquisition(s) of other motive batteries manufacturers (please see section headed "Business – Our Strategies – Participate in the market consolidation by pursuing strategic acquisitions" in this prospectus for further details);

- approximately 10%, or HK$56.0 million, for the enhancement of our research and development activities mainly on electric car motive batteries, wind and solar energy batteries and Li-ion motive batteries (we intend to spend approximately one-third of such proceeds on our research and development activities in each such area);

- approximately 5%, or HK$28.0 million, for the promotion and strengthening of our "Chilwee 超威" brand name through advertising and marketing campaigns, including advertising in industry journals and technical publications and television networks and outdoor billboards; and

- approximately 10%, or HK$56.0 million, for working capital and general corporate purposes.

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

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

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

HONG KONG UNDERWRITERS

Lead Manager

BNP Paribas Capital (Asia Pacific) Limited

Co-lead Managers

Piper Jaffray Asia Securities Limited
CCB International Capital Limited

Co-Managers

First Shanghai Securities Limited
Taifook Securities Company Limited

INTERNATIONAL UNDERWRITERS

Global Coordinator, Bookrunner, Lead Manager and Sponsor

BNP Paribas Capital (Asia Pacific) Limited

Co-lead Managers

Piper Jaffray Asia Securities Limited
CCB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We are initially offering 25,000,000 Hong Kong Public Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the Application Forms and an aggregate of 225,000,000 International Offer Shares (subject to adjustment and the Over-allotment Option) for subscription by way of International Offering on and subject to the terms and conditions of this prospectus.

Subject to (i) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued, and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Public Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares will be subject to termination by notice in writing from the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if any of the following events occur prior to 8:00 a.m. on the Listing Date:

(1) there has come to the notice of the Global Coordinator:

(i) that any statement contained in this prospectus, the Application Forms, the formal notice and any announcement issued by the Company in relation to the Global Offering (the "**Offer Documents**") which is considered by the Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering was, when it was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecast, expression of opinion, intention or expectation expressed therein is not, in the sole and absolute opinion of the Global Coordinator, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or

(iii) any breach, considered by the Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering, of any of the obligations imposed upon any party (other than the Global Coordinator or any Hong Kong Underwriter) to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on the part of any of the Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Controlling Shareholders, Mr. Zhou Longrui, Ms. Yang Yunfei, Mr. Gao Xinkun, Mr. Ma Zhaoyang, High Joy, Shiny Century, Wide Fame, Red Day, Hony Capital and Castle Lead (collectively, the "Warrantors") or of us pursuant to the indemnification provisions in the Hong Kong Underwriting Agreement which liability has or is likely to have a material adverse effect on the business or financial or trading position of our Group as a whole; or

(v) any change or development involving a prospective change in the condition, assets, liabilities, business affairs, prospects, profits, losses or the financial or trading position or performance of our Group as a

whole considered by the Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole and absolute opinion to be material and adverse in the context of the Global Offering; or

(vi) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties under the Hong Kong Underwriting Agreement considered by the Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or

(vii) we withdraw any of the Offer Documents (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares or the Global Offering); or

(viii) any person (other than the Global Coordinator and any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(2) there shall develop, occur, exist or come into effect:

(ix) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics, including, without limitation, Severe Acute Respiratory Syndrome, avian influenza (H5N1), swine influenza (H1N1) or related or mutated forms, or interruption or delay in transportation in or affecting Hong Kong, the PRC, the United States, Japan, the European Union (or any member thereof), Singapore, the Cayman Islands, or the British Virgin Islands (each a "**Relevant Jurisdiction**"); or

(x) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, regional, national, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including without limitation any moratorium, suspension or restriction on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange, the London Stock Exchange, or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures in or affecting any Relevant Jurisdiction); or

(xi) any new law or regulations or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(xii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), New York (imposed at the United States federal or New York state level or otherwise), the European Union (or any member thereof), Japan or the PRC or a material disruption in commercial banking or securities settlement or clearance services in any Relevant Jurisdiction; or

(xiii) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of Relevant Jurisdiction; or

(xiv) a change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws or regulations in any Relevant Jurisdiction affecting an investment in the Shares; or

(xv) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xvi) any litigation or claim of any third party being threatened or instigated against any member of our Group or any Warrantors; or

(xvii) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xviii) the chairman or chief executive officer or chief financial officer of the Company vacating his office; or

(xix) the commencement by any governmental, regulatory or political body or organisation of any public action against an executive Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xx) a contravention by any member of our Group of the Hong Kong Companies Ordinance or any of the Hong Kong Listing Rules or any other applicable laws or regulations; or

(xxi) a prohibition on the Company for whatever reason from allotting the Offer Shares pursuant to the terms of the Global Offering; or

(xxii) non-compliance of this prospectus or any other documents used in connection with the subscription and purchase of the Offer Shares, or any aspect of the Global Offering, with the Hong Kong Listing Rules or any other applicable laws or regulations; or

(xxiii) other than with the approval of the Global Coordinator, the issue or requirement to issue by us of a supplementary prospectus or any other documents used in connection with the subscription or sale of the Offer Shares pursuant to the Hong Kong Companies Ordinance or the Hong Kong Listing Rules; or

(xxiv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(xxv) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group,

which in each case or in aggregate in the sole and absolute opinion of the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(a) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder in his, her or its capacity as such; or

(b) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(d) would have the effect of making any part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement and the price determination agreement (including underwriting) or any agreement between the Hong Kong Underwriters and the International Underwriters incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings

Undertakings by us

We have undertaken to each of the Global Coordinator, the Bookrunner, the Sponsor and the Hong Kong Underwriters that, and each of our Controlling Shareholders and executive Directors has undertaken to procure that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalization Issue and the exercise of the options which may be granted under the Share Option Scheme or with the prior written consent of the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules, we will not allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company or repurchase Shares or other securities of our Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so during the six months immediately following the Listing Date and in the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders and certain minority Shareholders

Each of (i) our Controlling Shareholders, (ii) Mr. Zhong Longrui (周龍瑞) and High Joy, (iii) Ms. Yang Yunfei (楊雲飛) and Shiny Century, and (iv) Mr. Gao Xinkun (高鑫坤) and Wide Fame has respectively undertaken to us and the Global Coordinator that;

(1) they will, and will procure that their respective associates will, comply with all the applicable restrictions and requirements under the Hong Kong Listing Rules on the disposal by them, or by any registered holder on their behalf, of any Shares or other securities of our Company in respect of which they are, or are shown in the Prospectus to be, the beneficial owner (directly or indirectly);

(2) at any time during the period commencing on the date of such undertakings, being 10 June 2010, and ending on the date which is fifteen months from the Listing Date (the "**Lock-up Period**"), unless with the written consent of the Global Coordinator, they shall not directly or indirectly, and shall procure that none of their associates or companies controlled by them or any nominee or trustee holding in trust for them shall, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, any such Shares or such securities; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of such Shares or such other securities, in cash or otherwise; or (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above; and

(3) they will take all reasonable steps to ensure that any disposal of Shares or any interest therein after the Lock-up Period by them or by any of their respective associates or companies controlled by them or any nominee or trustee holding in trust for them shall not create a disorderly or false market for the Shares.

Each of Mr. Ma Zhaoyang (馬朝陽), Red Day, Ms. Ma Ting (馬亭), Allied Crown, Mr. Mau Derek Edward, Mayful, Mr. Lam Kong (林剛), Treasure Sea, Mr. Ding Zixuan (丁自選) and Noble Avenue has undertaken that without the prior written consent of us and the Global Coordinator, it shall not, whether directly or indirectly, at any time during the period of six months from the Listing Date dispose of any of the Shares or other securities of our Company which are derived therefrom pursuant to any rights issue, capitalization issue or other form of capital reorganization (the "**Relevant Shares**") or any interest in any company or entity holding any of our Shares in which each of them is interested on the Listing Date.

Undertakings by Hony Capital and Castle Lead

Each of Hony Capital and Castle Lead has jointly and severally undertaken to each of us, the Sponsor and the Global Coordinator (for itself and on behalf of the Underwriters) that, during the period commencing on the date of such undertakings, being 10 June 2010, and ending on the date which is six months from the Listing Date, it shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior written consent of the Global Coordinator, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or

disposeof, either directly or indirectly, conditional or unconditional, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares or such other securities; or (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in (a), (b) or (c) above, whether any of the transactions referred to in the foregoing paragraphs (a), (b), (c) or (d) is to be settled by delivering of Shares or such other securities, in cash or otherwise.

Undertakings by our Controlling Shareholders pursuant to Rule 10.07 of the Hong Kong Listing Rules

Pursuant to Rule 10.07 of the Hong Kong Listing Rules, each of our Controlling Shareholders has respectively undertaken to us and to the Hong Kong Stock Exchange that he or it will not, and shall procure that the relevant registered holder will not, without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with applicable requirements of the Hong Kong Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of our shareholdings in our Company is made in the Prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), they shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which they are respectively shown in this prospectus to be the beneficial owner; and

(b) in the period of 6 months commencing on the date on which the First Six-month period expires (the "**Second Six-month Period**"), they shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which they are respectively shown in this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be a controlling shareholder (as defined in the Hong Kong Listing Rules) of us.

Further, pursuant to Rule 10.07 of the Hong Kong Listing Rules, our Controlling Shareholders have undertaken to us and to the Hong Kong Stock Exchange that, during the First Six-month Period and the Second Six-month Period, they will:

(a) when any of them pledges or charges any securities beneficially owned by any of them in favour of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Hong Kong Listing Rules, immediately inform us in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when any of them receive indications, whether verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform us in writing of such indications.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the International Underwriting Agreement, the International Underwriters will severally agree to subscribe or procure subscribers for the International Offer Shares being offered pursuant to the International Offering.

We intend to grant to the Global Coordinator the Over-allotment Option which is exercisable within 30 days from the last date for lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to allot and issue up to an aggregate of 37,500,000 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering.

Underwriting commission

The Underwriters will receive a commission of 5% of the aggregate Offer Price of all the Shares, out of which they will pay any sub-underwriting commission. Such commission, together with the Hong Kong Stock Exchange listing fees, the Hong Kong Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, which are currently estimated to be about HK$74.7 million in aggregate (based on an Offer Price of HK$2.54 per Offer Share, being the mid-point of the stated range of the Offer Price between HK$2.18 and HK$2.90 per Offer Share), is to be borne by our Company.

Hong Kong Underwriters' interests in our Company

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Restrictions on offer of the Offer Shares

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms, and on the terms and subject to the conditions set out in this prospectus and the Application Forms. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The offering of the International Offer Shares under the International Offering will be made pursuant to an offering circular. The distribution of the offering memorandum and the offer of the International Offer Shares may be restricted by law in certain jurisdictions. Persons into whose possession the offering circular or any of the International Offer Shares come are required to inform themselves about and to observe any such restrictions. The offering circular contains a description of certain restrictions on the offering of the International Offer Shares under the International Offering.

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$2.90 and is expected to be not less than HK$2.18 per Offer Share. Based on the maximum Offer Price of HK$2.90 per Offer Share, plus 1.0% brokerage fee, 0.004% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee, one board lot of 1,000 Shares will amount to a total of HK$2,929.27. The Offer Price is expected to be determined by the Global Coordinator (on behalf of the Underwriters) and us at or before midnight on Tuesday, 29 June 2010. The Global Coordinator, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and/or other investors during a book-building process, and with our consent, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the reduction in the indicative Offer Price range and/or number of Offer Shares, and the same will be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.chaowei.com.hk).

Upon issue of such a notice, the revised Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised Offer Price range. In this notice, we will also confirm or revise, as appropriate, the issue statistics as currently set out in "Summary", and any other financial information which may change as a result of such reduction. If we do not publish in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and of our Company (www.chaowei.com.hk), a notice of a reduction in the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by our Company, will be within the Offer Price range as stated in this prospectus.

If, for any reason, the Global Coordinator (on behalf of the Underwriters) and we are unable to reach agreement on the Offer Price at or before midnight on Tuesday, 29 June 2010, the Global Offering will not proceed and will lapse.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Public Offering will be conditional upon:

(i) the Listing Committee of the Hong Kong Stock Exchange granting a listing of and permission to deal in the Shares;

(ii) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(iii) the obligations of the Underwriters under each of the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Global Coordinator (on behalf of the Underwriters)) and not being terminated in accordance with the terms of those agreements or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on the Listing Date.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled, all application monies will be returned, without interest, on the terms set out in "How to apply for Hong Kong Public Offer Shares" and "Terms and conditions of the Hong Kong Public Offering" in this prospectus. In the meantime, such monies will be held in a separate bank account with the receiving bankers or other licensed bank(s) in Hong Kong.

OFFER MECHANISM – BASIS OF ALLOCATION OF SHARES

Global Offering

The Global Offering consists of the Hong Kong Public Offering and the International Offering. The 250,000,000 Shares initially offered will comprise 225,000,000 Shares (subject to adjustment as described below) being offered under the International Offering and 25,000,000 Shares (subject to adjustment as described below) being offered under the Hong Kong Public Offering. Without taking into account the Over-allotment Option, the 250,000,000 Shares being offered by us under the Global Offering will represent about 25% of our Company's enlarged share capital immediately after completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or to the Share Option Scheme).

BNP Paribas is the Sponsor, Global Coordinator and Bookrunner of the Global Offering.

Subject to possible reallocation on the basis set forth below, 25,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Global Offering, will be offered to the public in Hong Kong under the Hong Kong Public Offering. The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

Out of the total 250,000,000 Shares offered pursuant to the Global Offering, 225,000,000 Shares (subject to possible reallocation as set forth below), representing 90% of the total number of Shares initially being offered under the Global Offering, will be placed with professional, institutional and/or other investors in Hong Kong, and certain other jurisdictions, under the International Offering. The International Offer Shares will be

offered in Hong Kong, and certain other jurisdictions outside the United States, in offshore transactions, as defined in, and in reliance on, Regulation S, and in the United States to qualified institutional buyers, as defined in and in reliance on Rule 144A.

In connection with the Global Offering, under the International Underwriting Agreement, we intend to grant to the Global Coordinator the Over-allotment Option which is exercisable within 30 days from the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to an aggregate of 37,500,000 Shares (in aggregate representing 15% of the number of Shares initially being offered under the Global Offering) at the Offer Price to, among other things, cover over-allocations in the International Offering on the same terms and conditions as the other Offer Shares. The Stabilizing Manager (appointed as set out in "**– Over-allotment and Stabilization**" below) or any person acting for it may also cover over allocations in the International Offering by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allotment Option or borrowing Shares from our Controlling Shareholders under stock borrowing arrangements. The number of Shares that may be over-allocated will not exceed the maximum number of Shares that may be issued by our Company pursuant to the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, on completion of the Global Offering, the Offer Shares will represent about 27.71% of our Company's enlarged issued share capital.

If the Global Coordinator decides to exercise the Over-allotment Option, it will be exercised to cover, among other things, over-allocations in the International Offering. The International Offer Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on the Hong Kong Stock Exchange.

The indication of level of interest in the International Offering and the basis of allotment and the results of application under the Hong Kong Public Offering are expected to be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese), and to be posted on the website of The Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.chaowei.com.hk), on or before Tuesday, 6 July 2010.

The net proceeds from the Global Offering for our Company, after deducting commissions and expenses and assuming an Offer Price of HK$2.54 per Share (being the mid-point of the stated range of the Offer Price between HK$2.18 and HK$2.90 per Share), are estimated to be about HK$560.3 million (assuming the Over-allotment Option is not exercised in whole or in part).

Hong Kong Public Offering

Our Company is initially offering 25,000,000 Hong Kong Public Offer Shares for subscription, representing 10% of the total number of Shares initially being offered in the Global Offering, by way of a Hong Kong Public Offering in Hong Kong. The Hong Kong Public Offer Shares are being offered at the Offer Price. The Hong Kong Public Offering is fully underwritten at the Offer Price by the Hong Kong Underwriters, subject to the terms and conditions of the Hong Kong Underwriting Agreement and agreement on the Offer Price between the Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date.

The total number of Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK$5 million or less (excluding the brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the value of pool B. For the purpose of this paragraph only, "subscription price" for the Hong Kong Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are under subscribed, the surplus Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of Shares originally allocated to each pool (i.e., 12,500,000 Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Shares between the International Offering and the Hong Kong Public Offering is subject to adjustment. If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 75,000,000 Shares, representing 30% of the Shares initially available for subscription under the Global Offering. If the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Shares available for subscription under the Hong Kong Public Offering will be 100,000,000 Shares, representing 40% of the Shares initially available for subscription under the Global Offering. If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 125,000,000 Shares, representing 50% of the Shares initially available for subscription under the Global Offering. In each such case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Shares allocated to the International Offering will be correspondingly reduced.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Global Coordinator. Subject to the foregoing paragraph, the Global Coordinator may in its discretion reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Global Coordinator in its discretion may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Offering. Applicants can only receive an allocation of Shares offered in the Hong Kong Public Offering or the International Offering.

Allocation of Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants, although it could, where appropriate, consist of balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

International Offering

We are initially offering 225,000,000 International Offer Shares for subscription, representing 90% of the total number of Shares initially being offered in the Global Offering, by way of the International Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional.

The International Underwriters are soliciting from prospective professional, institutional and/or other investors indications of interest in acquiring International Offer Shares in the International Offering. Prospective professional, institutional and/or other investors will be required to specify the number of International Offer Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as "book building".

Allocation of the International Offer Shares pursuant to the International Offering is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. This allocation is generally intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of us and our Shareholders as a whole.

If the Hong Kong Public Offering is not fully subscribed, the Global Coordinator may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Offering. The International Underwriters or selling agents nominated by the International Underwriters will, on behalf of our Company, conditionally place the International Offer Shares to QIBs in the United States (pursuant to Rule 144A), Hong Kong, Europe and other regions outside of the United States in offshore transactions, as defined in, and in reliance on, Regulation S. The placing of the International Offer Shares shall be subject to the offering restrictions set out under the section "Information about this prospectus and the Global Offering" in this prospectus and in the relevant offering memorandum.

The International Offering is conditional on the same conditions as set out in "– Conditions of the Hong Kong Public Offering" above. The total number of International Offer Shares to be allotted and issued and/or offered pursuant to the International Offering may change as a result of the clawback arrangement referred to in "– Hong Kong Public Offering" above, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT AND STABILIZATION

Over-allotment Option

In connection with the Global Offering, we intend to grant to the Global Coordinator the Over-allotment Option which is exercisable within 30 days from the last date for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to allot and issue up to an aggregate of 37,500,000 additional Shares (in aggregate representing 15% of the total number of Shares initially available under the Global Offering) at the Offer Price to, among other things, cover over-allocations in the International Offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our Company's enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options that may be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made.

Stabilization action

In connection with the Global Offering, the Global Coordinator, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period. Such transactions, if commenced, may be discontinued at any time. The Global Coordinator has been or will be appointed as stabilizing manager (the "**Stabilizing Manager**") for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Global Coordinator and will be effected in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. An announcement will be made to the public within seven days after the end of the stabilizing period as required under the Securities and Futures (Price Stabilizing) Rules made under the SFO.

Following any over-allocation of Shares in connection with the Global Offering, the Global Coordinator or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilizing) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 37,500,000 Shares representing 15% of the Shares initially available under the Global Offering.

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Global Coordinator (or its affiliate(s)) may choose to borrow up to 37,500,000 Shares, representing 15% of the shares initially available under the Global Offering, from Great State under stock borrowing arrangements, or acquire Shares from other sources, including exercise of the Over-allotment Option.

If such stock borrowing arrangements with Great State are entered into, they will only be effected by the Stabilizing Manager or its agent for settlement of over-allocation in the International Offering and such arrangements are not subject to the restrictions of Rule 10.07(1)(a) of the Hong Kong Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Hong Kong Listing Rules are fully complied with:

(a) the stock borrowing arrangement with Great State will only be effected for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares to be borrowed from Great State will be limited to the maximum number of Shares which may be allotted and issued upon full exercise of the Over-allotment Option;

(c) the same number of Shares so borrowed (if any) must be returned to Great State or its nominees (as the case may be), no later than three Business Days after the earlier of (i) the last day on which the Over-allotment Option may be exercised; and (ii) the day on which the Over-allotment Option is exercised in full;

(d) the stock borrowing arrangement will be effected in compliance with all applicable laws, Hong Kong Listing Rules and regulatory requirements; or

(e) no payments will be made to Great State by the Stabilizing Manager or its agent in relation to the stock borrowing arrangement.

The possible stabilizing action which may be taken by the Global Coordinator in connection with the Global Offering may involve (among other things): (i) over-allocation of Shares, (ii) purchases of, or agreement to purchase, Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) offering or attempting to do any of the foregoing.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Global Coordinator may, in connection with any stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Global Coordinator will maintain such a position;
- liquidation of any such long position by the Global Coordinator may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which is expected to expire on Thursday, 29 July 2010 being the 30th day after the date expected to be the latest date for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price and can therefore be made at or below the price paid by applicants for, or investors in, the Shares.

Listing on any other stock exchange

The Directors are not considering any listing of our Company on any other overseas stock exchange. Our Company has not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

CHANNELS OF APPLYING FOR THE HONG KONG PUBLIC OFFER SHARES

You may apply for Hong Kong Public Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form; or
- applying online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the "**White Form eIPO**" service; or
- giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Public Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC.

WHO CAN APPLY FOR HONG KONG PUBLIC OFFER SHARES

You can apply for the Hong Kong Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a United States person (as defined in Regulation S), or a legal or natural person of the PRC (except qualified domestic institutional investors).

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Sponsor (or its agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

If you wish to apply for Hong Kong Public Offer Shares online through the **White Form eIPO service (www.eipo.com.hk), you must also**:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO service if you are an individual applicant. Corporations or joint applicants may not apply by means of White Form eIPO.**

We, and the Global Coordinator and the **White Form eIPO** Service Provider in their capacity as our agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Public Offer Shares are not available to existing beneficial owners of Shares, our Directors or chief executive or their respective associates as defined in the Hong Kong Listing Rules or any other connected persons (as defined in the Hong Kong Listing Rules) of our Company or persons who will become our connected persons immediately upon completion of the International Offering.

You may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

I. Applying by using a WHITE or YELLOW Application Form

Which Application Form to use

Use a **WHITE** Application Form if you want our Hong Kong Public Offer Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Public Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to collect the Application Forms

You can **collect** a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 24 June 2010 until 12:00 noon on Tuesday, 29 June 2010 from:

BNP Paribas Capital (Asia Pacific) Limited	Suite 6415, 64th Floor Two International Finance Centre 8 Finance Street Central, Hong Kong

Piper Jaffray Asia Securities Limited	3901B, 39/F Tower 1 Lippo Centre 89 Queensway Admiralty, Hong Kong
CCB International Capital Limited	34/F, Two Pacific Place 88 Queensway Admiralty, Hong Kong
First Shanghai Securities Limited	19/F, Wing On House 71 Des Voeux Road Central, Hong Kong
Taifook Securities Company Limited	25/F, New World Tower 16–18 Queen's Road Central Hong Kong

or any of the following branches of the **Standard Chartered Bank (Hong Kong) Limited**:

Branch Name	**Branch Address**
Hong Kong Island	
Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central
Wanchai Southorn Branch	Shop C2 on G/F and 1/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
North Point Centre Branch	North Point Centre, 284 King's Road, North Point
Kowloon	
Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
Cheung Sha Wan Branch	828 Cheung Sha Wan Road, Cheung Sha Wan

Branch Name	Branch Address
Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
Mei Foo Manhattan Branch	Shop Nos.07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories	
Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F, Man Cheong Building, 247 Castle Peak Road, Yuen Long
Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 24 June 2010, until 12:00 noon on Tuesday, 29 June 2010 from:

(1) the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

(2) your stockbroker, who may have such Application Forms and this prospectus available.

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

You should note that by signing on the Application Form:

(i) you confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(ii) you agree that we, the Global Coordinator, the Bookrunner, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisors are not liable for information and representations not contained in this prospectus and any supplement thereto;

(iii) you undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application (if any) have not indicated an interest for, applied for or taken up any Offer Shares under the International Offering; and

(iv) you agree to disclose to us and/or our Hong Kong Share Registrar, the receiving banker, the Global Coordinator, the Bookrunner and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application (if any).

In order for the **YELLOW** Application Forms to be valid:

You, as the applicants, must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

(i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):** the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(ii) **If the application is made by an individual CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

(a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and

(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omitted details of the CCASS Participant including participant I.D. and/or company chop bearing its company name or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, our Company and the Global Coordinator as our Company's agent may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company and the Global Coordinator, in its capacity as our Company's agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

How to make payment for the application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- bear an account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorized signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- be made payable to Horsford Nominees Limited – Chaowei Power Public Offer;
- be crossed "Account Payee Only"; and
- not be post dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonored on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be in Hong Kong dollars;
- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorized signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- be made payable to Horsford Nominees Limited – Chaowei Power Public Offer;
- be crossed "Account Payee Only"; and
- not be post dated.

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Tuesday, 29 June 2010. We will not give you a receipt for your payment. We will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of dispatch of refund cheques). The right is also reserved to retain any share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

How many applications you may make

You may make more than one application for Hong Kong Public Offer Shares if and only if:

You are a nominee, in which case you may both give electronic application instructions to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an electronic application instruction, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form or **electronic application instructions** is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service;

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person to establish that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service and that you are duly authorized to sign the Application Form or give **electronic application instructions** as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service;

- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service;

- apply (whether individually or jointly) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service for more than 50% of the Hong Kong Public Offer Shares initially being offered under the Hong Kong Public Offering (i.e. 12,500,000 Hong Kong Public Offer Shares) as more particularly described in the section entitled "Structure of the Global Offering – Hong Kong Public Offering"; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including any relevant part of an application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the relevant company; or
- control more than one-half of the voting power of the relevant company; or
- hold more than one-half of the issued share capital of the relevant company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

Members of the public – time for applying for Hong Kong Public Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Tuesday, 29 June 2010, or, if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open.

Your completed **WHITE** or **YELLOW** Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the locations listed under "Where to collect the Application Forms" at the specified times on the following dates:

Thursday, 24 June 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Friday, 25 June 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Saturday, 26 June 2010	**–**	**9:00 a.m. to 1:00 p.m.**
Monday, 28 June 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 29 June 2010	**–**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 29 June 2010.

No proceedings will be taken on applications for the Hong Kong Public Offer Shares and no allotment of any such Hong Kong Public Offer Shares will be made until after the closing of the application lists.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 noon and 12:00 noon on Tuesday, 29 June 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Thursday, 24 June 2010 until 11:30 a.m. on Tuesday, 29 June 2010 or such later time as described under the sub-paragraph headed "Effect of bad weather on the last application day" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 29 June 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed "Effect of bad weather on the last application day" below. You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Results of allocations

We expect to announce the Offer Price, the level of interest in the International Offering, the level of applications in respect of the Hong Kong Public Offering and the basis of allocation under the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on our website (www.chaowei.com.hk) on or before Tuesday, 6 July 2010.

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from our Company's website at www.chaowei.com.hk and the website of the Stock Exchange at www.hkexnews.hk on Tuesday, 6 July 2010;

- Results of allocations for the Hong Kong Public Offering will be available from the results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Tuesday, 6 July 2010 to 12:00 midnight on Monday, 12 July 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling 2862-8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 6 July 2010 to Friday, 9 July 2010;

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, 6 July 2010 to Thursday, 8 July 2010 at all the receiving bank branches and sub-branches at the addresses set out in "How to apply for the Hong Kong Public Offer Shares – Where to collect the Application Forms".

Dispatch/collection of share certificates/e-Refund payment instructions/refund cheque

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Share (excluding the brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section entitled "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest.

You will receive one share certificate for all the Hong Kong Public Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC where the share certificates will be deposited into CCASS as described below).

No temporary documents of title will be issued in respect of the Hong Kong Public Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course, these will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your application:

(a) (i) share certificates for all the Hong Kong Public Offer Shares applied for, if the application is wholly successful; or (ii) share certificates for the number of Hong Kong Public Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose share certificates will be deposited into CCASS as described below); and/or

(b) refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) on **WHITE** or **YELLOW** Application Forms for (i) the surplus application monies for the Hong Kong Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including the brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates for successful applicants under **WHITE** Application Forms and the **White Form eIPO** Service are expected to be posted on or before Tuesday, 6 July 2010. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

(a) If you apply using a WHITE Application Form:

- If you apply for 1,000,000 Hong Kong Public Offer Shares or more on a **WHITE** Application Form and have indicated in your Application Form that you wish to collect refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 6 July 2010 or any other date as notified by us in the newspapers as the date of dispatch of refund cheques/e-Refund payment instructions/share certificates.

- If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

- If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) within the time specified for collection, they will be sent to the address specified in your Application Form thereafter by ordinary post and at your own risk.

If you have applied for 1,000,000 Offer Shares or above and have not indicated on your Application Forms that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Offer Shares and your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering", or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate part thereof, together with the related brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Tuesday, 6 July 2010 by ordinary post and at your own risk.

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 7 July 2010 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled "Underwriting – Grounds for termination" has not been exercised.

(b) If you apply using a YELLOW Application Form:

If you apply for Hong Kong Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Tuesday, 6 July 2010, or in the event of contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) for Hong Kong Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 6 July 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 6 July 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account.

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque(s) (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Offer Shares or above and have not indicated on your Application Forms that you will collect your refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with

"Structure of the Global Offering – Conditions of the Hong Kong Public Offering", or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate part thereof, together with the related brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form by ordinary post and at your own risk.

(c) If you apply through **White Form eIPO**:

If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 6 July 2010, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or around Tuesday, 6 July 2010 by ordinary post and at your own risk.

If you paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to your application payment bank account on Tuesday, 6 July 2010. If you used multiple bank accounts to pay the application monies, refund cheque(s) (if any) will be despatched to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on Tuesday, 6 July 2010, by ordinary post and at your own risk.

II. Applying by giving electronic application instructions to HKSCC

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (http://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2nd Floor Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to us and our Hong Kong Share Registrar.

Application for Hong Kong Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does the following things on behalf of each such person:

- agrees that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

- undertakes and agrees to accept the Hong Kong Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

- undertakes and confirms that that person has not applied for or taken up any Offer Shares under the International Offering nor otherwise participated in the International Offering;

- (if the **electronic application instructions** are given for your own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

- (if you are an agent for another person) declares that you have only given one set of **electronic application instructions** for the benefit of such other person and that you are duly authorized to give those instructions as such other person's agent;

- understands that the above declaration will be relied upon by us, our Directors and the Global Coordinator when deciding whether or not to make any allotment of Hong Kong Public Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if he makes a false declaration;

- authorizes us to place the name of HKSCC Nominees in our register of members as the holder of the Hong Kong Public Offer Shares allotted in respect of your **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between HKSCC and us;

- confirms that you have read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- confirms that you have only relied on the information and representations in this prospectus and the Application Form in giving your **electronic application instructions** or instructing

your broker or custodian to give **electronic application instructions** on your behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus;

- agrees that we, the Global Coordinator, the Bookrunner, the Underwriters and any of our/its/their respective directors, officers, employee, partners, agents or advisors are not liable for information and representations not contained in this prospectus and any supplement thereto;

- agrees to disclose your personal data to us, our Hong Kong Share Registrar, receiving bank, the Global Coordinator, the Underwriters, and any of their advisors and agents and any information which they may require about that person;

- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- agrees that any application made by HKSCC Nominees on your behalf pursuant to **electronic application instructions** given by you is irrevocable before the expiration of the fifth day after the opening of the application lists or such later date as the application lists may close as described under "Effect of bad weather on the opening of the application lists" above, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our agreeing that we will not offer any Hong Kong Public Offer Shares to any person before the expiration of the fifth day after the opening of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by us;

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between HKSCC and you, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Public Offer Shares;

- agrees with our Company, for itself and for the benefit of each of its Shareholders (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of its Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Islands Companies Law, the memorandum and the Articles;

- agrees with our Company (for itself and for the benefit of each of its Shareholders) that Shares in our Company are freely transferable by the holders thereof;

- authorizes our Company to enter into a contract on your behalf with each of its Directors and officers whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles; and

- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Share paid on application, refund of

the application monies, in each case including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Minimum subscription amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the specified times on the following dates:

Thursday, 24 June 2010	**–**	**9:00 a.m. to 8:30 p.m. (1)**
Friday, 25 June 2010	**–**	**8:00 a.m. to 8:30 p.m. (1)**
Saturday, 26 June 2010	**–**	**8:00 a.m. to 1:00 p.m. (1)**
Monday, 28 June 2010	**–**	**8:00 a.m. to 8:30 p.m. (1)**
Tuesday, 29 June 2010	**–**	**8:00 a.m. (1) to 12:00 noon**

(1) These times may be subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 24 June 2010 until 12:00 noon on Tuesday, 29 June 2010, (24 hours daily, except the last application day).

Effect of bad weather on the last application day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 29 June 2010, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 29 June 2010, the last application day will be postponed to the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Public Offering do not open and close on Tuesday, 29 June 2010 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in "Expected Timetable", such dates mentioned in "Expected Timetable" may be affected. A press announcement will be made in such event.

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating the Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Tuesday, 6 July 2010, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants through a variety of channels as specified under "How to Apply for Hong Kong Public Offer Shares – Results of Allocations" (and where the CCASS Participant is a broker or custodian, our Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of

allotment of the public offer, in the newspapers on Tuesday, 6 July 2010. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 6 July 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 6 July 2010. Immediately following the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or the difference between the Offer Price and the initial price per Hong Kong Public Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 6 July 2010. No interest will be paid thereon.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to be given **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance).

Personal data

The section of the Application Form entitled "Personal Data" applies to any personal data held by us and our Hong Kong Share registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, the Sponsor, the Global Coordinator, the Lead Manager and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 29 June 2010.

III. Applying through the White Form eIPO service

- If you are an individual and meet the criteria set out above in "Who can Apply for Hong Kong Public Offer Shares", you may apply through **White Form eIPO** service by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through the **White Form eIPO** service, the Hong Kong Public Offer Shares will be issued in your own name.

- Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.

- In addition to the terms and conditions set out in this Prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

- By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**), you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

- You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

- You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Thursday, 24 June 2010 until 11:30 a.m. on Tuesday, 29 June 2010 or such later time as described under the sub-paragraph headed "Effect of bad weather on the last application day" above (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 29 June 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the subparagraph headed "Effect of bad weather on the last application day" above.

- You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, 29 June 2010, or such later time as described under the section headed "Effect of bad weather on the last application day", the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

- Warning: The application for Hong Kong Public Offer Shares through the **White Form eIPO** service (**www.eipo.com.hk**) is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our Company, our Directors, the Global Coordinator, the lead Manager, the Sponsor, the Underwriters and the **White Form eIPO** Service Provider take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service (**www.eipo.com.hk**) will be submitted to our Company or that you will be allotted any Hong Kong Public Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each Chaowei Power Holdings Limited **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of the "Source of DongJiang – Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service (**www.eipo.com.hk**), you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service (**www.eipo.com.hk**), you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form.

Additional information

For the purposes of allocating Hong Kong Public Offer Shares, each applicant giving electronic application instructions through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at **www.eipo.com.hk**.

IV. Circumstances in which you will not be allotted Hong Kong Public Offer Shares

Full details of the circumstances in which you will not be allotted the Hong Kong Public Offer Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which Hong Kong Public Offer Shares will not be allotted to you:

- *If your application is revoked*

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service

Provider through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf cannot be revoked before the expiration of the fifth day after the opening of the application lists or such later date as the application lists may close as described under "Effect of bad weather on the opening of the application lists" above. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the expiration of the fifth day after the opening of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that Section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf has been accepted, then except as set out above it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- *Full discretion of our Company or its agents to reject or accept your application*

We and our agents (including the Global Coordinator) or the designated **White Form eIPO** Service Provider have full discretion to reject or accept any application, or to accept only part of any application. No reason has to be given for any rejection or acceptance.

- *If the allotment of Hong Kong Public Offer Shares is void*

The allotment of Hong Kong Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Hong Kong Public Offer Shares either:

  - within three weeks from the closing of the application lists; or

  - within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

- *You will not receive any allotment if:*

  - you make multiple applications or suspected multiple applications;

  - you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Offering. By filling in any of the Application Forms or applying by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you agree not to apply for Hong Kong Public Offer Shares as well as Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Public Offer Shares in the Hong Kong Public Offering;

  - your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;

  - your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);

  - your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**;

  - the Underwriting Agreements do not become unconditional; or

  - the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

V. How much are the Hong Kong Public Offer Shares

The maximum Offer Price is HK$2.90 per Hong Kong Public Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005% in full. This means that for one board lot of 1,000 Hong Kong Public Offer Shares you will pay HK$2,929.27. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Public Offer Shares up to 12,500,000 Shares.

You must pay the amount payable upon application for the Hong Kong Public Offer Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form or this prospectus (if you apply by an Application Form). Please refer also to "– How to make payment for the application" above.

If your application is successful, brokerage will be paid to participants of the Hong Kong Stock Exchange or to the Hong Kong Stock Exchange (as the case may be), the SFC transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

VI. Refund of application monies

If you do not receive any Hong Kong Public Offer Shares for any reason, our Company will refund your application monies, including brokerage of 1.0%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of dispatch of refund cheques will be retained for the benefit of our Company.

If your application is accepted only in part, our Company will refund the appropriate portion of your application monies, including the related brokerage of 1.0%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than the initial price per Hong Kong Public Offer Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) paid on application, our Company will refund the surplus application monies, together with the related brokerage of 1.0%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, without interest.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Global Coordinator, cheques for applications on Application Forms for certain small denominations of Hong Kong Public Offer Shares (apart from successful applications and reserve applications drawn from a ballot) may not be cleared.

Refund of your application monies (if any) will be made on Tuesday, 6 July 2010 in accordance with the various arrangements described above.

Refund cheques will be crossed "Account Payee Only", and made out to you (or in case of joint applicants, the first-named applicant on the Application Form). Part of your Hong Kong identity card number/passport number (or in the case of joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant) provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. A banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

1. GENERAL

(a) If you apply for the Hong Kong Public Offer Shares in the Hong Kong Public Offering, you will be agreeing with us and the Global Coordinator (on behalf of the Hong Kong Underwriters) as set out below.

(b) If you electronically instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Public Offer Shares on your behalf, you will have authorized HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) If you give electronic application instructions to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk**, you will have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

(d) In this section, references to "you", "applicants", "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees or the **White Form eIPO** Service Provider is applying for the Hong Kong Public Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service.

(e) Applicants should read this prospectus carefully, including other terms and conditions of the Hong Kong Public Offering, "Structure of the Global Offering – Hong Kong Public Offering", "How to apply for Hong Kong Public Offer Shares" and the terms and conditions set out in the relevant Application Form or imposed by HKSCC or the **White Form eIPO** Service Provider (as the case may be) prior to making an application for the Hong Kong Public Offer Shares.

2. OFFER TO PURCHASE THE HONG KONG PUBLIC OFFER SHARES

(a) You offer to purchase from us at the Offer Price the number of the Hong Kong Public Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

(b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable thereto), is expected to be sent to you at your own risk

to the address stated on your Application Form. Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are contained in "– If your application for the Hong Kong Public Offer shares is successful (in whole or in part)" and "– Refund of your money – additional information" below.

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Hong Kong Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to be given, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Hong Kong Companies Ordinance.

3. ACCEPTANCE OF YOUR OFFER

(a) The Hong Kong Public Offer Shares will be allocated after the application lists close. Our Company expects to announce the final number of Hong Kong Public Offer Shares, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Public Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 6 July 2010.

(b) The results of allocations of the Hong Kong Public Offer Shares under the Hong Kong Public Offering, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Hong Kong Public Offer Shares successfully applied for, will be made available on Tuesday, 6 July 2010 in the manner described in "How to apply for Hong Kong Public Offer Shares – Results of allocations" in this prospectus.

(c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering" in this prospectus.

(e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. HOW MANY APPLICATIONS YOU CAN MAKE

(a) You may make more than one application for the Hong Kong Public Offer Shares only if:

- You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant); and (ii) lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

  – an account number; or

  – another identification number for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit. Otherwise, multiple applications are liable to be rejected.

(b) All of your applications under the Hong Kong Public Offering are liable to be rejected as multiple applications if you, or you and other joint applicants together:

- make more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the **White Form eIPO** Service Provider;

- both apply (whether individually or jointly) on one **WHITE** and one **YELLOW** Application Form or on one **WHITE** Application Form or one **YELLOW** Application Form and by giving **electronic application instructions** to HKSCC and/or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service;

- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service to apply for more than 50% of the Offer Shares initially available for subscription under the Hong Kong Public Offering (that is, to apply for more than 12,500,000 Shares);

- have applied for or taken up, or indicated an interest in applying for or taking up, or have been or will be placed (including conditionally and/or provisionally) any International Offer Shares under the International Offering; or

- receive any International Offer Shares under the International Offering.

(c) All of your applications are liable to be rejected as multiple applications if more than one application is made for your benefit (including the relevant part of the application made by HKSCC Nominees or the **White Form eIPO** Service Provider acting on electronic application instructions). If an application is made by an unlisted company and: (i) the only business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit. "Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange. "Statutory control" in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

5. EFFECT OF MAKING ANY APPLICATION

(a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- instruct and authorize us and the Global Coordinator (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant application;

- undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Public Offer Shares allocated to you, and as required by the Articles;

- represent and warrant that you understand that the Offer Shares have not been and will not be registered under the Securities Act, that you are not a U.S. person (as defined in Regulation S) and that you are outside the United States and will be acquiring the Offer Shares in an offshore transaction (as defined under Regulation S);

- confirm that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning us, and you agree that neither our Company, the Global Coordinator and the Underwriters nor any of our/its/their respective directors, officers, employees, partners, agents,

advisors or any other parties involved in the Global Offering will have any liability for any such other information or representations;

- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;

- (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC (if you are a CCASS Investor Participant or applying through a CCASS Clearing Participant or a CCASS Custodian Participant) or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service;

- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person to establish that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC (if you are a CCASS Investor Participant or applying through a CCASS Clearing Participant or a CCASS Custodian Participant) or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, and that you are duly authorized to sign the Application Form or to give **electronic application instructions** as that other person's agent;

- agree that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by us;

- undertake and confirm that you (if the application is made for your benefit) or the other person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, nor otherwise participate in the International Offering;

- warrant the truth and accuracy of the information contained in your application;

- agree to disclose to us, the Global Coordinator, the Hong Kong Underwriters and our/its/their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- undertake and agree to accept the Offer Shares applied for, or any lesser number allocated to you under the application;

- authorize us to place your name(s) or the name of HKSCC Nominees, as the case may be, on our register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and us and/or our agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have indicated in your Application Form that you wish to collect your share certificate(s) and/or refund cheque (where applicable) in person, then you can collect your share certificate(s) and/or refund cheque (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Tuesday, 6 July 2010 (Hong Kong time) from our Hong Kong Share Registrar);

- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of us, the Global Coordinator and the Hong Kong Underwriters nor any of our/its/their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

- represent, warrant and undertake that the allotment of or application for the Hong Kong Public Offer Shares to you or by you or to any person for whose benefit the application is made would not require us to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;

- agree with us, for ourselves and for the benefit of each Shareholder (and so that we will be deemed by acceptance in whole or in part of the application to have agreed, for overselves and on behalf of each Shareholder) to observe and comply with the Cayman Island Companies Law and the Articles;

- agree with us and each Shareholder that the Shares are freely transferable by the holders thereof;

- authorize us to enter into a contract on behalf of you with each of our Directors and officers whereby such Directors and officers undertake to observe and comply with their obligations to our Shareholders stipulated in the Articles;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Forms and agree to be bound by them;

- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make this application;

- confirm that you are aware of the restrictions on offering of the Offer Shares described in this prospectus; and

- understand that these declarations and representations will be relied upon by our Company, the Global Coordinator and the **White Form eIPO** Service Provider in deciding whether or not to allocate any Hong Kong Public Offer Shares in response to your application.

(b) If you apply for the Hong Kong Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you agree that:

- any Hong Kong Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

- each of HKSCC and HKSCC Nominees reserves the right in its absolute discretion (1) not to accept any or part of such allotted Hong Kong Public Offer Shares issued to you in the name of HKSCC Nominees or not to accept such allotted Hong Kong Public Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Public Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allotted Hong Kong Public Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share certificates for such allotted Hong Kong Public Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Public Offer Shares issued in the name of HKSCC Nominees;

- neither HKSCC nor HKSCC Nominees shall have any liability for any information or representations not contained in the prospectus and the Application Forms;

- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to our Company nor any other person in respect of such things:

- instruct and authorize HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instruct and authorize HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK$2.90 per Share, refund the appropriate portion of the application money by crediting your designated bank account;

- (in addition to the confirmations and agreements set out in paragraph (a) above) instruct and authorize HKSCC to cause HKSCC Nominees to do on your behalf the following:

  – agree that the Hong Kong Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;

  – undertake and agree to accept the Hong Kong Public Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;

  – (if the electronic application instructions are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

  – (if you are an agent for another person) declare that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorized to give those instructions as that other person's agent;

  – understand that the above declaration will be relied upon by us and the Global Coordinator in deciding whether or not to make any allocation of the Hong Kong Public Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

– authorize us to place the name of HKSCC Nominees on our register of members as the holder of the Hong Kong Public Offer Shares allocated in respect of your **electronic application instructions** and to send share certificates and/or refund in accordance with arrangements separately agreed between our Company and HKSCC;

– confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

– confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;

– agree that we, the Global Coordinator and the Hong Kong Underwriters and any of our/its/their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are not liable for any information and representations not contained in this prospectus;

– agree (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

– agree to disclose your personal data to us, the Global Coordinator, the Hong Kong Share Registrar, the receiving banker(s) and Hong Kong Underwriters, and our/its/their respective agents and advisors, together with any information about you which they require;

– agree that any application made by HKSCC Nominees on your behalf pursuant to **electronic application instructions** given by you is irrevocable before the expiration of the fifth day after the opening of the application lists or such later date as the application lists may close as described under "How to apply for Hong Kong Public Offer Share – Effects of bad weather on the opening of the application lists" above, such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Public Offer Shares to any person before the expiration of the fifth day after the opening of the application lists, except by means of one of the procedures referred to in this prospectus.

However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day (including Saturday)) if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

– agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offering made available by our Company; and

– agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Public Offer Shares.

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which Hong Kong Public Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf cannot be revoked before the expiration of the fifth day after the opening of the application lists or such later date as the application lists may close as described under "Effects of bad weather on the opening of the application lists" above. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the expiration of the fifth day after the opening of the application lists except by means of one of the procedures referred to in the prospectus.

Your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf may only be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day (including Saturday)) if a person responsible for the prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for the prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified then to the extent that they have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the allocation of Hong Kong Public Offer Shares is void:

The allocation of Hong Kong Public Offer Shares to you or to HKSCC Nominees (if you give electronic application instructions or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(c) If you make applications under the Hong Kong Public Offering as well as the International Offering:

By filling in any of the Application Forms or giving application instructions to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service electronically, you agree not to apply for International Offer Shares under the International Offering. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have

received International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Public Offer Shares in the Hong Kong Public Offering.

(d) If we, the Global Coordinator, the White Form eIPO Service Provider or their respective agents exercise their discretion to reject your application:

Our Company, the Global Coordinator, the **White Form eIPO** Service Provider or their respective agents have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(e) Your application will be rejected or not be accepted if:

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed correctly;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive International Offer Shares under the International Offering;
- you apply for more than 50% of the Hong Kong Public Offer Shares initially being offered to the public for subscription; or
- any of the Underwriting Agreements does not become unconditional or is terminated in accordance with the terms thereof.

7. IF YOUR APPLICATION FOR THE HONG KONG PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

You will receive one share certificate for all of the Hong Kong Public Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS, in which case share certificates will be deposited in CCASS).

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 7 July 2010 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised.

(a) If you are applying using a WHITE Application Form:

- Refund cheques for those applicants who apply for less than 1,000,000 Shares and who apply for 1,000,000 Shares or more and have not indicated in their Application Forms that they wish to collect (where applicable) share certificates and (where applicable) a refund cheque are expected to be dispatched on or before Tuesday, 6 July 2010 to the same address as that for share certificate(s).

- Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect (where applicable) share certificates and (where applicable) refund cheques in person from our Company's Hong Kong Share Registrar may collect (where applicable) share certificates and (where applicable) refund cheques in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 6 July 2010.

- Applicants being individuals who opt for personal collection cannot authorize any other person to make collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorized representatives bearing letters of authorization from the corporation stamped with the corporation's respective chops. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Company's Hong Kong Share Registrar.

- Uncollected (where applicable) share certificates and (where applicable) refund cheques will be dispatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms.

(b) If: (i) you are applying on a YELLOW Application Form; or (ii) you are giving electronic application instructions to HKSCC:

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be), at the close of business on Tuesday, 6 July 2010 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form:**

For Hong Kong Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allocated to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant on a YELLOW Application Form:**

Our Company is expected to make available the results of the Hong Kong Public Offering, including the results of CCASS Investor Participants' applications, in the manner described in "How to apply for the Hong Kong Public Offer Shares – Results of allocations" in this prospectus, on Tuesday, 6 July 2010. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 6 July 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your stock account.

- **If you have given electronic application instructions to HKSCC:**

Our Company is expected to make available the application results of the Hong Kong Public Offering, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, our Company shall include information relating to the beneficial owner, if supplied), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the public offer in the manner described in "How to apply for Hong Kong Public Offer Shares – Results of allocations" in this prospectus, on Tuesday, 6 July 2010. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 6 July 2010 or any other date HKSCC or HKSCC Nominees chooses.

- **If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf:**

You can also check the number of Hong Kong Public Offer Shares allocated to you and the amount of refund (if any) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

- **If you are applying as a CCASS Investor Participant by giving electronic instructions to HKSCC:**

You can also check the number of the Hong Kong Public Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 6 July 2010. Immediately after the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Public Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (if any).

(c) If you apply through White Form eIPO:

If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 6 July 2010, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificate(s)/e-Refund payment instructions/refund cheque(s).

If you do not collect your share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the **White Form eIPO** Service Provider on Tuesday, 6 July 2010 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (if any) will be despatched to the application payment bank account in the form of e-Refund payment instructions on Tuesday, 6 July 2010. If you apply through the **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address specified on the **White Form eIPO** application in the form of refund cheque(s) on Tuesday, 6 July 2010, by ordinary post at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application monies underpaid or applications rejected by the **White Form eIPO** Service Provider set out below in "9. **ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH WHITE FORM eIPO".**

No receipt will be issued for application monies paid. Our Company will not issue temporary documents of title.

8. REFUND OF YOUR MONEY – ADDITIONAL INFORMATION

(a) In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Global Coordinator, cheques or banker's cashier orders for applications for certain small denominations of Hong Kong Public Offer Shares (apart from successful and reserved applications) may not be cleared and therefore such applications will not be entitled to a refund.

(b) You will be entitled to a refund (any interest accrued on refund money prior to the date of dispatch of refund monies will be retained for the benefit of our Company) if:

- your application is not successful, in which case we will refund your application money together with brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee to you, without interest;
- your application is accepted only in part, in which case we will refund the appropriate portion of your application money, brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee, without interest;
- the Offer Price (as finally determined) is less than the price per Share initially paid by the applicant on application, in which case we will refund the surplus application money together with the appropriate portion of brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee, without interest; and
- the conditions of Global Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions" in this prospectus.

(c) If you apply on **YELLOW** Application Form for 1,000,000 Shares or more under the Hong Kong Public Offering, you may collect your refund cheque (if any) in person from the Hong Kong Share Registrar on Tuesday, 6 July 2010. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of "If your application for the Hong Kong Public Offer Shares is successful (in whole or in part)" above.

If you have applied for 1,000,000 Hong Kong Public Offer Shares or above and have not indicated on **YELLOW** Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Public Offer shares, your refund cheques (if any) will be sent to the address on your Application Form on the date of dispatch, which is expected to be Tuesday, 6 July 2010, by ordinary post and at your own risk.

(d) If you are applying by giving electronic instructions to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Clearing/Custodian Participant) on Tuesday, 6 July 2010.

(e) If you apply through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (if any) will be despatched to the application payment bank account in the form of e-Refund payment instructions. If you apply through **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address specified on your **White Form eIPO** application in the form of refund cheque(s), by ordinary post at your own risk.

(f) All refunds by cheque will be crossed "Account Payee Only", and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form.

(g) Refund cheques are expected to be dispatched on Tuesday, 6 July 2010. Our Company intends to make special efforts to avoid undue delays in refunding money.

(h) Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data will be used for checking the validity of Application Forms and such data would also be transferred to a third party for such purpose and refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

9. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH WHITE FORM eIPO

For the purposes of allocating Hong Kong Public Offer Shares, each applicant giving electronic application instructions through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Public Offer Shares for which you have applied, or if your application is otherwise rejected by the **White Form eIPO** Service Provider, the **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the **White Form eIPO** Service Provider on the designated website **www.eipo.com.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in "– 8. REFUND OF YOUR MONEY – ADDITIONAL INFORMATION" shall be made pursuant to the arrangements described above in "– 7. IF YOUR APPLICATION FOR THE HONG KONG PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART) – (c) If you apply through **White Form eIPO**".

10. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "**Ordinance**") came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Public Offer Shares of the policies and practices of our Company and the Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company or its agents and the Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Public Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s), and/or the dispatch of e-Refund payment instructions and/or the dispatch of refund cheque(s) to which you are entitled.

It is important that holders of securities inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations;
- disclosing identities of successful applicants by way of press announcement or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to holders of securities and/or regulators and/or any other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by our Company and the Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and the Hong Kong Share Registrar may, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- our Company or its appointed agents such as financial advisors and receiving bankers;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Public Offer Shares to be deposited into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or the Hong Kong Share Registrar in connection with the operation of their businesses;
- the Hong Kong Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an application form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you agree to all of the above.

(d) Access and correction of personal data

The Hong Kong Companies Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Hong Kong Companies Ordinance, our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of our Company Secretary or (as the case may be) the Hong Kong Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Hong Kong Companies Ordinance).

11. MISCELLANEOUS

(a) Commencement of dealings in the Shares

- Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence at 9:30 a.m. on Wednesday, 7 July 2010.

- The Shares will be traded in board lots of 1,000 Shares. The stock code of the Shares is 951.

- Any share certificates in respect of the Hong Kong Public Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Underwriting Agreements.

(b) The Shares will be eligible for admission into CCASS

- If the Hong Kong Stock Exchange grants the listing of and permission to deal in the Shares and the stock admission requirements of HKSCC are complied with, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

- Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

- All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this Prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certificated Public Accountants, Hong Kong.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

24 June 2010

The Directors
Chaowei Power Holdings Limited
BNP Paribas Capital (Asia Pacific) Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") relating to Chaowei Power Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for each of the three years ended 31 December 2009 and the three months ended 31 March 2010 (the "**Track Record Period**") for inclusion in the prospectus of the Company dated 24 June 2010 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company was incorporated in the Cayman Islands on 18 January 2010 as an exempted company with limited liability under the Cayman Islands Companies Law. Pursuant to a group reorganization, as more fully explained in the section headed "Corporate Reorganization" in Appendix VI to the Prospectus (the "**Reorganization**"), the Company became the holding company of the companies now comprising the Group on 9 March 2010.

Throughout the Track Record Period and as at the date of this report, the Company had the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Equity interest attributable to the Company as at 31 December 2007 %	31 December 2008 %	31 December 2009 %	31 March 2010 %	Date of this report %	Principal activity
Chaowei Power Group Limited 超威動力集團有限公司 ("**Chaowei BVI**")	British Virgin Islands ("**BVI**") 15 January 2010	US$100	–	–	–	100	100	Investment holding
Chaowei Power (Hong Kong) Limited 超威動力(香港)有限公司 ("**Chaowei HK**")	Hong Kong 22 January 2010	HK$10,000	–	–	–	100	100	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Equity interest attributable to the Company as at 31 December 2007 %	31 December 2008 %	31 December 2009 %	31 March 2010 %	Date of this report %	Principal activity
Chaowei Power Technology Limited 超威動力科技有限公司 ("**Chaowei Technology**")	Hong Kong 29 January 2010	HK$10,000	–	–	–	100	100	Research and development
超威電源有限公司 (Chaowei Power Co., Ltd) *(note i)* ("**Chaowei Power**")	The People's Republic of China ("**PRC**") 1 January 1998	RMB210,000,000	100	100	100	100	100	Manufacture and sales of motive batteries
長興眾成電源有限公司 (Changxing Zhongcheng Power Co., Ltd.) *(note i)* ("**Changxing Zhongcheng**")	PRC 1 March 2002	RMB10,000,000	100	100	100	100	100	Manufacture and sales of electrode plates
河南超威電源有限公司 (Henan Chaowei Power Co., Ltd.) *(note i)* ("**Henan Chaowei**")	PRC 25 February 2004	RMB10,000,000	60	60	60	60	60	Manufacture of motive batteries
山東超威電源有限公司 (Shandong Chaowei Power Co., Ltd.) *(note i)* ("**Shandong Chaowei**")	PRC 11 October 2005	RMB10,000,000	90	90	100	100	100	Manufacture of motive batteries
江蘇超威電源有限公司 (Jiangsu Chaowei Power Co., Ltd.) *(note i)* ("**Jiangsu Chaowei**")	PRC 24 May 2006	RMB5,000,000	100	100	100	100	100	Manufacture of motive batteries
安徽超威電源有限公司 (Anhui Chaowei Power Co., Ltd.) *(note i)* ("**Anhui Chaowei**")	PRC 23 April 2007	RMB10,000,000	–	–	80	80	80	Manufacture and sales of motive batteries and electrode plates

(i) The English names of these companies are for reference only and have not been registered.

Other than Chaowei BVI, all subsidiaries are indirectly held by the Company.

The financial year end date of all the companies now comprising the Group is 31 December.

No audited financial statements have been prepared for the Company and Chaowei BVI since their incorporation as there is no statutory audit requirement in the Cayman Islands and BVI. No audited financial statements have been prepared for Chaowei HK and Chaowei Technology since their incorporation.

For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company, Chaowei BVI, Chaowei HK and Chaowei Technology since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report.

The statutory financial statements of the Company's subsidiaries established in the PRC were prepared in accordance with the relevant accounting policies and financial regulations in the PRC (the "**PRC GAAP**"). They were audited by the following certified public accountants registered in the PRC:

Name of subsidiary	**Financial year**	**Name of auditors**
Chaowei Power	Financial year ended 31 December 2007	湖州天衡聯合會計師事務所 (Huzhou Tianheng Lianhe Certified Public Accountants Limited)
	Financial years ended 31 December 2008 and 2009	湖州金平會計師事務所 (Huzhou Jinping Certified Public Accountants Limited)
Changxing Zhongcheng	Financial years ended 31 December 2007, 2008 and 2009	湖州金平會計師事務所 (Huzhou Jinping Certified Public Accountants Limited)
Henan Chaowei	Financial years ended 31 December 2007 and 2008	沁陽華鑫會計師事務所有限公司 (Qinyang Huaxin Certified Public Accountants Limited)
	Financial year ended 31 December 2009	中瑞岳華會計師事務所有限公司河南分所(RSM China Certified Public Accounts Limited Henan Branch)

Name of subsidiary	Financial year	Name of auditors
Shandong Chaowei	Financial years ended 31 December 2007, 2008 and 2009	泰安天立明信有限責任會計師事務所 (Tai'an Tianli Mingxin Certified Public Accountants Limited)
Jiangsu Chaowei	Financial years ended 31 December 2007, 2008 and 2009	湖州金平會計師事務所 (Huzhou Jinping Certified Public Accountants Limited)
Anhui Chaowei	Financial year ended 31 December 2009	安徽求實會計師事務所(Anhui Qiushi Certified Public Accountants Limited)

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company for the Track Record Period (the "**Underlying Financial Statements**") in accordance with International Financial Reporting Standards ("**IFRSs**"). Deloitte Touche Tohmatsu CPA Ltd. has carried out an independent audit on the Underlying Financial Statements in accordance with International Standards on Auditing. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 1 of section B below to the Financial Information. No adjustments are considered necessary to the Underlying Financial Statements for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of section B below to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008, 2009 and 31 March 2010, and the Company as at 31 March 2010 and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the three months ended 31 March 2009 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "**Interim Financial Information**") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. Our review of the Interim Financial Information consists of making enquires, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Interim Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Three months ended 31 March 2009 RMB'000 (Unaudited)	2010 RMB'000
Revenue	5	1,466,108	2,316,911	2,433,889	562,610	710,548
Cost of sales		(1,133,652)	(1,835,025)	(1,729,886)	(390,179)	(529,310)
Gross profit		332,456	481,886	704,003	172,431	181,238
Other income	6	5,745	13,268	13,721	3,947	16,253
Distribution and selling expenses		(137,892)	(212,607)	(321,906)	(79,890)	(70,590)
Administrative expenses		(64,048)	(63,068)	(83,652)	(16,614)	(22,036)
Research and development expenses		(3,504)	(10,712)	(15,754)	(3,693)	(6,315)
Other expenses		(815)	(3,533)	(4,177)	(731)	(928)
Finance costs	7	(22,791)	(26,189)	(9,582)	(2,662)	(4,119)
Gain on disposal of a subsidiary	41	–	–	3,202	–	–
Share of result of an associate		–	–	(2,151)	(158)	–
Profit before taxation	8	109,151	179,045	283,704	72,630	93,503
Income tax expense	11	(16,888)	(35,417)	(57,657)	(16,274)	(14,633)
Profit and total comprehensive income for the year/period		92,263	143,628	226,047	56,356	78,870
Profit and total comprehensive income attributable to:						
Owners of the Company		84,223	128,107	201,912	48,010	74,045
Non-controlling interests		8,040	15,521	24,135	8,346	4,825
		92,263	143,628	226,047	56,356	78,870
Earnings per share, in RMB						
Basic	12	0.26	0.17	0.27	0.06	0.10

Statements of Financial Position

	Notes	The Group At 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	At 31 March 2010 RMB'000	The Company At 31 March 2010 RMB'000
NON-CURRENT ASSETS						
Property, plant and equipment	14	169,147	225,377	364,418	418,388	–
Prepaid lease payments-non-current portion	15	9,184	34,540	64,899	65,609	–
Investments in subsidiary		–	–	–	–	1
Investment property	16	–	–	9,904	9,758	–
Available-for-sale investments		260	280	–	–	–
Deferred tax assets	17	8,590	18,481	22,478	21,775	–
Deposits paid for acquisition of property, plant and equipment		10,895	3,363	21,727	19,906	–
Deposit paid for leased machinery		5,000	5,000	–	–	–
Goodwill	18	–	–	14,956	14,956	–
		203,076	287,041	498,382	550,392	1
CURRENT ASSETS						
Inventories	19	215,147	227,335	470,734	324,521	–
Trade receivables	20	56,063	37,149	19,368	43,055	–
Bills receivable	21	217,220	161,939	176,330	249,414	–
Prepayments and other receivables	22	68,521	62,309	84,550	82,722	7
Amounts due from related parties	44	3,365	8,112	4,449	5,855	–
Prepaid lease payments-current portion	15	425	932	1,451	1,472	–
Money market funds	23	–	100,000	–	–	–
Restricted bank deposits	24	82,407	119,006	7,861	200	–
Bank balances and cash	24	70,682	177,087	150,842	345,667	2
		713,830	893,869	915,585	1,052,906	9
CURRENT LIABILITIES						
Trade payables	25	122,662	159,210	220,159	204,071	–
Bills payable	26	3,895	106,157	7,070	–	–
Other payables	27	41,081	124,973	140,039	113,544	2
Amounts due to related parties	44	8,711	3,656	2,071	60	33
Income tax payable		8,597	14,312	29,017	19,604	–
Dividend payable		–	–	–	65,000	–
Obligations under finance leases-current portion	28	5,596	6,174	–	–	–
Deferred income-current portion	29	984	1,451	350	350	–
Provision	30	33,542	45,164	57,539	64,280	–
Bank borrowings-due within one year	31	150,080	116,000	55,000	45,000	–
Other borrowings	32	131,511	83,985	–	–	–
		506,659	661,082	511,245	511,909	35
NET CURRENT ASSETS (LIABILITIES)		207,171	232,787	404,340	540,997	(26)
TOTAL ASSETS LESS CURRENT LIABILITIES		410,247	519,828	902,722	1,091,389	(25)

	Notes	The Group				The Company
		At 31 December			At 31 March	At 31 March
		2007	2008	2009	2010	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES						
Paid-in capital/Share capital	*33*	208,107	210,000	210,000	7	7
Reserves	*34*	142,834	270,941	470,190	744,126	(32)
Equity attributable to owners of the Company		350,941	480,941	680,190	744,133	(25)
Non-controlling interests		17,042	32,563	47,555	52,380	–
TOTAL EQUITY		367,983	513,504	727,745	796,513	(25)
NON-CURRENT LIABILITIES						
Obligations under finance leases-non-current portion	*28*	8,518	4,029	–	–	–
Deferred income-non-current portion	*29*	3,746	2,295	16,829	16,742	–
Deferred tax liabilities	*17*	–	–	2,148	2,134	–
Bank borrowings – due after one year	*31*	30,000	–	156,000	276,000	–
		42,264	6,324	174,977	294,876	–
		410,247	519,828	902,722	1,091,389	(25)

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company						
	Paid-in capital/ share capital *RMB'000*	Statutory surplus reserve *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2007	20,000	4,482	57,398	20,211	102,091	9,002	111,093
Capital contribution from owners	188,107	–	–	–	188,107	–	188,107
Profit and total comprehensive income for the year	–	–	–	84,223	84,223	8,040	92,263
Transfer to reserves	–	9,311	–	(9,311)	–	–	–
Dividend paid by Chaowei Power *(Note 13)*	–	–	–	(23,480)	(23,480)	–	(23,480)
At 31 December 2007	208,107	13,793	57,398	71,643	350,941	17,042	367,983
Capital contribution from owners	1,893	–	–	–	1,893	–	1,893
Profit and total comprehensive income for the year	–	–	–	128,107	128,107	15,521	143,628
Transfer to reserves	–	13,053	–	(13,053)	–	–	–
At 31 December 2008	210,000	26,846	57,398	186,697	480,941	32,563	513,504
Acquisition of a subsidiary	–	–	–	–	–	4,962	4,962
Disposal of partial interest in a subsidiary	–	–	296	–	296	1,987	2,283
Capital contribution from non-controlling shareholders	–	–	250	–	250	1,000	1,250
Acquisition of additional interest in a subsidiary	–	–	(3,209)	–	(3,209)	(9,092)	(12,301)
Dividend paid to non-controlling shareholders	–	–	–	–	–	(8,000)	(8,000)
Profit and total comprehensive income for the year	–	–	–	201,912	201,912	24,135	226,047
Transfer to reserves	–	22,056	–	(22,056)	–	–	–
At 31 December 2009	210,000	48,902	54,735	366,553	680,190	47,555	727,745
Profit and total comprehensive income for the period	–	–	–	74,045	74,045	4,825	78,870
Dividend declared by Chaowei Power *(Note 13)*	–	–	–	(65,000)	(65,000)	–	(65,000)
Issue of shares	7	–	–	–	7	–	7
Arising on the Reorganization	(210,000)	–	210,000	–	–	–	–
Debt waived by a related party	–	–	54,891	–	54,891	–	54,891
At 31 March 2010	7	48,902	319,626	375,598	744,133	52,380	796,513
Unaudited							
At 1 January 2009	210,000	26,846	57,398	186,697	480,941	32,563	513,504
Acquisition of additional interest in a subsidiary	–	–	(3,209)	–	(3,209)	(9,092)	(12,301)
Dividend paid to non-controlling shareholders	–	–	–	–	–	(8,000)	(8,000)
Profit and total comprehensive income for the period	–	–	–	48,010	48,010	8,346	56,356
At 31 March 2009	210,000	26,846	54,189	234,707	525,742	23,817	549,559

Consolidated Statements of Cash Flows

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Three months ended 31 March 2009 RMB'000 (Unaudited)	2010 RMB'000
OPERATION ACTIVITIES						
Profit before taxation		109,151	179,045	283,704	72,630	93,503
Adjustments for:						
Dividend income from available for sale investments		(38)	(66)	(74)	–	–
Interest income		(2,440)	(6,334)	(3,653)	(1,189)	(514)
Finance costs		22,791	26,189	9,582	2,662	4,119
Depreciation of property, plant and equipment		13,059	19,524	28,534	5,917	7,666
Depreciation of investment property		–	–	747	–	146
Deferred income arising from sales and leaseback credited to income		(466)	(933)	(1,400)	(233)	–
Amortization of prepaid lease payments		245	426	988	213	313
Loss on disposal of property, plant and equipment		540	2,280	642	195	258
Gain on disposal of prepaid lease payments		–	(1,480)	–	–	–
Share of result of an associate		–	–	2,151	158	–
Gain on disposal of a subsidiary		–	–	(3,202)	–	–
Government grants credited to income		(51)	(51)	(126)	(13)	(87)
Allowance for bad and doubtful debts		2,123	55	1,413	254	554
Allowance for inventories		1,825	6,733	1,754	2,663	4,112
Operating cash flows before movements in working capital		146,739	225,388	321,060	83,257	110,070
(Increase) decrease in inventories		(73,160)	(18,921)	(221,577)	36,322	142,101
(Increase) decrease in receivables, deposits and prepayments		(177,810)	85,746	2,310	5,689	(97,694)
Decrease (increase) in amounts due from related companies		9,471	1,250	1,703	(1,018)	(5,513)
Increase (decrease) in payables, deposits received and accrued charges		44,645	222,826	(54,020)	(68,779)	(50,086)
Decrease in amounts due to related companies		(305)	–	–	–	–
Increase in provision		19,802	11,622	12,375	4,311	6,741
Cash (used in) generated from operations		(30,618)	527,911	61,851	59,782	105,619
Income tax paid		(21,701)	(39,593)	(47,916)	(4,808)	(23,357)
Net cash (used in) generated from operating activities		(52,319)	488,318	13,935	54,974	82,262

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Three months ended 31 March 2009 RMB'000 (Unaudited)	2010 RMB'000
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(73,116)	(73,252)	(168,128)	(29,923)	(60,329)
Purchases of available for sale investments		–	(20)	(28)	–	–
Purchases of money market funds		–	(265,000)	(157,000)	(157,000)	–
Addition to prepaid lease payments		–	(25,141)	(17,072)	–	(1,044)
Proceeds on disposal of property, plant and equipment		4,498	2,750	2,723	35	256
Acquisition of subsidiaries	*41 & 42*	–	–	(50,577)	–	–
Proceeds on disposal of available for sale investments		150	–	308	–	–
Proceeds on disposal of money market funds		–	165,000	257,000	257,000	–
Acquisition of interest in associate		–	–	(10,000)	(10,000)	–
Disposal of a subsidiary	*42*	–	–	19,583	–	–
Government grants received		–	–	14,959	–	–
Interest received		2,778	6,334	3,653	1,189	514
Dividend received from available for sale investments		38	66	74	–	–
Advance to loans receivable		(679)	(5,394)	–	–	–
Repayment of advance to loans receivable		–	–	3,876	2,908	2,197
Advance to related parties		(70)	(9,831)	(1,874)	(300)	(60)
Repayment from related parties		1,979	3,834	6,117	934	1,884
(Increase) decrease in restricted bank deposits		(62,407)	(36,599)	111,145	14,643	7,661
Net cash (used in) from investing activities		(126,829)	(237,253)	14,759	79,486	(48,921)
FINANCING ACTIVITIES						
Proceeds from issue of shares		–	–	–	–	7
Capital contribution from equity holders		188,107	1,893	1,250	–	–
New bank borrowings raised		290,380	156,000	445,000	70,000	120,000
New other borrowings raised		316,037	311,135	100,000	100,000	–
Repayment of bank borrowings		(279,407)	(220,080)	(352,000)	(40,000)	(10,000)
Repayment of other borrowings		(214,787)	(358,661)	(183,985)	(80,000)	–
Proceeds from a sale and finance leaseback transaction		15,000	–	–	–	–
Dividends paid		(23,480)	–	(8,000)	(8,000)	–
Acquisition of additional interest in a subsidiary		–	–	(12,301)	(12,301)	–
Interest paid		(21,544)	(23,050)	(7,789)	(1,506)	(3,686)
Disposal of partial interest in a subsidiary		–	–	–	–	2,283
Advance from related parties		4,617	71	13,376	–	54,891
Repayment to related parties		(43,570)	(5,126)	(38,461)	(2,000)	(2,011)
Repayments of obligations under finance leases		(8,487)	(6,842)	(12,029)	(3,852)	–
Net cash from (used in) financing activities		222,866	(144,660)	(54,939)	22,341	161,484
Net increase (decrease) in cash and cash equivalents		43,718	106,405	(26,245)	156,801	194,825
Cash and cash equivalents at beginning of the year/period		26,964	70,682	177,087	177,087	150,842
Cash and cash equivalents at end of the year/period, represented by bank balances and cash		70,682	177,087	150,842	333,888	345,667

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 January 2010 as an exempted company with limited liability under the Cayman Islands Companies Law. The registered office of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, KY1-1112, Cayman Islands, and its principal place of business is located at Xinxing Industry Park Zhicheng, Changxing, Zhejiang Province, PRC. The Company is an investment holding company and its subsidiaries are mainly engaged in manufacture and sales of motive batteries and other related products.

Prior to the Reorganization, Chaowei Power was a wholly owned subsidiary of United Holdings Worldwide Limited ("**United Holdings**"). Pursuant to the Reorganization, (1) the Company was incorporated and with various transfer of interest agreements, owned by the same shareholders of United Holdings, (2) Chaowei BVI and Chaowei HK were also incorporated and became subsidiaries of the Company and (3) United Holdings transferred its equity interest in Chaowei Power to Chaowei HK. The Company became the holding company of Chaowei Power and its subsidiaries on 9 March 2010. The Group comprising the Company and its subsidiaries resulting from the Reorganization is regarded as a continuing entity.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment or acquisition where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2007, 2008 and 2009 have been prepared to present the consolidated assets and liabilities of the companies now comprising the Group as at 31 December 2007, 2008 and 2009 as if the current group structure had been in existence at that dates, taking into account the effective date of acquisitions of entity from outsiders.

Acquisitions of subsidiaries during the Track Record Period are accounted for from their respective dates of acquisitions by the purchase/acquisition method. Details of the acquisition of subsidiaries during the Track Record Period are set out in Notes 41 and 42.

The Financial Information is presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted International Accounting Standards ("**IASs**"), IFRSs, amendments and the related Interpretations ("**IFRICs**"), which are effective for the accounting period beginning on 1 January 2010 throughout the Track Record Period, except for IFRS 3 (revised 2008), which has been applied for business combination for which the acquisition date is on or after 1 January 2010 and IAS 27 (revised 2008) which has been applied for accounting period beginning on 1 January 2010.

At the date of this report, the following new and revised standards, amendments and interpretations have been issued which are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs May 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Right Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopter[3]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information.

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for certain financial instrument which is measured at fair value, and in accordance with accounting policies set out below.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Business combinations

Business combinations prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognized at their fair values at the acquisition date.

Goodwill arising on acquisition was recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect previously recognized goodwill.

Business combinations on or after to 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with IFRS 5.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests was initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognized when the goods are delivered and title has passed.

Deposits received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statements of financial position under current liabilities.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

If an item of property, plant and equipment carried at cost model becomes an investment property because its use has been changed, evidenced by end of owner-occupation. The carrying amount of the property at the date of transfer is considered as the deemed cost of the investment property at initial recognition. Subsequent to the initial recognition, the investment properties are stated at deemed cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment property over its estimated useful lives and after taking into account its estimated residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Sale and leaseback transaction that results in a finance lease continues to recognize the asset at its previous carrying amount. Any excess of sales proceeds over the carrying amount of sold assets shall be deferred and amortized over the lease term.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency, i.e. RMB).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.

All other borrowing costs are recognized in profit or loss for the period in which they are incurred.

Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes under the state-managed retirement benefits schemes in PRC are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Impairment of tangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into one of the following categories. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, bills receivable, other receivables, amounts due from related parties, restricted bank deposits and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on loans and receivables below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments, of which interest income is included in other income.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 15 days, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including bank and other borrowings, trade payables, bills payable, other payables, amounts due to related parties and obligations under finance leases are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Nevertheless, the resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of receivables

Trade receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, management considered detailed procedures have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, 2008, 2009 and 31 March 2010, the carrying amounts of trade and other receivables are approximately RMB62,135,000, RMB58,508,000, RMB72,166,000 and RMB79,443,000. Details of movements of allowance for trade receivables and other receivables are disclosed in Notes 20 and 22 respectively.

Warranty

The Group provides a warranty up to fifteen months on all lead-acid motive battery products. Under the terms of warranty, the Group undertakes to repair or replace the battery free of charge in the event of any malfunctioning within the warranty period.

Estimated costs related to product warranty are accrued at the time of sale and are based upon past warranty claims and unit sales history and adjusted as required to reflect actual costs incurred, as information becomes available.

5. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of motive batteries. The Group's revenue represents the amount received and receivable for sale of motive batteries during the Track Record Period.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the President of the Company, who is the Group's chief operating decision maker for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line and the President reviewed the gross profit of the Group as a whole reported under PRC GAAP, which has no any significant differences as compared with gross profit reported under IFRS. Therefore, the operation of the Group constitutes one single reportable segment. Accordingly, no operating segment is presented.

Most of the external revenues of the Group during the Track Record Period are contributable to customers established in the PRC, the place of domicile of the Group's operating entities. Meanwhile, the Group's non-current assets are all located in the PRC.

No revenues from a single external customer amount to 10 percent or more of the Group's revenue during the Track Record Period.

An analysis of revenue by products is as follows:

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Lead-acid motive batteries for electric bikes	1,297,694	2,051,324	2,335,835	520,257	690,531
Lead-acid motive batteries for electric cars and storage batteries	5,656	9,401	5,752	475	1,633
Materials include lead and active additives	106,188	242,791	92,302	41,878	18,384
Electrode plates	56,570	13,395	–	–	–
	1,466,108	2,316,911	2,433,889	562,610	710,548

6. OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Government grants					
– grants related to income *(note i)*	3,060	3,407	6,970	2,661	14,835
– grants related to assets *(note 29)*	51	51	126	13	87
Interest income	2,440	6,334	3,653	1,189	514
Dividend income from available for sale investments	38	66	74	–	–
Gain on disposal of prepaid lease payments	–	1,480	–	–	–
Insurance compensation *(note ii)*	–	1,444	80	18	11
Rental income	–	–	480	–	300
Others	156	486	2,338	66	506
	5,745	13,268	13,721	3,947	16,253

(i) Government grants include various government subsidies received by the Company's subsidiaries from relevant government bodies in connection with enterprise expansion, technology advancement, environmental protection measures enhancement and product development.

(ii) Insurance compensation for the year ended 31 December 2008 represents the amount received from an insurance company for the operating loss suffered from snow disaster.

7. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expenses on:					
Bank borrowings wholly repayable within five years	12,977	14,252	7,615	1,990	4,119
Other borrowings wholly repayable within five years	8,567	9,006	141	39	–
Finance leases	1,247	2,931	1,826	633	–
	22,791	26,189	9,582	2,662	4,119

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Wages and salaries	80,542	120,555	159,882	33,844	30,757
Retirement benefits scheme contributions	3,463	5,107	5,031	1,354	737
Labour cost *(Note iii)*	–	–	–	–	16,450
Total staff costs	84,005	125,662	164,913	35,198	47,944
Allowance for (reversal of allowance for) trade receivables *(Note i)*	1,181	(285)	2,466	254	222
Allowance for (reversal of allowance for) other receivables *(Note i)*	942	340	(1,053)	–	332
Allowance for inventories *(Note ii)*	1,825	6,733	1,754	2,663	4,112
Amortization of prepaid lease payments	245	426	988	213	313
Auditors' remuneration	1,932	179	544	49	300
Depreciation of property, plant and equipment	13,059	19,524	28,534	5,917	7,666
Depreciation of investment property	–	–	747	–	146
Loss on disposal of property, plant and equipment	540	2,280	642	195	258

Notes:

(i) The Group assessed at the end of each reporting period the exposure of trade and other receivables with reference to the credit risk of each specific debtors and their aging analysis. Allowance of receivables which were previously provided for was subsequently reversed upon settlement.

(ii) The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowances are provided to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories at the end of each reporting period. The amount of the inventory allowance was reversed in the period when the net realisable value is recovered subsequently.

(iii) During the three months ended 31 March 2010, the Group entered into labor dispatch agreements with several service organizations, and some of the former employees of the Group are employed by these service organizations and provide service to the Group.

9. DIRECTORS' EMOLUMENTS

Details of emoluments paid by the Group to the directors of the Company during the Track Record Period are as follows:

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Executive directors					
– Salaries and other allowances	360	1,040	648	269	130
– Performance bonuses	–	–	–	–	–
– Retirement benefits scheme contributions	4	4	4	1	1
Non-executive directors	–	–	–	–	–
Independent non-executive directors	–	–	–	–	–
	364	1,044	652	270	131
Executive directors					
Mr. Zhou Mingming	124	542	288	128	34
Mr. Zhou Longrui	120	251	174	66	44
Ms. Yang Yunfei	120	251	190	76	53
Non-executive directors					
Ms. Deng Xihong	–	–	–	–	–
Independent non-executive directors					
Mr. Wang Jiqiang	–	–	–	–	–
Prof. Ouyang Minggao	–	–	–	–	–
Mr. Lee Conway Kong Wai	–	–	–	–	–
	364	1,044	652	270	131

10. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the Track Record Period, included three, three, three and three directors, respectively, for the years ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2010 (three months ended 31 March 2009: three directors), details of their emoluments are set out above. The emoluments of the remaining two, two, two and two individuals respectively for the years ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2010 (three months ended 31 March 2009: two individuals) are as follows:

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other allowances	135	378	479	81	79
Retirement benefits scheme contributions	4	8	8	1	1
	139	386	487	82	80

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

11. INCOME TAX EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
The charge comprises:					
PRC current income tax	24,420	45,308	62,026	16,612	13,944
Deferred tax *(Note 17)*	(7,532)	(9,891)	(4,369)	(338)	689
	16,888	35,417	57,657	16,274	14,633

The tax charge for the Track Record Period represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries established in the PRC.

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "**New EIT Law**") by order No. 63 of the President of the PRC which is effective from 1 January 2008.

On 6 December 2007, the State Council issued Implementation Regulation of the New EIT Law. Pursuant to the New EIT Law and Implementation Regulation, a uniform income tax rate of 25% was imposed for both domestic and foreign-invested enterprises. Prior to the New EIT Law, the subsidiaries in the PRC are subject to statutory income tax rate of 33% before taking into account the entitled concessionary tax rates and exemption. The deferred tax in 2007 has been adjusted to reflect the tax rates that are expected to reverse in the respective periods when the asset is realized or the liability is settled.

On 26 December 2007, the New EIT Law's Detailed Implementation Rules and the details of the transitional arrangement were promulgated, respectively. They contemplate various transition periods and measures for previous preferential tax policies, including a grace period of a maximum of 5 years until 2012 for the enterprises which were entitled to a lower income tax rate under the previous tax law and continued implementation of preferential tax treatment with a fixed term until the expiration of such fixed term. In addition, the New EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law.

Pursuant to the approval of the Zhejiang State Tax Bureau, Chaowei Power which became a foreign investment enterprise in 2006, is exempted from paying PRC income tax for two years starting from the first profit-making year followed by a 50% reduction in income tax rate in the next three years. Chaowei Power commenced its first profit-making year in 2006 and accordingly, income tax has been exempted for year 2006 and 2007, and the applicable income tax rate for 2008 to 2010 was 12.5%.

In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprise was subject to income tax at a tax rate of 15%. Anhui Chaowei was recognized as New and High Technical Enterprises on 11 November 2009 for 3 years in accordance with the applicable enterprise income tax law of the PRC and was subject to income tax at a tax rate of 15% from 2009 to 2011.

Other subsidiaries established in the PRC were subject to income tax rate of 33% for the year ended 31 December 2007 and 25% for the years ended 31 December 2008, 2009 and the three months ended 31 March 2010. The Company and its subsidiaries incorporated in BVI and Hong Kong had no assessable profits since their incorporation.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	109,151	179,045	283,704	72,630	93,503
Tax at the applicable income tax rate (2007: 33%, 2008, 2009 and three months ended 31 March 2010: 25%)	36,020	44,761	70,926	18,158	23,376
Tax effect of income tax credit granted to a subsidiary in research and development expenditure	(564)	(1,396)	(1,969)	(462)	(789)
Tax effect of expenses not deductible	1,411	1,479	2,233	280	278
Effect of tax exemption and preferential tax rates on income of certain subsidiaries	(20,878)	(9,427)	(13,533)	(1,702)	(8,232)
Tax effect of changes of tax rate	899	–	–	–	–
Income tax expense for the year/period	16,888	35,417	57,657	16,274	14,633

The details of deferred tax for the Track Record Period are set out in Note 17.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the Track Record Period is based on the following data:

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit for the year/period attributable to owners of the Company	84,223	128,107	201,912	48,010	74,045

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	'000	*'000*	*'000*	*'000*	*'000*
Weighted average number of shares	327,269	748,910	750,000	750,000	750,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined assuming the capitalization issue as disclosed in Appendix VI of the Prospectus occurred on the first day of the Track Record Period, and the assumption that the Reorganization had been effective on 1 January 2007.

No diluted earnings per share is presented as the Company did not have potential ordinary shares outstanding during the Track Record Period.

13. DIVIDENDS

On 30 May 2007, a dividend in the total amount of approximately RMB23,480,000 was declared by Chaowei Power and paid to its then owners.

On 5 March 2010, Chaowei Power declared dividend in the total amount of RMB65,000,000 to its then owners, in which RMB32,500,000 was paid on 8 April 2010.

The rates of distribution and the number of shares ranking for distribution are not presented as such information is not meaningful for the purpose of this report.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2007	60,037	48,432	3,033	9,521	16,190	137,213
Additions	4,529	17,482	1,926	3,020	35,364	62,321
Transfers	8,508	10,692	–	221	(19,421)	–
Disposals	(1,564)	(4,829)	–	–	–	(6,393)
At 31 December 2007	71,510	71,777	4,959	12,762	32,133	193,141
Additions	3,347	39,422	1,144	4,662	32,209	80,784
Transfers	47,779	2,251	–	1,235	(51,265)	–
Disposals	(546)	(5,028)	(1,173)	(737)	–	(7,484)
At 31 December 2008	122,090	108,422	4,930	17,922	13,077	266,441
Additions	4,527	32,492	6,896	2,810	103,039	149,764
Transfers	57,665	4,667	–	2	(62,334)	–
Acquired on acquisition of subsidiaries	16,415	24,529	545	1,563	1,280	44,332
Disposal of a subsidiary	(1,830)	(11,440)	(395)	(1,192)	–	(14,857)
Transfers to investment property	(12,232)	–	–	–	–	(12,232)
Disposals	–	(3,556)	(211)	(2,194)	–	(5,961)
At 31 December 2009	186,635	155,114	11,765	18,911	55,062	427,487
Additions	886	12,057	670	1,224	47,313	62,150
Transfers	6,416	12,984	–	–	(19,400)	–
Disposals	–	(969)	–	(47)	–	(1,016)
At 31 March 2010	193,937	179,186	12,435	20,088	82,975	488,621
DEPRECIATION						
At 1 January 2007	3,506	6,532	792	1,460	–	12,290
Provided for the year	4,029	6,216	751	2,063	–	13,059
Eliminated on disposals	(417)	(938)	–	–	–	(1,355)
At 31 December 2007	7,118	11,810	1,543	3,523	–	23,994
Provided for the year	5,953	9,460	986	3,125	–	19,524
Eliminated on disposals	(46)	(1,313)	(655)	(440)	–	(2,454)
At 31 December 2008	13,025	19,957	1,874	6,208	–	41,064
Provided for the year	8,684	14,258	1,680	3,912	–	28,534
Disposal of a subsidiary	(183)	(1,905)	(66)	(198)	–	(2,352)
Transfers to investment property	(1,581)	–	–	–	–	(1,581)
Eliminated on disposals	–	(1,300)	(83)	(1,213)	–	(2,596)
At 31 December 2009	19,945	31,010	3,405	8,709	–	63,069
Provided for the period	2,146	3,895	682	943	–	7,666
Eliminated on disposals	–	(482)	–	(20)	–	(502)
At 31 March 2010	22,091	34,423	4,087	9,632	–	70,233
CARRYING AMOUNT						
At 31 December 2007	64,392	59,967	3,416	9,239	32,133	169,147
At 31 December 2008	109,065	88,465	3,056	11,714	13,077	225,377
At 31 December 2009	166,690	124,104	8,360	10,202	55,062	364,418
At 31 March 2010	171,846	144,763	8,348	10,456	82,975	418,388

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	6.33%–9.5%
Plant and machinery	9.5%
Motor vehicles	19%
Furniture, fixtures and equipment	9.5-19%

Details of property, plant and equipment pledged are set out in Note 37.

15. PREPAID LEASE PAYMENTS

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid lease payments related to land use rights analysed for reporting purposes as:				
Current assets	425	932	1,451	1,472
Non-current assets	9,184	34,540	64,899	65,609
	9,609	35,472	66,350	67,081

The amount represents the prepayment of rentals for land use rights in the PRC for a period of 50 years.

Details of land use rights pledged are set out in Note 37.

16. INVESTMENT PROPERTY

	RMB'000
COST	
At 1 January 2009	–
Transfer from property, plant and equipment	10,651
At 31 December 2009 and 31 March 2010	10,651
DEPRECIATION	
At 1 January 2009	–
Depreciation	747
At 31 December 2009	747
Depreciation	146
At 31 March 2010	893
CARRYING VALUES	
At 31 December 2009	9,904
Ar 31 March 2010	9,758

The fair value of the Group's investment property at 31 March 2010 was RMB21,550,000. The fair value has been arrived at based on a valuation carried out by Jones Lang LaSalle Sallmanns Limited, independent valuers not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

The above investment property is depreciated on a straight-line basis at 6.33% per annum.

17. DEFERRED TAXATION

The deferred tax assets (liabilities) recognized by the Group and the movements thereon, during the Track Record Period are as follows:

	Allowance for doubtful debts and inventories	Deferred income	Accrual/ provision	Finance lease	Others	Fair value adjustment on assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	61	808	–	–	189	–	1,058
Credit to profit or loss	772	375	5,648	229	508	–	7,532
At 31 December 2007	833	1,183	5,648	229	697	–	8,590
Credit (charge) to profit or loss	1,558	(246)	8,695	581	(697)	–	9,891
At 31 December 2008	2,391	937	14,343	810	–	–	18,481
Acquisition of a subsidiary	–	–	18	–	–	(2,538)	(2,520)
Credit (charge) to profit or loss	(1,350)	3,358	609	304	1,058	390	4,369
At 31 December 2009	1,041	4,295	14,970	1,114	1,058	(2,148)	20,330
Credit (charge) to profit or loss	589	(22)	(1,940)	(34)	704	14	(689)
At 31 March 2010	1,630	4,273	13,030	1,080	1,762	(2,134)	19,641

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	8,590	18,481	22,478	21,775
Deferred tax liabilities	–	–	(2,148)	(2,134)
	8,590	18,481	20,330	19,641

Under the new EIT Law, withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. Deferred taxation has not been provided for in the Financial Information in respect of undistributed profits of relevant PRC subsidiaries, as the management confirmed that profits generated in 2008, 2009 and 2010 will not be distributed in the foreseeable future. The aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognized was approximately RMB141,811,000 and RMB387,472,000 and RMB469,699,000 as at 31 December 2008, 31 December 2009 and 31 March 2010 respectively.

On 5 March 2010, Chaowei Power declared dividend amounting to RMB65,000,000. As the amount is paid out of retained earnings generated before 1 January 2008, no withholding tax is required.

18. GOODWILL

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January	–	–	–	14,956
Arising from acquisition of subsidiaries *(Notes 41 and 42)*	–	–	19,444	–
Eliminated on disposal of a subsidiary *(Note 42)*	–	–	(4,488)	–
At 31 December	–	–	14,956	14,956

On 1 April 2009, Chaowei Power acquired 85% equity interests in Anhui Chaowei from independent third parties at a consideration of approximately RMB43,072,000, resulting in goodwill of RMB14,956,000.

For the purposes of impairment testing, goodwill set out above has been allocated to one individual cash generating unit ("**CGU**"). During the year ended 31 December 2009 and the three months ended 31 March 2010, management of the Group determines that there is no impairment of its CGU. The basis of the recoverable amount of the above CGU and their major underlying assumptions are summarized below:

The recoverable amount has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 15.12%. The CGU's cash flows beyond the 5- year period are extrapolated using a steady 5% growth rate. The growth rate used is based on management's best estimation on growth forecasts and does not exceed the average long-term growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount.

19. INVENTORIES

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	38,703	53,925	220,680	95,205
Work in process	151,301	145,319	219,461	198,086
Finished goods	25,143	28,091	30,593	31,230
	215,147	227,335	470,734	324,521

20. TRADE RECEIVABLES

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	57,736	38,537	23,222	47,131
Less: allowance for doubtful debts	(1,673)	(1,388)	(3,854)	(4,076)
	56,063	37,149	19,368	43,055

The Group normally allows a credit period of 15 days to its trade customers with trading history, or otherwise sales on cash terms are required.

The aged analysis of trade receivables net of allowance for doubtful debts presented based on the delivery date at the respective reporting dates is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 15 days	43,550	22,167	14,643	36,530
16 – 90 days	8,409	11,782	2,697	4,673
91 – 180 days	3,905	2,787	1,478	1,094
181 – 365 days	199	413	550	758
	56,063	37,149	19,368	43,055

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality.

The aged analysis of trade receivables which are past due but not impaired is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
16 – 90 days	8,409	11,782	2,697	4,673
91 – 180 days	3,905	2,787	1,478	1,094
181 – 365 days	199	413	550	758
	12,513	14,982	4,725	6,525

The Group does not hold any collateral over those balances which are past due but not impaired.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a large number of counterparties and customers.

Impairment for trade receivables over credit period are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and objective evidences of impairment.

Movements in allowance for trade receivables during the Track Record Period:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 January	492	1,673	1,388	3,854
Provided	1,181	–	2,466	222
Reversed	–	(285)	–	–
31 December	1,673	1,388	3,854	4,076

In determining the recoverability of the trade receivables, the Group reassesses the credit quality of the trade receivables since the credit was granted and up to the reporting date. Based on the historical experience of the Group, the directors believe that no further allowance is required.

21. BILLS RECEIVABLE

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	217,220	161,939	176,330	249,414

The Group has discounted bills receivable of approximately RMB16,280,000 at 31 December 2007 to banks with full recourse. There were no discounted bills receivable to banks at 31 December 2008, 2009 and 31 March 2010. The Group continues to recognize the full carrying amount of the receivables and has recognized the cash received on the discounting as bank borrowings (see Notes 31 and 37).

The Group has discounted bills receivable of approximately RMB130,226,000, RMB82,700,000, nil and nil at 31 December 2007, 2008, 2009 and 31 March 2010 respectively to third parties with full recourse. The Group continues to recognize the full carrying amount of the receivables and has recognized the cash received on the discounting as other borrowings. (see Notes 32 and 37).

Bills receivable of approximately RMB59,901,000, RMB27,500,000, RMB101,342,000 and RMB93,985,000 at 31 December 2007, 2008, 2009 and 31 March 2010 respectively were endorsed with recourse to third parties and corresponding trade payables of RMB59,901,000, RMB27,500,000, RMB101,342,000 and RMB93,985,000 at 31 December 2007, 2008, 2009 and 31 March 2010 respectively were included in the consolidated statements of financial position accordingly.

The aged analysis of bills receivable presented based on the issue date at the respective reporting dates is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	98,582	47,039	10,362	169,115
91 – 180 days	118,638	114,900	165,968	80,299
	217,220	161,939	176,330	249,414

22. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to suppliers	62,449	40,950	31,752	46,334
Other receivables	6,072	21,359	52,798	36,388
	68,521	62,309	84,550	82,722

An analysis of other receivables is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Value-added tax recoverable	–	8,951	46,296	18,987
Prepayments to employees	2,087	1,123	2,068	3,244
Loans receivable *(note)*	679	6,073	2,197	–
Others	3,306	5,212	2,237	14,157
	6,072	21,359	52,798	36,388

Note: Loans receivable at the end of each reporting period are unsecured, interest-free and are repayable on demand.

Movements in allowance for other receivables during the Track Record Period:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 January	–	942	1,282	229
Provided	942	340	–	332
Reversed	–	–	(1,053)	–
31 December	942	1,282	229	561

23. MONEY MARKET FUNDS

The balance represents investment in money funds of a few regulated financial institutions in the PRC. These investments are redeemable based on quoted market price and are carried at fair value at the end of each reporting period.

24. RESTRICTED BANK DEPOSITS AND BANK BALANCES

Restricted bank deposits represent the Group's bank deposits pledged to banks to secure certain facilities granted to the Group by banks.

The restricted bank deposits carry market interest rate of 0.72%, 0.36%, 0.36% and 0.36% per annum as at 31 December 2007, 2008, 2009 and 31 March 2010 respectively.

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less which are held with financial institutions and carry interest at prevailing market rate.

Bank balances and cash at 31 December 2007, 2008, 2009 and 31 March 2010 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

25. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Group normally settles its trade payables within 30 days.

The aged analysis of trade payables presented based on the material receiving date at the respective reporting dates is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	40,751	43,094	72,047	71,982
31 – 90 days	35,106	49,209	68,010	60,066
91 – 180 days	42,129	59,789	66,503	55,669
180 – 365 days	2,659	4,208	9,142	10,050
1 – 2 years	2,017	2,893	2,717	4,427
Over 2 years	–	17	1,740	1,877
	122,662	159,210	220,159	204,071

26. BILLS PAYABLE

The aged analysis of bills payable presented based on issue date at the respective reporting dates is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	3,895	10,000	6,070	–
91 – 180 days	–	96,157	1,000	–
	3,895	106,157	7,070	–

27. OTHER PAYABLES

An analysis of other payables is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received from distributors and others	2,991	22,531	38,466	38,359
Other payables	16,091	49,921	41,573	20,664
Advance from customers	5,690	25,788	32,594	30,871
Accrued payroll and welfare	11,635	17,833	25,072	12,418
Other tax payable	4,623	8,641	2,108	10,799
Interest payable	51	259	226	433
	41,081	124,973	140,039	113,544

28. OBLIGATIONS UNDER FINANCE LEASES

The Group had leased certain buildings for a term of 3 years with a transfer of ownership upon the end of the lease period. This was recognized as finance lease.

During the year ended 31 December 2007, the Group has entered into one sales and leaseback transaction with an independent third party by way of sales of and leasing back machineries with sales proceeds of RMB15,000,000. In accordance with the lease agreement, the term of the lease was 3 years and the Group has the option to purchase the assets at a nominal consideration upon the end of the lease term. Such transaction was considered as sales and finance leaseback. During the year ended 31 December 2009, the Group has early terminated the lease arrangement and acquired the assets.

Interest rates underlying all obligations under finance leases are floated based on the borrowing rates announced by the People's Bank of China.

	Minimum lease payments			
	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable under finance leases				
Within one year	6,846	7,505	–	–
In more than one year but not more than two years	12,029	4,524	–	–
	18,875	12,029	–	–
Less: future finance charges	(4,761)	(1,826)	–	–
Present value of lease obligations	14,114	10,203	–	–

	Present value of minimum lease payment			
	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	5,596	6,174	–	–
In more than one year but not more than two years	8,518	4,029	–	–
Present value of lease obligations	14,114	10,203	–	–
Less: Amount due for settlement with 12 months (shown under current liabilities)	5,596	6,174	–	–
Amount due for settlement after 12 months	8,518	4,029	–	–

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

29. DEFERRED INCOME

	Arising from government grants	Arising from sales and finance leaseback	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2007	2,448	–	2,448
Additions	–	2,799	2,799
Release to income	(51)	(466)	(517)
At 31 December 2007	2,397	2,333	4,730
Release to income	(51)	(933)	(984)
At 31 December 2008	2,346	1,400	3,746
Additions	14,959	–	14,959
Release to income	(126)	(1,400)	(1,526)
At 31 December 2009	17,179	–	17,179
Release to income	(87)	–	(87)
At 31 March 2010	17,092	–	17,092

Deferred income arising from government grant represents the government subsidies obtained in relation to the acquisition of land use right of Henan Chaowei, which was included in the consolidated statements of financial position as deferred income and credited to the consolidated statements of comprehensive income on a straight-line basis over the lease term of the land use right.

Deferred income arising from sales and finance leaseback represents the difference between the sales proceeds and the carrying amount of property, plant and equipment in a sales and leaseback transaction during the Track Record Period, which was recorded in the consolidated statements of financial position as deferred income and credited to the consolidated statements of comprehensive income on a straight-line basis over the lease term of the property, plant and equipment.

The following is the analysis of the deferred income balances for financial reporting purposes:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	984	1,451	350	350
Non-current portion	3,746	2,295	16,829	16,742
	4,730	3,746	17,179	17,092

30. PROVISION

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	13,740	33,542	45,164	57,539
Provision for the year/period	61,704	95,180	123,440	35,488
Utilization of provision	(41,902)	(83,558)	(111,065)	(28,747)
At end of year/period	33,542	45,164	57,539	64,280

The warranty provision represents management's best estimate of the Group's liability within fifteen months' warranty granted on motive battery products, based on prior experience for defective products.

31. BANK BORROWINGS

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	95,080	56,000	101,000	151,000
Unsecured bank borrowings	85,000	60,000	110,000	170,000
	180,080	116,000	211,000	321,000
Included in the unsecured bank borrowings, the balance of borrowings which are guaranteed by the following parties are as follows:				
– related party	25,000	–	–	–
– third party	30,000	10,000	–	–
	55,000	10,000	–	–
The borrowings are repayable as follows:				
Within one year	150,080	116,000	55,000	45,000
In the second year	30,000	–	–	–
More than two years but not more than five years	–	–	156,000	276,000
	180,080	116,000	211,000	321,000
Less: Amount due for settlement within one year and shown under current liabilities	150,080	116,000	55,000	45,000
Amount due after one year	30,000	–	156,000	276,000
Total borrowings				
– at fixed rates	180,080	116,000	45,000	15,000
– at floating rates	–	–	166,000	306,000
	180,080	116,000	211,000	321,000
Analysis of borrowings by currency:				
– denominated in RMB	180,080	116,000	211,000	321,000

Fixed interest rate borrowings are charged at the rates ranging from 6.44% to 8.02%, 5.91% to 8.22%, 5.84% and 5.84% per annum for the years ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2010 respectively.

Interest on borrowings at floating rates are calculated based on the borrowing rates announced by the People's Bank of China. The effective weighted average annual rate for the years ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2010 were 6.87%, 7.46%, 4.66% and 5.03% per annum respectively.

Details of pledge of assets for the Group's secured bank borrowings and guarantees from other parties are set out in Notes 37 and 40 respectively.

32. OTHER BORROWINGS

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured other borrowings *(Note 21)*	130,226	82,700	–	–
Unsecured other borrowings	1,285	1,285	–	–
	131,511	83,985	–	–

Secured other borrowings represent the proceeds received by way of bills receivable discounted through several independent financial consultants, which are repayable within six months, carry interest at fixed rates which range from 4.20% to 6.89% and 2.86% per annum for the years ended 31 December 2007 and 2008 respectively.

Unsecured other borrowings are repayable to an independent third party, the local county government, which are on demand, carried interest rate of 12% per annum and were fully repaid during the year ended 31 December 2009.

33. PAID-IN CAPITAL/SHARE CAPITAL

The Company and the Group

The details of the Company's share capital are as follows:

	Number of shares	Shares capital
		US$'000
Authorized		
Ordinary shares of US$1.00 each		
At date of incorporation	50,000	50
Increase on subdivision of shares on 9 March 2010	4,950,000	–
Ordinary shares of US$0.01 each		
At 31 March 2010	5,000,000	50
Issued and fully paid		
Ordinary shares of US$1.00 each		
At date of incorporation	100	–
Increase on subdivision of shares on 9 March 2010	9,900	–
Issue of new shares on 9 March 2010	90,000	1
Ordinary shares of US$0.01 each		
At 31 March 2010	100,000	1

	RMB'000
Presented as	7

On 18 January 2010, the Company was incorporated in the Cayman Islands with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the same date, 100 shares of US$1 each were issued.

On 9 March 2010, the par value of the shares of the Company was subdivided from US$1 each to US$0.01 each, and the authorized share capital was changed from US$50,000 divided into 50,000 shares of US$1.0 each to US$50,000 divided into 5,000,000 shares of US$0.01 each. The share capital then issued became 10,000 shares of US$0.01 each. On the same date, additional 90,000 shares of US$0.01 each was issued and fully paid, and the share capital of the Company became 100,000 shares of US$0.01 each.

For the purpose of the preparation of the Financial Information, the paid-in capital/share capital in the consolidated statements of financial position at 31 December 2007, 2008 and 2009 represented the paid in capital of Chaowei Power, the then holding company of the PRC subsidiaries now comprising the Group.

34. RESERVES

Reserves of the Group other than retained earnings include statutory surplus and other reserves, which form part of the equity holders' equity.

Statutory surplus reserve

In accordance with the Articles of Association of all subsidiaries established in the PRC, those subsidiaries are required to transfer 5% to 10% of the profit after taxation reported under the relevant accounting policies and financial regulations in the PRC to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

Other reserves

Other reserves are mainly arising from (i) the difference between the fair value of the consideration paid/received and the carrying amount of the net assets attributable to the adjusted interest in a subsidiary being acquired from/disposal to the non-controlling shareholders and (ii) equity-settled share-based payment transactions entered into and fully vested prior to the Track Record Period (iii) debt waived by a related party (iv) paid in capital of Chaowei Power transferred during the Reorganization.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which comprising the bank borrowings disclosed in Note 31, other borrowings disclosed in Note 32, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in Notes 33 and 34 and the consolidated statements of changes in equity.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables	440,809	520,701	365,352	661,592
Available-for-sale financial assets	260	100,280	–	–
Financial liabilities				
Liabilities at amortized cost	491,741	569,755	545,637	662,005

(b) Market risk

The Group's activities expose it primarily to the financial risks of interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk management

The Group collects most of the revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB.

The director considered that the Group's exposure to foreign currency exchange risk is insignificant as all of the Group's transactions are denominated in the functional currency of each individual group entity.

The directors consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates is minimal as none of the assets and liabilities of the Group denominated in currency other than functional currency of a particular group entity as at each of the reporting dates.

(ii) Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank and other borrowings subject to negotiation on annual. The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits, bank balances and cash, floating interest rate bank borrowings and obligations under finance lease. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of each reporting period. For variable-rate bank borrowings and restricted bank deposits, bank balances and cash and obligations under finance lease, the analysis is prepared assuming the amount of liability outstanding at the end of each reporting period was outstanding

for the whole year. A 27 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 27 basis points higher/lower and all other variables were held constant the Group's:

Profit for the year ended 31 December 2007 and 2008 would increase/decrease by RMB375,000 and RMB772,000, respectively.

Profit for the year ended 31 December 2009 would decrease/increase by RMB20,000.

Profit for the three months ended 31 March 2010 would increase/decrease by RMB108,000.

(c) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, bills receivable, other receivables, amounts due from related parties, bank balances and deposits. At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets stated in the consolidated statements of financial position.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on bills and trade receivables, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are authorized banks in the PRC.

(d) Liquidity risk management

The Group manages liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilization of bank borrowings from time to time.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2010, the Group has available unutilized short-term bank loan facilities of approximately RMB292,000,000.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average interest rate	On demand	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total undis-counted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2007									
Non-derivative financial liabilities									
Fixed-rate bank borrowings	7.73	–	83,827	74,004	30,052	–	–	187,883	180,080
Other borrowings	5.42	1,285	130,226	–	–	–	–	131,511	131,511
Trade payables		99,097	15,549	–	–	–	–	114,646	122,662
Bills payable		–	3,895	–	–	–	–	3,895	3,895
Other payables		21,926	6,943	1,899	–	–	–	30,768	30,768
Amounts due to related parties		8,711	–	–	–	–	–	8,711	8,711
Obligation under finance lease	8.25	1,436	1,436	3,974	12,029	–	–	18,875	14,114
Financial guarantee contract		–	5,000	–	–	–	–	5,000	–
		132,455	246,876	79,877	42,081	–	–	501,289	491,741
At 31 December 2008									
Non-derivative financial liabilities									
Fixed-rate bank borrowings	7.12	–	52,745	67,419	–	–	–	120,164	116,000
Other borrowings	2.86	–	72,700	11,285	–	–	–	83,985	83,985
Trade payables		120,490	23,771	14,948	–	–	–	159,209	159,210
Bills payable		106,157	–	–	–	–	–	106,157	106,157
Other payables		31,691	20,923	37,930	–	–	–	90,544	90,544
Amounts due to related parties		3,656	–	–	–	–	–	3,656	3,656
Obligation under finance lease	7.57	1,402	1,402	4,701	4,524	–	–	12,029	10,203
		263,396	171,541	136,283	4,524	–	–	575,744	569,755
At 31 December 2009									
Non-derivative financial liabilities									
Fixed-rate bank borrowings	5.84	–	46,095	–	–	–	–	46,095	45,000
Variable-rate bank borrowings	5.13	–	14,252	4,090	8,070	162,841	–	189,253	166,000
Trade payables		165,586	36,751	17,822	–	–	–	220,159	220,159
Bills payable		7,070	–	–	–	–	–	7,070	7,070
Other payables		39,147	24,357	41,833	–	–	–	105,337	105,337
Amounts due to related parties		2,071	–	–	–	–	–	2,071	2,071
		213,874	121,455	63,745	8,070	162,841	–	569,985	545,637
At 31 March 2010									
Non-derivative financial liabilities									
Fixed-rate bank borrowings	5.84	–	15,068	–	–	–	–	15,068	15,000
Variable-rate bank borrowings	5.20	–	37,455	7,085	14,170	286,181	–	344,891	306,000
Trade payables		40,147	163,924	–	–	–	–	204,071	204,071
Other payables		1,500	37,225	33,149	–	–	–	71,874	71,874
Amounts due to related parties		60	–	–	–	–	–	60	60
Dividend payable		65,000	–	–	–	–	–	65,000	65,000
		106,707	253,672	40,234	14,170	286,181	–	700,964	662,005

The amounts included above for variable interest rate non-derivative financial liabilities are subject to change if changes in interest rates differ to those estimates of interest rates determined at the end of each reporting period.

(e) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The money market funds held at 31 December 2008 are measured using level 1 fair value measurements which are derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

37. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	43,985	46,068	45,692	43,590
Land use rights	5,392	6,701	33,229	33,077
Bills receivable	146,506	82,700	–	–
Restricted bank deposits	82,407	119,006	7,861	200
	278,290	254,475	86,782	76,867

38. OPERATING LEASES

The Group as lessee

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Minimum lease payments paid under operating leases for premises	3,230	3,721	4,961	1,164	1,050

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	3,219	1,755	2,998	3,605
In the second to fifth years inclusive	5,581	4,884	5,414	7,848
Over five years	3,627	2,418	1,787	1,400
	12,427	9,057	10,199	12,853

Operating lease payments represent rentals payable by the Group for certain of its properties. Leases are negotiated for terms of 2 to 8 years.

The Group as lessor

Property rental income earned for the year ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2010 was approximately nil, nil, RMB480,000 and RMB300,000 respectively. The property held has committed tenants up to 2012.

At the end of the each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	–	1,230	1,230
In the second to fifth years inclusive	–	–	2,303	1,845
	–	–	3,533	3,075

39. CAPITAL COMMITMENTS

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for				
– acquisition of property, plant and equipment	9,505	36,191	15,325	45,655

40. CONTINGENT LIABILITIES AND GUARANTEES

At the end of each reporting period, the Group had the following guarantees:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in respect of banking facilities granted to:				
– Third parties				
長興昌盛電氣有限公司 ("Changxing Changsheng Co., Ltd")	5,000	–	–	–
Guarantees received from other parties in respect of banking facilities granted to the Group:				
– Related party				
Mr. Zhou Mingming	25,000	–	–	–
– Third party				
浙江永達電力實業股份有限公司 ("Zhejiang Yongda Electric Power Industry Co., Ltd.")	30,000	10,000	–	–
	55,000	10,000	–	–

41. ACQUISITION OF A SUBSIDIARY

On 1 April 2009, the Group acquired 85% equity interests of Anhui Chaowei for a cash consideration of approximately RMB43,072,000 from independent third parties.

Details of the net assets acquired and the goodwill arising on acquisition are set out as below:

	Acquiree's carrying amount before combination *RMB'000*	**Fair value adjustments** *RMB'000*	**Fair value** *RMB'000*
Net assets acquired:			
Property, plant and equipment	30,313	1,445	31,758
Prepaid lease payments	14,794	–	14,794
Deferred tax assets	18	–	18
Inventories	21,291	2,403	23,694
Trade receivables	20,300	–	20,300
Bills receivable	150	–	150
Prepayments and other receivables	820	–	820
Bank balances and cash	2,066	–	2,066
Trade payables	(30,099)	–	(30,099)
Other payables	(1,790)	–	(1,790)
Amounts due to related parties	(23,500)	–	(23,500)
Deferred income	(13,071)	13,071	–
Bank borrowings-due within one year	(2,000)	–	(2,000)
Income tax payable	(595)	–	(595)
Deferred tax liabilities	–	(2,538)	(2,538)
	18,697	14,381	33,078
Non-controlling interests			(4,962)
Goodwill			14,956
Total consideration, transferred by cash			43,072
Net cash flow arising on acquisition:			
Cash consideration paid			(43,072)
Cash and cash equivalents acquired			2,066
			(41,006)

Non-controlling interest is determined at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets.

Anhui Chaowei contributed approximately RMB15,600,000 to the Group's profit for the period between the date of acquisition and 31 December 2009.

If the acquisition had been completed on 1 January 2009, the Group's revenue for the year ended 31 December 2009 would have been approximately RMB2,484,937,000 and profit attributable to owners of the Company for the year ended 31 December 2009 would have been approximately RMB205,787,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Anhui Chaowei been acquired on 1 January 2009, the directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

On 25 October 2009, the Group disposed of 5% equity interests in Anhui Chaowei to one of the non-controlling shareholders for a cash consideration of approximately RMB2,283,000. On the same date, the registered and paid up capital of Anhui Chaowei was increased by RMB5,000,000. Afterwards, the Group's equity interests in Anhui Chaowei were diluted to 80%.

42. ACQUISITION AND DISPOSAL OF A SUBSIDIARY

On 8 February 2009, the Group made a capital contribution to 北京鋰先鋒科技發展有限公司 ("Beijing Lixianfeng Technology Development Co., Ltd") ("**Beijing Lixianfeng**") of RMB10,000,000 which represented 33.33% of its equity interests and after then, the Group accounted for Beijing Lixianfeng as interests in an associate.

On 1 September 2009, the Group acquired the remaining equity interests in Beijing Lixianfeng for a consideration of approximately RMB9,714,000 and Beijing Lixianfeng subsequently became its wholly owned subsidiary.

Details of the net assets acquired and the goodwill arising on acquisition are set out as below:

	Acquiree's carrying amount before combination *RMB'000*	**Fair value adjustments** *RMB'000*	**Fair value** *RMB'000*
Net assets acquired:			
Property, plant and equipment	11,843	731	12,574
Inventories	970	–	970
Trade receivables	105	–	105
Prepayments and other receivables	895	–	895
Bank balance and cash	143	–	143
Trade payables	(1,147)	–	(1,147)
Other payables	(465)	–	(465)
	12,344	731	13,075
Reclassified from the Group's interests in an associate			(7,849)
Goodwill included in interest in an associate			3,491
Goodwill generated on acquisition of the remaining equity interests			997
Total consideration, transferred by cash			9,714
Net cash flow arising on acquisition:			
Cash consideration paid			(9,714)
Cash and cash equivalents acquired			143
			(9,571)

Beijing Lixianfeng is mainly engaged to the research and development of Lithium motive battery. However, upon taking control of Beijing Lixianfeng, management changed its plan. On 30 October 2009, the Group transferred its entire interest in Beijing Lixianfeng to one of the predecessor owners of Beijing Lixianfeng at a consideration of approximately RMB19,714,000.

Details of net assets disposed of and gain on disposal are as follows:

	30 October 2009 *RMB'000*
Net assets disposed:	
Property, plant and equipment	12,505
Inventories	1,088
Trade receivables	105
Prepayments and other receivables	715
Bank balances and cash	131
Trade payables	(603)
Other payables	(1,917)
	12,024
Goodwill	4,488
Gain on disposal	3,202
Consideration in cash	19,714
Net cash inflow on disposal:	
Cash received	19,714
Cash and cash equivalents disposed of	(131)
	19,583

The above disposal of the subsidiary has no material impact on the Group's cash flow, revenue and profit for the year ended 31 December 2009.

43. MAJOR NON-CASH TRANSACTIONS

In 2007, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of RMB12,201,000.

In 2008, the Group disposed of prepaid lease payments to the local government at a consideration of approximately RMB3,149,000 which is satisfied by a waiver of other payables to the local government.

On 25 October 2009, the Group disposed of 5% equity interests in Anhui Chaowei to one of the non-controlling shareholders at a consideration of approximately RMB2,283,000 which was unsettled and included in amounts due from related parties as at 31 December 2009. Such consideration was received on 30 January 2010.

During the three months ended 31 March 2010, loan of RMB54,891,000 from a related party of the Company, United holdings, was waived.

44. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
河南屹峰電動車制造有限公司 ("Henan Yifeng Electric Cars Manufacture Co., Ltd.") ("**Henan Yifeng**")	Controlled by non-controlling party of Henan Chaowei
河南省屹林商貿有限公司 ("Henan Yilin Commerce & Trade Co., Ltd") ("**Henan Yilin**")	Controlled by Henan Yifeng
浙江超威超勝金屬材料有限公司 ("Zhejiang Chaowei Chaosheng Metal Materials Co., Ltd.") ("**Zhejiang Chaosheng**")	Controlled by Mr. Zhou Mingming's immediate family member *(Note i)*
河南高遠鋁業發展有限公司 ("Henan Gaoyuan Aluminium Development Co., Ltd.") ("**Henan Gaoyuan**")	Controlled by non-controlling party of Henan Chaowei
United holdings	Controlled by Mr. Zhou Mingming
柴成雷 ("Chai Chenglei")	Non-controlling party of Henan Chaowei
李杰 ("Li Jie")	Non-controlling party of Shandong Chaowei
錢海春 ("Qian Haichun")	Non-controlling party of Anhui Chaowei

Note:

(i) The company ceased to be related party of the Company since 28 April 2007.

(b) The Group has entered into the following significant transactions with its related parties during the Track Record Period:

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of goods					
– Henan Yifeng	13,511	24,046	9,675	3,434	4,732
– Henan Yilin *(Note i)*	10,687	4,733	779	252	–
	24,198	28,779	10,454	3,686	4,732
Purchase of raw materials					
– Zhejiang Chaosheng	252	–	–	–	–

Notes:

(i) The related party transactions with Henan Yilin were terminated subsequent to 31 December 2009.

(ii) In the opinion of the Directors, the related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Company's business.

(c) Balances with related parties

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related entities:				
Trade nature				
– Henan Yifeng	3,295	2,045	342	5,855
Non-trade nature				
– Chai Chenglei *(Note iii)*	70	421	1,698	–
– Qian Haichun *(Note iii)*	–	–	2,379	–
	3,365	2,466	4,419	5,855
Amount due from a director *(Note i)*				
– Zhou Mingming *(Note ii)*	–	5,646	30	–
Total	3,365	8,112	4,449	5,855

All amounts due from related parties were denominated in RMB, unsecured, interest free and repayable on demand.

Amounts due to related entities:				
Non-trade nature				
– Henan Yifeng	3,616	–	–	–
– Henan Gaoyuan	595	585	–	–
– United holdings *(Note iv)*	–	71	71	60
– Chai Chenglei	2,500	1,000	–	–
– Li Jie	2,000	2,000	–	–
– Qian Haichun *(Note iii)*	–	–	2,000	–
Total	8,711	3,656	2,071	60

All amounts due to related parties are unsecured, interest free and to be settled in accordance with agreed credit term or payable on demand.

Note:

(i) The maximum balance outstanding for amount due from a director during the Track Record Period was:

	Year ended 31 December			Three months ended 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhou Mingming	2	9,205	5,646	73

(ii) The amount due from a director of the Company was settled before 31 March 2010.

(iii) The amounts due from/to the related parties were settled before 31 March 2010.

(iv) The amount due to United Holdings was settled in April 2010.

(d) Compensation of key management personnel

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short term employee benefit	535	1,578	1,347	440	285
Retirement benefits scheme contributions	15	16	16	4	4
	550	1,594	1,363	444	289

(e) Guarantees and security

At the end of each reporting period, details of amount of bank borrowings of the Group guaranteed by its equity holders and related parties were as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
A director of the Company Zhou Mingming	25,000	–	–	–

45. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

The Group has participated in certain defined contribution retirement schemes managed by the respective municipal governments where the Group operates, covering all permanent staff of the Group. The Group has no obligation beyond the contributions which are calculated based on 17% to 20% of permanent staff basic salaries during the Track Record Period.

C. DIRECTORS' REMUNERATION

Saved as disclosed in this report, no remuneration has been paid or is payable by the Company or any of its subsidiaries to the Company's directors in respect of the Track Record Period.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any companies comprising the Group in respect of any period subsequent to 31 March 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix was prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and is for information purposes only and does not form part of the accountants' report prepared by the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as set out in Appendix I.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is set out here to provide the prospective investors with further information on (i) how the proposed listing might have affected the net tangible assets of the Group after the completion of the Global Offering as if the Global Offering had taken place on 31 March 2010 and; (ii) how the proposed listing might have affected the forecast earnings per share of the Group for the six-month period ending 30 June 2010 as if the Global Offering had taken place on 1 January 2010.

Although reasonable care has been exercised in preparing such information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions of the financial periods concerned or any future periods.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted net tangible assets of the Group which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of 31 March 2010 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, adjusted as described below. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2010	**Estimated net proceeds from the Global offering**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(1)	*(2)*		*(3)*	*(4)*
Based on the Offer Price of HK$2.18 per Share	729,177	417,911	1,147,088	1.15	1.31
Based on the Offer Price of HK$2.90 per Share	729,177	568,377	1,297,554	1.30	1.48

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2010 are based on audited consolidated net assets of the Group attributable to the owners of the Company as at 31 March 2010 of approximately RMB744,133,000 as set out in Appendix I to this prospectus after deducting goodwill of approximately RMB14,956,000.

2. The estimated net proceeds from the Global Offering are based on 250,000,000 shares at the offer price of lower limit and upper limit of HK$2.18 and HK$2.90 per Share, respectively, after deduction of estimated related fees and expenses and do not take into account of any Share that may be issued pursuant to the exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share has been arrived at after making the adjustments referred to in this section and on the basis of a total of 1,000,000,000 Shares in issue immediately following completion of the Global Offering. It does not take into account of any Share which may be issued upon exercise of the Over-allotment Option.

4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per share are converted into Hong Kong Dollars at an exchange rate of RMB0.88 to HK$1.00.

5. By comparing the valuation of our property interests as set out in Appendix IV to this prospectus the net valuation surplus is approximately RMB69.4 million as compared to the carrying amounts of the Group's property interests as of 31 March 2010, which has not been included in the above consolidated net tangible assets attributable to owners of the Company. The valuation surplus of our property interests will not be incorporated in our consolidated financial statements in the future. If the valuation surplus were to be included in our consolidated financial statements, an additional depreciation charge of approximately RMB2,934,000 per annum would be incurred.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per share for the six-month period ending 30 June 2010 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. The unaudited pro forma forecast earnings per share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

For the six month period ending 30 June 2010

Forecast consolidated profit attributable to owners of the Company *(1)*	not less than RMB113.0 million (approximately HK$128.4 million)
Unaudited pro forma forecast earnings per Share *(2)(3)*	RMB0.113 (approximately HK$0.128)

Notes:

1. The bases and assumptions on which the forecast consolidated profit for the six-month period ending 30 June 2010 attributable to owners of the Company has been prepared are summarized in Appendix III to this prospectus.

2. The calculation of the unaudited pro forma forecast earnings per share is based on the forecast consolidated profit for the six-month period ending 30 June 2010 attributable to owners of the Company and assuming the Global Offering had been completed on 1 January 2010 and a total of 1,000,000,000 Shares had been in issue throughout the six-month period ending 30 June 2010. No account has been taken of any additional income we may have earned from the estimated net proceeds from the Global Offering, any shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option.

3. The unaudited pro forma forecast earnings per share are converted into Hong Kong dollars at an exchange rate of RMB0.88 to HK$1.00.

4. We have undertaken to the Hong Kong Stock Exchange that our interim report for the six-month period ending 30 June 2010 will be audited pursuant to Rule 11.18 of the Hong Kong Listing Rules.

C. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Deloitte Touche Tohmatsu, the reporting accountants of our Company, in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.
德勤

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Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHAOWEI POWER HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Chaowei Power Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the global offering might have affected the financial information presented, for inclusion in Appendix II to the prospectus dated 24 June 2010 (the "**Prospectus**"). The basis of preparation of the unaudited pro forma financial information is set out in sections A and B of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the

adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 March 2010 or any future date, or the earnings per share of the Group for the six-month period ending 30 June 2010 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 June 2010

The forecast of the consolidated profit of the Group for the six-month period ending 30 June 2010 attributable to owners of the Company is set out in the paragraph headed "Profit Forecast for the six-month period ending 30 June 2010" under the section headed "Financial Information" in this prospectus.

1. BASES AND ASSUMPTIONS

The forecast of the consolidated profit of the Group for the six-month period ending 30 June 2010 attributable to owners of the Company prepared by the Directors is based on the audited consolidated results of the Group for the three months ended 31 March 2010, the unaudited consolidated results of the Group for the month ended 30 April 2010 and a forecast of the consolidated results of the Group for the remaining two months ending 30 June 2010. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarized in the accountants' report, the text of which is set out in Appendix I to this prospectus and is based on the following principal assumptions:

- There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC, in which the Group currently operates or which are otherwise material to the Group's business;

- there will be no changes in legislation, regulations or rules in the PRC in which the Group operates or with which the Group has arrangements or agreements, which may materially adversely affect the Group's business or operations;

- there will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of the Group's operations;

- there will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the PRC in which the Group operates; there will be no wars, military incidents, pandemic diseases or natural disasters that would have a material impact on the Group's business and operating activities; and

- the PRC Government will continue to adopt a moderate macroeconomic and monetary policies similar to those of 2009, in order to maintain a consistent rate of economic growth.

2. LETTERS

Set out below are texts of the letters, prepared for inclusion in this prospectus, received by the Directors from the Company's reporting accountants, Deloitte Touche Tohmatsu, and from the Sponsor, BNP Paribas Capital (Asia Pacific) Limited, in connection with the forecast of the consolidated profit attributable to the equity holders of the Company for the six-month period ending 30 June 2010, respectively.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

24 June 2010

The Directors
Chaowei Power Holdings Limited
BNP Paribas Capital (Asia Pacific) Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of Chaowei Power Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the six-month period ending 30 June 2010 attributable to owners of the Company (the "**Forecast**"), for which the directors of the Company are solely responsible, as set out in the prospectus dated 24 June 2010 issued by the Company (the "**Prospectus**"). The Forecast is prepared based on the audited consolidated results of the Group for the three months ended 31 March 2010, the consolidated results shown in the unaudited management accounts of the Group for the month ended 30 April 2010, and a forecast of the consolidated results for the remaining two months of the financial period ending 30 June 2010.

In our opinion, the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in "Bases and Assumptions" of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report of the financial information on the Group for the three years ended 31 December 2009 and the three months ended 31 March 2010 as set out in Appendix I to the Prospectus.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

BNP Paribas Capital (Asia Pacific) Limited
59/F–63/F Two International Finance Centre,
8 Finance Street, Central, Hong Kong

24 June 2010

The Board of Directors
Chaowei Power Holdings Limited

Dear Sirs,

We refer to the forecast of the consolidated profit of Chaowei Power Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") attributable to owners of the Company for the six-month period ending 30 June 2010 (the "**Profit Forecast**") as set out in the prospectus of the Company dated 24 June 2010.

The Profit Forecast, for which the directors of the Company (the "**Directors**") are solely responsible, has been prepared by them based on the audited consolidated results of the Group for the three months ended 31 March 2010, the consolidated results shown in the unaudited management accounts of the Group for the month ended 30 April 2010 and a forecast of the consolidated results of the Group for the remaining two months ending 30 June 2010.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 24 June 2010 addressed to you and us from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we have formed the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully
For and on behalf of
BNP Paribas Capital (Asia Pacific) Limited
Isadora Li
Head of Investment Banking – North Asia

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 March 2010 of the property interests of the Group.

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

24 June 2010

The Board of Directors
Chaowei Power Holdings Limited
Xinxing Industry Park
Zhi Cheng Town
Changxing County
Huzhou City
Zhejiang Province
The PRC

Dear Sirs,

In accordance with your instructions to value the properties in which Chaowei Power Holdings Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") have interests in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 March 2010 (the "**date of valuation**").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests of property no. 2 in Group I, property no. 9 in Group III and property no. 10 in Group IV by direct comparison approach assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of property interests of property nos.1 and 3 to 7 in Group I and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

In valuing the remaining portions of the property interests of property nos. 3, 4 and 7 in Group I and property no. 8 in Group II which are currently under construction, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

We have attributed no commercial value to the property interest in Group IV, which has not been assigned to the Group as at the date of valuation, thus the title of the property is not invested in the Group.

We have attributed no commercial value to the property interests in Group V which are rented by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on properties published from time to time by the Hong Kong Institute of Surveyors; and the International Valuation Standards published from time to time by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Zong Heng Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010 *RMB*
1.	A parcel of land and 8 buildings No. 19 Changhe Road Xinxing Industry Park Zhicheng Town Changxing County Huzhou City Zhejiang Province The PRC	4,234,000	100%	4,234,000
2.	Unit 302, Entrance 1 and Unit 401, Entrance 2 of Building 1 and Unit 202, Entrance 3 of Building 3 Qingxi Garden Zhicheng Town Changxing County Huzhou City Zhejiang Province The PRC	No commercial value	100%	No commercial value
3.	A parcel of land, 18 buildings, various structures and a building under construction No. 74 Shangji Natural Village Zhongshan Administrative Village Xiaopu Town Changxing County Huzhou City Zhejiang Province The PRC	18,981,000	100%	18,981,000
4.	2 parcels of land, 17 buildings, various structures and 6 buildings under construction located at Yongping Village Dingqiao Town Qingyang County Chizhou City Anhui Province The PRC	40,180,000	80%	32,144,000
5.	A parcel of land, 30 buildings and various structures located at the western side of Zihuang Road Gaozhuang Village Boxiang Town Qinyang City Henan Province The PRC	28,761,000	60%	17,257,000

No.	Property	Capital value in existing state as at 31 March 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010 *RMB*
6.	3 parcels of land, 41 buildings and various structures located at the western side of Menguan Road Xin'andian Village Gangcheng Town Ningyang County Tai'an City Shandong Province The PRC	98,775,000	100%	98,775,000
7.	3 parcels of land, 6 buildings, a structure and 2 buildings under construction No. 12 Zhizhou Boulevard Zhicheng Town Changxing County Huzhou City Zhejiang Province The PRC	88,813,000	100%	88,813,000
	Sub-total:	**279,744,000**		**260,204,000**

Group II – Property interest held under development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010 *RMB*
8.	A parcel of land, 5 buildings and various structures under construction located at the western side of Shiju Road and the eastern side of Xiwai Ring Road Qinnan Industry Park Qinyang City Henan Province The PRC	60,563,000	60%	36,338,000
	Sub-total:	**60,563,000**		**36,338,000**

Group III – Property interest held for investment by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010 *RMB*
9.	Units 1801 and 1802 on Level 18 of Hongshi Central Mansion No. 225 Chaowang Road Gongshu District Hangzhou City Zhejiang Province The PRC	21,550,000	100%	21,550,000
	Sub-total:	**21,550,000**		**21,550,000**

Group IV – Property interest contracted to be acquired by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2010 *RMB*
10.	Units 1003 and 1004, Entrance 1 of Building 8 Lihumingju Mansion Zhicheng Town Changxing County Huzhou City Zhejiang Province The PRC	No commercial value	100%	No commercial value
	Sub-total:	**Nil**		**Nil**

Group V – Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2010 *RMB*
11.	An industrial building No. 74 Shangji Natural Village Zhongshan Administrative Village Xiaopu Town Changxing County Huzhou City Zhejiang Province The PRC	No commercial value

No.	Property	Capital value in existing state as at 31 March 2010 *RMB*
12.	Building Nos. 1 to 4 No. 9 Changhe Road Xinxing Industry Park Zhicheng Town Changxing County Huzhou City Zhejiang Province The PRC	No commercial value
13.	A parcel of land, 30 buildings and various structures located at Huatai Road Binhu Huasong Tech-industry Park the southern side of Dingzi River Dongkan Town Binhai County Yancheng City Jiangsu Province The PRC	No commercial value
		Sub-total: Nil

	Capital value in existing state as at 31 March 2010 *RMB*	Capital value attributable to the Group as at 31 March 2010 *RMB*
Grand total:	**361,857,000**	**318,092,000**

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
1.	A parcel of land and 8 buildings No. 19 Changhe Road Xinxing Industry Park Zhicheng Town Changxing County Huzhou City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 8,551.55 sq.m., and 8 buildings erected thereon which were completed in about 2005. The buildings have a total gross floor area of approximately 5,299.35 sq.m. The buildings include 5 industrial buildings, 2 office buildings and a staff canteen. The land use rights of the property have been granted for a term expiring on 13 April 2053 for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes.	4,234,000 100% interest attributable to the Group: RMB4,234,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Chang Tu Guo Yong (2009) Di No. 00110210, the land use rights of a parcel of land of the property with a site area of approximately 8,551.55 sq.m. have been granted to Chaowei Power Company Limited ("**Chaowei Power**"), an indirect wholly-owned subsidiary of the Company, for a term expiring on 13 April 2053 for industrial use.

2. Pursuant to 3 Building Ownership Certificates – Chang Fang Quan Zheng Zhi Cheng Zi Di Nos. 00118109 to 00118111, the 8 buildings of the property with a total gross floor area of approximately 5,299.35 sq.m. are owned by Chaowei Power.

3. Pursuant to a Maximum Amount Mortgage Contract dated 22 September 2009, the land use rights of the property as described in note 1 and the building ownership rights of the 8 buildings erected thereon as described in note 2, are subject to a mortgage in favour of China Construction Bank Co., Ltd. Changxing Sub-branch (the "**Mortgagee**") as security for a loan for a term of 3 years expiring on 22 September 2012.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Chaowei Power has paid in full the payment and taxes for obtaining the land use rights and has legally obtained the land use rights of the property. The land use rights are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions;

   b. During the tenure stated in the State-owned Land Use Rights Certificate, Chaowei Power is entitled to lease, transfer, mortgage or otherwise dispose of the land use rights of the property;

   c. Chaowei Power has legally obtained the building ownerships of the property. The buildings are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions. Chaowei Power is also entitled to lease, transfer, mortgage or otherwise dispose of the buildings of the property; and

   d. Transferring, leasing, remortgaging or otherwise disposing of the mortgaged land use rights and buildings are subject to prior written consent from the Mortgagee.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
2.	Unit 302, Entrance 1 and Unit 401, Entrance 2 of Building 1 and Unit 202, Entrance 3 of Building 3 Qingxi Garden Zhicheng Town Changxing County Huzhou City Zhejiang Province The PRC	The property comprises 3 units on Levels 2, 3 and 4 of two 5-storey residential buildings completed in about 2007. The units have a total gross floor area of approximately 179.28 sq.m. The land use rights of the property have been allocated for residential use.	Unit 202 of the property is currently occupied by the Group for residential purpose while the remaining 2 units with a total gross floor area of approximately 111.7 sq.m. are vacant.	No commercial value

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – Chang Tu Guo Yong (2007) Di Nos. 1-127, 1-147 and 1-148, the land use rights of the property with a total apportioned site area of approximately 130.86 sq.m. have been allocated to Chaowei Power Company Limited ("**Chaowei Power**"), an indirect wholly-owned subsidiary of the Company, for residential use.

2. Pursuant to 3 Building Ownership Certificates – Fang Quan Zheng Chang Zi Di Nos. 00059295 to 00059297, 3 units of the property with a total gross floor area of approximately 179.28 sq.m. are owned by Chaowei Power.

3. In the valuation of this property, we have attributed no commercial value to the 3 units erected on the allocated land. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB761,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. For the reason that the property was constructed on allocated land, transfer of the property is subject to approvals from the relevant governmental authorities and land grant fee or land profit shall be paid to the government.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
3.	A parcel of land, 18 buildings, various structures and a building under construction No. 74 Shangji Natural Village Zhongshan Administrative Village Xiaopu Town Changxing County Huzhou City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 30,221.39 sq.m., and 18 buildings and various structures erected thereon which were completed in various stages between 2003 and 2009. The buildings have a total gross floor area of approximately 15,843.84 sq.m. The buildings mainly include industrial buildings, an office building and ancillary buildings, etc. The structures mainly include roads, a bicycle shed, fence and a water recycling pool, etc. The property also comprises a building (the "**CIP**") which is under construction. The CIP is scheduled to be completed in July 2010. The gross floor area of the CIP upon completion will be approximately 1,053.89 sq.m. As advised by Changxing Zhongcheng, the total construction cost of the CIP is estimated to be approximately RMB1,600,000, of which RMB1,478,162 had been paid up to the date of valuation. The land use rights of the property have been granted for a term of 50 years expiring on 14 May 2053 for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes except for the CIP which is under construction.	18,981,000 100% interest attributable to the Group: RMB18,981,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2005) Di No. 27-1019, the land use rights of a parcel of land of the property with a site area of approximately 30,221.39 sq.m. have been granted to Changxing Zhongcheng Power Co., Ltd. ("**Changxing Zhongcheng**"), an indirect wholly-owned subsidiary of the Company, for a term of 50 years expiring on 14 May 2053 for industrial use.

2. Pursuant to 5 Building Ownership Certificates – Chang Fang Quan Zheng Xiao Pu Zi Di Nos. 00121389 and 00128289 and Fang Quan Zheng Chang Zi Di Nos. 00060979 to 00060981, 18 buildings of the property with a total gross floor area of approximately 15,843.84 sq.m. are owned by Changxing Zhongcheng.

3. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 330522201000038 in favour of Changxing Zhongcheng, the CIP has been approved for construction.

4. Pursuant to a Construction Work Commencement Permit – No. 330522201003050101 in favour of Changxing Zhongcheng, permission was issued to commence the construction work of the CIP from the relevant local authority.

5. Pursuant to a Tenancy Agreement dated 1 January 2009, an industrial building of the property with a gross floor area of approximately 5,256 sq.m. is leased from Changxing Zhongcheng to Chaowei Power Company Limited, for a term of 2 years commencing from 1 January 2009 and expiring on 31 December 2010 at an annual rent of RMB180,000, exclusive of water, gas and electricity charges.

6. Pursuant to a Maximum Amount Mortgage Contract dated 23 September 2009, the land use right of the property as described in note 1 and the building ownership rights of the 18 buildings as described in note 2 are subject to a mortgage in favour of China Construction Bank Co., Ltd. Changxing Sub-branch, (the "**Mortgagee**") as security for a loan with a maximum amount of RMB12,050,000 for a term of 3 years expiring on 22 September 2012.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Changxing Zhongcheng has paid in full payment and taxes for obtaining the land use rights and has legally obtained the land use rights of the property. The land use rights are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions;

   b. During the tenure stated in the State-owned Land Use Rights Certificate, Changxing Zhongcheng is entitled to lease, transfer, mortgage or otherwise dispose of the land use rights of the property;

   c. Changxing Zhongcheng has legally obtained the building ownerships of the property. The buildings are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions. Changxing Zhongcheng is also entitled to lease, transfer, mortgage or otherwise dispose of the buildings of the property;

   d. Transferring, leasing, remortgaging or otherwise disposing of the mortgaged land use rights and buildings are subject to prior written consent from the Mortgagee;

   e. Changxing Zhongcheng has obtained all requisite planning approvals for the CIP and is entitled to occupy, utilize, transfer, mortgage or otherwise dispose of the CIP, in which cases Changxing Zhongcheng needs to register with relevant authorities;

   f. The CIP is not subject to any guarantee, mortgage, seizure or any other types of third party encumbrances; and

   g. The Tenancy Agreement is valid, binding and enforceable. There is no other cause which will result in termination or cancellation of the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
4.	2 parcels of land, 17 buildings, various structures and 6 buildings and various structures under construction located at Yongping Village Dingqiao Town Qingyang County Chizhou City Anhui Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 135,842.75 sq.m., and 17 buildings and various structures erected thereon which were completed in various stages between 2006 and 2009. The buildings have a total gross floor area of approximately 20,876.12 sq.m. The buildings mainly include industrial buildings, office buildings and an ancillary building, etc. The structures mainly include fences, roads, water recycling pools, etc. The property also comprises 6 buildings and various structures (the "**CIPs**") which are under construction. The CIPs are scheduled to be completed in July 2010 respectively. The gross floor area of the CIPs buildings upon completion will be approximately 16,603.4 sq.m. As advised by Anhui Chaowei, the total construction cost of the CIPs is estimated to be approximately RMB10,850,000, of which RMB8,467,548 had been paid up to the date of valuation. The land use rights have been granted for a term of 50 years expiring between 28 April 2058 and 26 February 2060 for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes, except for the CIPs which are under construction.	40,180,000 80% interest attributable to the Group: RMB32,144,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Guo Rang He Zi (2008) Di No. 39 dated 17 April 2008, entered into between the State-owned Land Resources Bureau of Qingyang County and Anhui Chaowei Power Co., Ltd. ("**Anhui Chaowei**"), an 80% interest owned subsidiary of the Company, the land use rights of a parcel of land of the property with a site area of approximately 40,049 sq.m. were contracted to be granted to Anhui Chaowei for terms of 50 years for industrial use. The total land premium was RMB3,930,000.

2. Pursuant to 2 State-owned Land Use Rights Certificates – Qing Guo Yong (2009) Di No. 1028 and Qing Guo Yong (2010) Di No. 0288, the land use rights of 2 parcels of land of the property with a total site area of approximately 135,842.75 sq.m. have been granted to the Anhui Chaowei for a term of 50 years expiring on 28 April 2058 and 26 February 2060 respectively for industrial use.

3. Pursuant to 2 Building Ownership Certificates – Qing Fang Di Quan Zheng 2009 Zi Di Nos. 00001958 and 00001959, 17 buildings of the property with a total gross floor area of approximately 20,876.12 sq.m. are owned by Anhui Chaowei.

4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 341723200910103 in favour of Anhui Chaowei, the CIPs have been approved for construction.

5. Pursuant to 2 Construction Work Commencement Permits – Nos. 172310020002 and 172310020003 in favour of Anhui Chaowei, permission was issued to commence the construction work of the CIPs from the relevant local authority.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Anhui Chaowei has paid in full payment and taxes for obtaining the land use rights and has legally obtained the land use rights of the property. The land use rights are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions;

   b. During the tenure stated in the State-owned Land Use Rights Certificate, Anhui Chaowei is entitled to lease, transfer, mortgage or otherwise dispose of the land use rights of the property;

   c. Anhui Chaowei has legally obtained the building ownerships of the property. The buildings are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions. Anhui Chaowei is also entitled to lease, transfer, mortgage or otherwise dispose of the buildings of the property;

   d. Anhui Chaowei has obtained all requisite title documents of the CIPs and is entitled to occupy, utilize, transfer, mortgage or otherwise dispose of the CIPs, in which cases Anhui Chaowei needs to register with relevant authorities; and

   e. The CIPs are not subject to any guarantee, mortgage, seizure or any other types of third party encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
5.	A parcel of land, 30 buildings and various structures located at the western side of Zihuang Road Gaozhuang Village Boxiang Town Qinyang City Henan Province The PRC	The property comprises a parcel of land with a site area of approximately 67,268.5 sq.m., 30 buildings and various structures erected thereon which were completed in various stages between 2004 and 2006. The buildings have a total gross floor area of approximately 31,255.89 sq.m. The buildings include 28 industrial buildings, an office building and a storage building. The structures mainly include fences, roads, water recycling pools, etc. The land use rights of the property have been granted for a term of 50 years expiring on 10 January 2055 for industrial use.	The property is currently occupied by the Group for production, office and storage purposes.	28,761,000 60% interest attributable to the Group: RMB17,257,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Qin Tu Rang He (2005) Zi Di No. 1 dated 11 January 2005, entered into between the State-owned Land Resources Bureau of Qinyang County and Henan Chaowei Power Co., Ltd. ("**Henan Chaowei**"), a 60% interest owned subsidiary of the Company, the land use rights of a parcel of land of the property with a site area of approximately 76,947 sq.m. were contracted to be granted to Henan Chaowei for a term of 50 years for industrial use. The total land premium was RMB2,506,230.

2. Pursuant to a State-owned Land Use Rights Certificate – Qin Guo Yong (2006) Di No. 0705106, the land use rights of a parcel of land of the property with a site area of approximately 67,268.5 sq.m. have been granted to Henan Chaowei for a term of 50 years expiring on 10 January 2055 for industrial use.

3. Pursuant to 30 Building Ownership Certificates – Fang Quan Zheng Qin Zi Di Nos. 0650109006 to 0650109031, 0950116739 and 0950117013 to 0950117015, 30 buildings of the property with a total gross floor area of approximately 31,255.89 sq.m. are owned by Henan Chaowei.

4. Pursuant to a Maximum Amount Mortgage Contract, the land use rights of the property as described in note 2 and the building ownership rights of 26 buildings with a total gross floor area of approximately 25,294.23 sq.m. (Ref no.: Fang Quan Zheng Qin Zi Di Nos. 0650109006 to 0650109031) as described in note 3 are subject to a mortgage in favour of Shanghai Pudong Development Bank Co., Ltd, Zhengzhou Branch (the "**Mortgagee**") as security for bank loan with amount of RMB23,000,000 for a term of 3 years commencing from 18 December 2007 and expiring on 18 December 2010.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Henan Chaowei has paid in full payment and taxes for obtaining the land use rights and has legally obtained the land use rights of the property. The land use rights are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions.

   b. During the tenure stated in the State-owned Land Use Rights Certificate, Henan Chaowei is entitled to lease, transfer, mortgage or otherwise dispose of the land use rights of the property;

   c. Henan Chaowei has legally obtained the building ownerships of the property. The buildings are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions. Henan Chaowei is also entitled to lease, transfer, mortgage or otherwise dispose of the buildings of the property; and

   d. Transferring, leasing, remortgaging or otherwise disposing of the mortgaged land use rights and buildings are subject to prior written consent from the Mortgagee.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
6.	3 parcels of land, 41 buildings and various structures located at the western side of Menguan Road Xin'andian Village Gangcheng Town Ningyang County Tai'an City Shandong Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 178,323 sq.m., 41 buildings and various structures erected thereon which were completed in various stages between 2006 and 2009. The buildings have a total gross floor area of approximately 94,134.6 sq.m. The buildings mainly include industrial buildings and an office building, etc. The structures mainly include fences, roads, water recycling pools, etc. The land use rights of the property have been granted for a term of 50 years expiring between 24 September 2056 and 9 March 2060 for industrial use.	The property is currently occupied by the Group for production, office and ancillary purposes.	98,775,000 100% interest attributable to the Group: RMB98,775,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – Ning Guo Yong (2006) Zi Di No. 279, Ning Guo Yong (2010) Zi Di Nos. 062 and 063, the land use rights of 3 parcels of land of the property with a total site area of approximately 178,323 sq.m. have been granted to Shandong Chaowei Power Co., Ltd. ("**Shandong Chaowei**"), an indirect wholly-owned subsidiary of the Company, for a term of 50 years expiring between 24 September 2056 and 9 March 2060 for industrial use.

2. Pursuant to 3 Building Ownership Certificates – Ning Fang Quan Zheng Ning Zi Di Nos. 0768, 500678 and 500679, 41 buildings of the property with a total gross floor area of approximately 94,134.6 sq.m. are owned by Shandong Chaowei.

3. Pursuant to a Maximum Amount Mortgage Contract, a parcel of the land use rights of the property with site area of approximately 66,667 sq.m. (Ref no: Ning Guo Yong (2006) Zi Di No. 279) as described in note 1 and the building ownership rights of 16 buildings with a total gross floor area of approximately 36,319.61 sq.m. (Ref no. Ning Fang Quan Zheng Ning Zi Di No. 0768) as described in note 2 are subject to a mortgage in favour of China Construction Bank Co., Ltd. Changxing Sub-branch (the "**Mortgagee**") as security for bank loan with amount of RMB22,700,000 for a term of 3 years commencing from 5 November 2007 and expiring on 4 November 2010.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shandong Chaowei has paid in full payment and taxes for obtaining the land use rights and has legally obtained the land use rights of the property. The land use rights are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions.

   b. During the tenure stated in the State-owned Land Use Rights Certificate, Shandong Chaowei is entitled to lease, transfer, mortgage or otherwise dispose of the land use rights of the property;

   c. Shandong Chaowei has legally obtained the building ownerships of the property. The buildings are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions. Shandong Chaowei is also entitled to lease, transfer, mortgage or otherwise dispose of the buildings of the property; and

   d. Transferring, leasing, remortgaging or otherwise disposing of the mortgaged land use rights and buildings are subject to prior written consent from the Mortgagee.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
7.	3 parcels of land, 6 buildings, a structure and 2 buildings under construction located at No. 12 Zhizhou Boulevard Zhicheng Town Changxing County Huzhou City Zhejiang Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 178,443 sq.m, 6 buildings and a structure erected thereon, which were completed in about 2009. The buildings have a total gross floor area of approximately 49,519.59 sq.m. The buildings include an industrial building, 2 storages, 2 dormitories and an ancillary building. The structure is the fence wall. The property also comprises 2 buildings (the "**CIPs**") which are under construction. The CIPs are scheduled to be completed in July 2010 and November 2010 respectively. The gross floor area of the CIPs upon completion will be approximately 14,558.46 sq.m. As advised by the Chaowei Power, the total construction cost of the CIPs are estimated to be approximately RMB15,554,940, of which RMB5,263,361 had been paid up to the date of valuation. The land use rights of the property have been granted for a term of 50 years expiring dates on 19 November 2058 and 10 February 2059 for industrial use.	The property is currently occupied by the Group for production and ancillary purposes, except for the CIPs which are under construction.	88,813,000 100% interest attributable to the Group: RMB88,813,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – Chang Tu Guo Yong (2009) Zi Di Nos. 1-699, 1-3300 and 1-3301, 3 parcels of land of the property with a total site area of approximately 178,443 sq.m. have been granted to Chaowei Power Company, Limited ("**Chaowei Power**"), an indirect wholly-owned subsidiary of the Company for terms of 50 years with the expiry dates on 19 November 2058 and 10 February 2059 for industrial use.

2. Pursuant to 2 Building Ownership Certificates – Chang Fang Quan Zheng Zhi Cheng Zi Di Nos. 00122042 and 00122043, 6 buildings of the property with a total gross floor area of approximately 49,519.59 sq.m. are owned by Chaowei Power.

3. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 330522200900365 and 330522201000045 in favour of Chaowei Power, the CIPs with a total gross floor area of approximately 14,558.46 sq.m. have been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits – Nos. 330522201002110101 and 330522201004160101 in favour of Chaowei Power, permissions were issued to commence the construction work of the CIPs from the relevant local authority.

5. Pursuant to a Maximum Amount Mortgage Contract, the land use rights of the property as described in note 1 are subject to a mortgage in favour of Bank of China Changxing Sub-branch (the "**Mortgagee**") as security for a loan with a maximum amount of RMB80,299,350 for a term commencing from 1 March 2008 and expiring on 10 October 2010.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Chaowei Power has paid in full payment and taxes for obtaining the land use rights and has legally obtained the land use rights of the property. The land use rights are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions;

   b. During the tenure stated in the 3 State-owned Land Use Rights Certificates, Chaowei Power is entitled to lease, transfer, mortgage or otherwise dispose of the land use rights of the property;

   c. Chaowei Power has legally obtained the building ownerships of the property. The buildings are not subject to eviction, lawsuit, dispute or any other substantial unfavorable legal conditions. Chaowei Power is also entitled to lease, transfer, mortgage or otherwise dispose of the buildings of the property;

   d. Transferring, leasing, remortgaging or otherwise disposing of the mortgaged land use rights are subject to prior written consent from the Mortgagee;

   e. Chaowei Power has obtained all requisite title documents and is entitled to occupy, utilize, transfer, mortgage or otherwise dispose of the CIPs, in which cases Chaowei Power needs to register with relevant authorities; and

   f. The CIPs are not subject to any guarantee, mortgage, seizure or any other types of third party encumbrance.

VALUATION CERTIFICATE

Group II – Property interest held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
8.	A parcel of land, 5 buildings and various structures under construction located at the western side of Shiju Road and the eastern side of Xiwai Ring Road Qinnan Industry Park Qinyang City Henan Province The PRC	The property comprises a parcel of land with a site area of approximately 108,382.9 sq.m., 5 buildings and various structures (the "**CIPs**") which are being constructed thereon. The property is scheduled to be completed in August 2010. Upon completion, the buildings of the property will have a total gross floor area of approximately 71,177 sq.m. As advised by Henan Chaowei, the total construction cost of the property is estimated to be approximately RMB40,000,000, of which RMB23,000,000 had been paid up to the date of valuation. The land use rights of the property have been granted for a term of 50 year expiring on 5 October 2059 for industrial use.	The property is currently under construction.	60,563,000 60% interest attributable to the Group: RMB36,338,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Yu Qin Yang Chu Rang (2009) No. 0030 dated 5 August 2009, entered into between the State-owned Land Resources Bureau of Qinyang County and Henan Chaowei Power Co., Ltd. ("**Henan Chaowei**"), a 60% interest owned subsidiary of the Company, the land use rights of a parcel of land of the property with a site area of approximately 108,382.9 sq.m. were contracted to be granted to Henan Chaowei for a term of 50 years for industrial use. The total land premium was RMB16,260,000.

2. Pursuant to a State-owned Land Use Rights Certificate – Qin Guo Yong (2009) Di No. 03113, a parcel of land of the property with a site area of approximately 108,382.9 sq.m. have been granted to Henan Chaowei for a term of 50 years expiring on 5 October 2059 for industrial use.

3. Pursuant to a Construction Work Planning Permit – Qin Jian Zi (2009) Di No. 32 in favour of Henan Chaowei, the CIPs have been approved for construction.

4. Pursuant to 3 Construction Work Commencement Permits – No. 410882200912090101, 410882200912090102 and 410882200912090103 in favour of Henan Chaowei, permission was issued to commence the construction work of the CIPs from the relevant local authority.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, Grandall Legal Group, which contains, *inter alia*, the following:

   a. Henan Chaowei has paid in full payment and fees for obtaining the land use rights and has legally obtained the land use rights of the property. The land use rights are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions;

   b. During the tenure stated in the State-owned Land Use Rights Certificate, Henan Chaowei is entitled to lease, transfer, mortgage or otherwise dispose of the land use rights of the property;

   c. Henan Chaowei has obtained all requisite title documents and is entitled to occupy, utilize, transfer, mortgage or otherwise dispose of the CIPs, in which cases Henan Chaowei needs to register with relevant authorities; and

   d. The CIPs are not subject to any guarantee, mortgage, seizure or any other types of third party encumbrance.

VALUATION CERTIFICATE

Group III – Property interest held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
9.	Units 1801 and 1802 on Level 18 of Hongshi Central Mansion No. 225 Chaowang Road Gongshu District Hangzhou City Zhejiang Province The PRC	The property comprises 2 units on Level 18 of a 27-storey office building completed in about 2006. The property has a total gross floor area of approximately 1,039.53 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 22 May 2053 for composite use.	The property is leased to an independent third party for office purpose.	21,550,000 100% interest attributable to the Group: RMB21,550,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Hang Gong Guo Yong (2006) Di Nos. 008523 and 008525, the land use rights of the property with a total apportioned site area of approximately 87.2 sq.m. have been granted to Chaowei Power Company Limited ("**Chaowei Power**"), an indirect wholly-owned subsidiary of the Company, for a term of 50 years expiring on 22 May 2053 for composite use.

2. Pursuant to 2 Building Ownership Certificates – Hang Fang Quan Zheng Gong Yi Zi Di Nos. 06487484 and 06487485, 2 units of the property with a total gross floor area of approximately 1,039.53 are owned by Chaowei Power.

3. According to a Tenancy Agreement, the property with a gross floor area of approximately 1,039.53 sq.m. is leased to Minsheng Life Insurance Co., Ltd. Zhejiang Branch, an independent third party, for a term of 38 months commencing from 13 August 2009 and expiring on 12 October 2012 at an annual rent of RMB1,200,000, with a two months rent free period exclusive of management fees, water and electricity charges.

4. Pursuant to a Maximum Amount Mortgage Contract, the property is subject to a mortgage in favour of Bank of China Changxing Sub-branch (the "**Mortgagee**") as security for a loan with a maximum amount of RMB16,000,000 for a term of 2 years expiring on 17 April 2011.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Chaowei Power has paid in full the payment and taxes for obtaining the land use rights and has legally obtained the land use rights of the property. The land use rights are not subject to eviction, lawsuit, dispute or any other substantial unfavorable legal conditions;

   b. During the tenure stated in 2 State-owned Land Use Rights Certificates, Chaowei Power is entitled to lease, transfer, mortgage or otherwise dispose of the land use rights of the property;

c. Chaowei Power has legally obtained the building ownerships of the property, the buildings are not subject to eviction, lawsuit, dispute or any other substantial unfavorable conditions. Chaowei Power is also entitled to lease, transfer, mortgage or otherwise dispose of the buildings of the property;

d. The Tenancy Agreement is valid, binding and enforceable. There is no other cause which will result in termination or cancellation of the Tenancy Agreement; and

e. Transferring, leasing, remortgaging or otherwise disposing of the mortgaged property is subject to prior written consent from the Mortgagee.

VALUATION CERTIFICATE

Group IV – Property interest contracted to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
10.	Units 1003 and 1004, Entrance 1 of Building 8 Lihumingju Mansion Zhicheng Town Changxing County Huzhou City Zhejiang Province The PRC	The property comprises 2 units on Level 10 of a 26-storey residential building completed in 2009. The 2 units have a total gross floor area of approximately 119.19 sq.m.	The property is currently vacant.	No commercial value

Notes:

1. Chaowei Power Company Limited ("**Chaowei Power**"), an indirect wholly-owned subsidiary of the Company, has entered into 2 Commodity Property Sale & Purchase Contracts with Changxing Hongfa Real Estate Development Limited dated 13 May 2009 to purchase the 2 units of the property with a total gross floor area of 119.19 sq.m. at a total consideration of RMB597,069.

2. As at the date of valuation, the property had not been assigned to Chaowei Power and thus the title of the property has not yet been vested in Chaowei Power. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB758,000, on condition that the property is completed, the relevant title certificates have been obtained by Chaowei Power and Chaowei Power is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.

3. As confirmed by Chaowei Power, the total consideration has been paid in full.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The 2 Commodity Property Sale & Purchase Contracts are valid, binding and enforceable; and

   b. Chaowei Power will be entitled to occupy, use, profit from or dispose of the property and obtain relevant Building Ownership Certificates within a reasonable period of time after handing over the property.

VALUATION CERTIFICATE

Group V – Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
11.	An industrial building No. 74 Shangji Natural Village Zhongshan Administrative Village Xiaopu Town Changxing County Huzhou City Zhejiang Province The PRC	The property comprises a single-storey industrial building completed in about 2004. The property has a lettable area of approximately 9,573 sq.m. The property is leased from 2 independent third parties for a term expiring on 8 November 2010 at an annual rent of RMB150,000, exclusive of management fees, water and electricity charges.	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement dated 8 November 2008, entered into between Zhejiang Chaowei Power Company Limited Xiaopu Branch ("**Xiaopu Branch**"), a wholly-owned subsidiary of the Group, and Changxing Chaoli Plastic Factory and Changxing Liutong Construction Material Limited Company (together the "**Lessors**"), 2 independent third parties, the property with a lettable area of approximately 9,573 sq.m. is leased to Xiaopu Branch from the Lessors for a term commencing from 8 November 2008 and expiring on 8 November 2010 at an annual rent of RMB150,000, exclusive of management fees, water and electricity charges.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Lessors have obtained the State Owned Land Use Rights Certificates and the Building Ownership Certificates of the property and are entitled to lease the property to Xiaopu Branch;

   b. The Tenancy Agreement is valid, binding and enforceable. There is no other cause which will result in termination or cancellation of the Tenancy Agreement; and

   c. The Tenancy Agreement has been properly registered with relevant governmental authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
12.	Building Nos. 1 to 4 No. 9 Changhe Road Xinxing Industry Park Zhicheng Town Changxing County Huzhou City Zhejiang Province The PRC	The property comprises 4 single-storey industrial buildings completed in various stages between 2002 and 2006. The property has a total lettable area of approximately 14,610.5 sq.m. The property is leased from 4 independent third parties for various 2-year terms with the commencement dates between 1 May 2009 and 5 June 2009 and expiry dates between 30 April 2011 and 4 June 2011, at a total annual rent of RMB1,479,190, exclusive of management fees, water and electricity charges.	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. Pursuant to 4 Tenancy Agreements, entered into between Chaowei Power Company Limited ("**Chaowei Power**"), an indirect wholly-owned subsidiary of the Company, and 4 independent third parties, Changxing Lingzhou Textile Limited, Changxing Weiye Clothing Material Limited, Changxing Huayuan Textile Limited and Changxing Ronghua Textile Limited (together the "**Lessors**"), the property with a total lettable area of approximately 14,610.5 sq.m. is leased to Chaowei Power from the Lessors for various 2-year terms with the commencement dates between 1 May 2009 and 5 June 2009 and expiry dates between 30 April 2011 and 4 June 2011, at a total annual rent of RMB1,479,190, exclusive of management fees, water and electricity charges

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Lessors have obtained the State Owned Land Use Rights Certificates and the Building Ownership Certificates of the property and are entitled to lease the property to Chaowei Power;

   b. The Tenancy Agreements are valid, binding and enforceable. There is no other cause which will result in termination or cancellation of the Tenancy Agreements; and

   c. The Tenancy Agreements have been properly registered with relevant governmental authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 *RMB*
13.	30 buildings and various structures located at Huatai Road Binhu Huasong Tech-industry Park the southern side of Dingzi River Dongkan Town Binhai County Yancheng City Jiangsu Province The PRC	The property comprises 30 industrial buildings completed in 2005 and 2006 erected on a parcel of land with site area of approximately 166,623.4 sq.m.. The 30 buildings have a total lettable area of approximately 36,764 sq.m. The 30 buildings mainly include industrial buildings and office buildings, etc. The structures mainly include fences, roads, water recycling pools, etc. The property is leased from an independent third party for a term of 10 years expiring on 31 December 2015, at a total annual rent of RMB1,392,399.4, exclusive of management fees, water and electricity charges.	The property is currently occupied by the Group for production and office purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Jiangsu Chaowei Power Company Limited ("**Jiangsu Chaowei**"), an indirect wholly-owned subsidiary of the Company and Binhu Huasong Tech-industry Economy Development Limited (the "**Lessor**"), an independent third party, 28 buildings of the property with a total lettable area of approximately 33,949 sq.m. are leased to Jiangsu Chaowei from the Lessor for a term of 10 years commencing from 1 January 2006 and expiring on 31 December 2015, at an annual rent of RMB1,293,874.4, exclusive of management fees, water and electricity charges.

2. Pursuant to a Supplementary Tenancy Agreement entered into between Jiangsu Chaowei and the lessor, a building with a lettable area of approximately 2,222 sq.m. is leased to Jiangsu Chaowei from the Lessor for a term of 10 years commencing from 2 August 2006 and expiring on 31 December 2015, at an annual rent of RMB77,770, exclusive of management fees, water and electricity charges.

3. Pursuant to a Supplementary Tenancy Agreement entered into between Jiangsu Chaowei and the Lessor, a building with a lettable area of approximately 593 sq.m. is leased to Jiangsu Chaowei from the Lessor for a term of 10 years commencing from 1 January 2009 and expiring on 31 December 2015, at an annual rent of RMB20,755, exclusive of management fees, water and electricity charges.

4. We have been provided with a legal opinion on the legality of the 3 Tenancy Agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Lessor has legally obtained the State Owned Land Use Rights Certificates and the Building Ownership Certificates of the property and is entitled to lease the property to Jiangsu Chaowei;

   b. The Tenancy Agreement and the Supplementary Tenancy Agreements are valid, binding and enforceable. There is no other cause which will result in termination or cancellation of the Tenancy Agreements; and

   c. The Tenancy Agreement and the Supplementary Tenancy Agreements have been properly registered with relevant governmental authorities.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 January 2010 under the Companies Law, Cap 22 (Law 3 of 1961), as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Memorandum of Association (the "**Memorandum**") and the Articles of Association (the "**Articles**") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 7 June 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Cayman Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Cayman Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by

him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their

dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any

change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being 1 entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any share holder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof.

All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent (20%). per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an

advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends

to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has applied for, and expects to obtain, an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from the date of issue.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by either an order of the Court or by a special resolution of its members; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 18 January 2010. We have established a place of business at Room 2204, 22/F, Fu Fai Commercial Centre, 27 Hillier Street, Hong Kong and was registered in Hong Kong as an overseas company under Part XI of the Hong Kong Companies Ordinance on 6 May 2010. Ng Chi Kit of 11A, Block 9, Beverly Garden, 1 Tong Ming Street, Tseung Kwan O, Kowloon, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company at the above address.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum and articles of association. A summary of certain relevant provisions of its constitution and certain relevant aspects of the Cayman Islands Companies Law is set out in Appendix V of this prospectus.

2. Changes in share capital of our Company

As at the date of incorporation, the authorized share capital of our Company was US$50,000 divided into 50,000 shares of US$1.0 each.

At the time of incorporation, Offshore Incorporations (Cayman) Limited subscribed for 1 share of US$1.0 in the capital of our Company. On the same date, the said 1 share in our Company was transferred to Mr. Zhou at par. At the same time, Mr. Zhou subscribed for an additional 99 shares of US$1.0 each in the capital of our Company.

On 9 March 2010, the par value of the shares of our Company was changed from US$1.0 each to US$0.01 each by way of subdivision of shares, and the authorized share capital of our Company was changed from US$50,000 divided into 50,000 shares of US$1.0 each to US$50,000 divided into 5,000,000 shares of US$0.01 each. As a result of such change, the 100 shares of US$1.0 each in our Company held by Mr. Zhou became 10,000 shares of US$0.01 each. On the same date, Mr. Zhou subscribed for an additional 90,000 shares of US$0.01 each in the capital of our Company. Upon completion of such subscription, the issued share capital of our Company became 100,000 shares of US$0.01 each, all were held by Mr. Zhou.

Immediately following completion of the Global Offering and the Capitalization Issue and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be US$100,000,000 divided into 10,000,000,000 Shares, of which 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 9,000,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of all the Shareholders of our Company passed on 7 June 2010" in this Appendix, the Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since incorporation.

3. Written resolutions of all the Shareholders of our Company passed on 7 June 2010

Pursuant to the written resolutions of all Shareholders entitled to vote at general meetings of our Company, which were passed on 7 June 2010, conditional upon (i) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, on the Main Board, the Shares in issue and to be issued as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:

(a) our Company approved and adopted the Articles of Association;

(b) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of US$7,499,000 be capitalized and be applied in paying up in full at par 749,900,000 Shares for allotment and issue to the Shareholders whose names were on the register of members of our Company as of the close of business on 7 June 2010 and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares;

(c) the Global Offering and the Over-allotment Option were approved and the Directors were authorized to approve to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;

(d) the rules of the Share Option Scheme were approved and adopted, and the Directors or any committee thereof established by the Board were authorized, at their sole discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot and issue Shares pursuant to the exercise of options granted under the Share Option Scheme and to take such action as they consider necessary, expedient or desirable to implement the Share Option Scheme;

(e) a general unconditional mandate was given to the Directors to allot, issue and deal with Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or the exercise of any subscription rights under the Share Option Scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by the shareholders in general meeting) with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering; and

(ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any);

(f) a general unconditional mandate was given to the Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Hong Kong Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue or to be issued immediately following the completion of the Global Offering and Capitalization Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option);

(g) the general unconditional mandate as mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering); and

Each of the general mandates referred to in paragraphs (e), (f) and (g) above will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions;

(ii) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

4. Reorganization

In order to rationalize our structure and prepare for the Listing, our Company has undertaken several restructuring steps which involved in the following:

(a) The following companies were incorporated as investment holding entities for our Group:

(i) Chaowei BVI was incorporated in the British Virgin Islands on 15 January 2010 with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each.

(ii) Chaowei HK was incorporated in Hong Kong on 22 January 2010 with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each.

(iii) Chaowei Technology was incorporated in Hong Kong on 29 January 2010 with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each.

(b) Our Company was incorporated in the Cayman Islands on 18 January 2010 with an authorized share capital US$50,000 divided into 50,000 shares of US$1.00 each. At the time of incorporation, Offshore Incorporations (Cayman) Limited subscribed for 1 share of US$1.0 in the capital of our Company. On the same date, the said 1 share in our Company was transferred to Mr. Zhou at par. At the same time, Mr. Zhou subscribed for an additional 99 shares of US$1.0 each in the capital of our Company, and our Company became wholly-owned by Mr. Zhou as a result.

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

(d) On 31 October 2007, the Lehman Convertible Note was converted into 416,667 series A preferred shares in the capital of United Holdings. On the same date, each of Fame Smart and Investgain entered into a deed of share charge pursuant to which the shares had by each of Fame Smart and Investgain were charged in favour of Lehman Brothers as security against the obligations of United Holdings under the Lehman preferred shares.

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

(f) On 12 February 2010, Castle Lead, a company wholly owned by Hony Capital, and United Holdings entered into the Castle Lead Loan Agreement pursuant to which Castle Lead agreed to provide a loan in the amount of US$33 million to United Holdings, which was to be used by United Holdings solely to redeem the Lehman Preferred Shares from Lehman Brothers.

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

(h) On 9 March 2010, each of Noble Avenue, a company wholly owned by Mr. Ding Zixuan and Treasure Sea, a company wholly owned by Mr. Lam Kong, subscribed for 14,386 and 19,114 shares in United Holdings (representing approximately 0.75% and 1.0% of the total issued share capital of United Holdings as enlarged by the issuance of new shares to Noble Avenue and Treasure Sea), for a total subscription price of approximately US$1.5 million and approximately US$2.1 million respectively.

(i) On 9 March 2010, Mr. Gao Xinkun transferred his entire 28,009 shares of United Holdings (representing approximately 1.46% of the total issued share capital of United Holdings as enlarged by the issue of new shares in United Holdings to Treasure Sea and Noble Avenue as mentioned in paragraph (h) above) to Wide Fame, a company wholly-owned by himself for a consideration of US$1.

(j) On 9 March 2010, Fame Smart, a company wholly-owned by Mr. Zhou, transferred 92,535 shares in United Holdings (representing approximately 4.83% of the total issued share capital of United Holdings as enlarged by the issue of new shares in United Holdings to Treasure Sea and Noble Avenue as mentioned in paragraph (h) above) to High Joy, a company wholly-owned by Mr. Zhou Longrui, the father of Mr. Zhou, for a consideration of approximately RMB2.6 million.

(k) On 9 March 2010, Fame Smart transferred 92,535 shares in United Holdings (representing approximately 4.83% of the total issued share capital of United Holdings as enlarged by the issue of new shares in United Holdings to Treasure Sea and Noble Avenue as mentioned in paragraph (h) above) to Shiny Century, a company wholly-owned by Ms. Yang Yunfei, the mother of Mr. Zhou for a consideration of approximately RMB2.6 million.

(l) On 9 March 2010, Fame Smart transferred 6,513 shares in United Holdings (representing approximately 0.34% of the total issued share capital of United Holdings as enlarged by the issue of new shares in United Holdings to Treasure Sea and Noble Avenue as mentioned in paragraph (h) above) to Red Day, a company wholly-owned by Mr. Ma Zhaoyang for a consideration of approximately US$0.7 million.

(m) On 9 March 2010, Investgain, a company wholly-owned by Mr. Zhou, transferred 118,591 shares in United Holdings (representing approximately 6.19% of the total issued share capital of United Holdings as enlarged by the issue of new shares in United Holdings to Treasure Sea and Noble Avenue as mentioned in paragraph (h) above) to Red Day, a company wholly-owned by Mr. Ma Zhaoyang, for a consideration of approximately US$12.7 million.

(n) On 9 March 2010, Investgain transferred 882,770 shares in United Holdings (representing approximately 46.08% of the total issued share capital of United Holdings as enlarged by the issue of new shares in United Holdings to Treasure Sea and Noble Avenue as mentioned in paragraph (h) above) to Great State, a company wholly-owned by Mr. Zhou, for a consideration of US$1.

(o) On 9 March 2010, Investgain transferred its balance of 182,420 shares in United Holdings (representing approximately 9.52% of the total issued share capital of United Holdings as enlarged by the issue of new shares in United Holdings to Treasure Sea and Noble Avenue as mentioned in paragraph (h) above) to Jolly Pride, a company wholly-owned by Mr. Zhou, for a consideration of US$1.

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

(q) On 9 March 2010, Mr. Zhou and each of Great State, High Joy, Shiny Century, Jolly Pride, Wide Fame, Red Day, Treasure Sea, Noble Avenue, Allied Crown and Castle Lead entered into a share transfer agreement (the "**Chaowei Cayman Transfer Agreement**") pursuant to which Mr. Zhou transferred (i) 46,078 shares in our Company to Great State; (ii) 4,830 shares in our Company to High Joy; (iii) 4,830 shares in our Company to Shiny Century; (iv) 9,522 shares in our Company to Jolly Pride; (v) 1,460 shares in our Company to Wide Fame; (vi) 6,530 shares in our Company to Red Day; (vii) 1,000 shares in our Company to Treasure Sea; (viii) 750 shares in our Company to Noble Avenue; (ix) 5,000 shares in our Company to Allied Crown; and (ix) 20,000 shares in our Company to Castle Lead. Each of the transfers under the

Chaowei Cayman Transfer Agreement was at par value. Upon completion of the Chaowei Cayman Transfer Agreement, our Company became owned as to (i) 46.08% by Great State; (ii) 4.83% by High Joy; (iii) 4.83% by Shiny Century; (iv) 9.52% by Jolly Pride; (v) 1.46% by Wide Fame; (vi) 6.53% by Red Day; (vii) 1% by Treasure Sea; (viii) 0.75% by Noble Avenue; (ix) 5% by Allied Crown; and (x) 20% by Castle Lead.

(r) On 9 March 2010, United Holdings transferred its entire interest in Chaowei Power to Chaowei HK for a consideration of US$1. Upon completion of such equity transfer, Chaowei Power became a wholly-owned subsidiary of Chaowei HK.

(s) On 25 March 2010, Allied Crown, a company wholly-owned by Ms. Ma Ting (馬亭), transferred 2,500 shares of US$0.01 in the capital of our Company, representing approximately 2.50% of its total issued share capital to Mayful, a company wholly-owned by Mr. Mau Derek Edward for a consideration of approximately US$5.1 million.

(t) Pursuant to a trust deed dated 14 June 2010 entered into by Mr. Zhou and Jolly Pride in favour of 53 employees of our Group, Jolly Pride declared that the economic interest in the Shares which it holds and will hold from time to time shall belong to said 53 employees of our Group and that all other shareholders rights as Shareholders (including but not limited to voting rights and right to participation in shareholders' meetings) shall not be exercisable by the said 53 employees and shall be exercisable by Jolly Pride exclusively.

5. Changes in share capital of the subsidiaries of our Company

A. Subsidiaries of our Company

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

B. Changes in Share capital of the subsidiaries of our Company

Save as disclosed in the section headed "Reorganization" in this Appendix and the section headed "History and Development" in this prospectus, the following changes in share capitals and changes in shareholdings of certain subsidiaries of our Company took place during the two years immediately preceding the date of this prospectus:

Chaowei Power

(a) Pursuant to an equity transfer agreement dated 9 March 2010 entered into between United Holdings and Chaowei HK, Chaowei HK agreed to acquire all the equity interest in Chaowei Power from United Holdings for a consideration of US$1. Upon completion of this equity transfer, Chaowei Power became a wholly-owned subsidiary of Chaowei HK.

Shandong Chaowei

(a) Pursuant to an equity transfer agreement dated 28 March 2009 entered into by Chaowei Power and Mr. Li Jie (李杰), Chaowei Power acquired

from Mr. Li Jie (李杰) all his equity interest in Shandong Chaowei for a consideration of approximately RMB12.3 million and Shandong Chaowei was then become wholly owned by Chaowei Power.

Anhui Chaowei

(a) Pursuant to four equity transfer agreements, all dated 1 April 2009 entered into by Chaowei Power, Mr. Wang Jin (王進) and Mr. Qian Haichun (錢海春), Mr. Hu Fengqin (胡鳳勤) and Mr. She Hairu (佘海如) respectively, pursuant to which Chaowei Power acquired from Mr. Wang Jin (王進), Mr. Qian Haichun (錢海春), Mr. Hu Fengqin (胡鳳勤) and Mr. She Hairu (佘海如) 85% equity interest in Anhui Chizhou City Jiuhua Power Co., Ltd.* (安徽池州市九華電源有限公司) (the former name of Anhui Chaowei) in total for a consideration of approximately RMB43 million; and

(b) On 29 October 2009, the registered capital of Anhui Chizhou City Jiuhua Power Co., Ltd.* (安徽池州市九華電源有限公司) (the former name of Anhui Chaowei) was increased from RMB5 million to RMB10 million. After such capital increase Anhui Chaowei was held as to 80% by Chaowei Power.

Save as mentioned in the paragraph headed "Corporate Reorganization" in this Appendix and as described in this paragraph, there have been no changes in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

This section includes information relating to the repurchases of securities, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Hong Kong Listing Rules

The Hong Kong Listing Rules permit companies whose primary listing is on the Main Board to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of our Company passed on 7 June 2010 by all the Shareholders of our Company, a general unconditional mandate was given to the Directors to exercise all powers of our Company to

repurchase Shares (Shares which may be listed on the Hong Kong Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue or to be issued immediately following the completion of the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to expire at the earliest of: (i) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or (iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting which ever shall first occur; details of which have been described above in the paragraph headed "Written resolutions of all the Shareholders of our Company passed on 7 June 2010".

(ii) Source of funds

Any repurchases of Shares by our Company must be paid out of funds legally available for the purpose in accordance with our Company's memorandum and articles of association, Hong Kong Listing Rules and the Cayman Islands Companies Law. We may not repurchase our own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time. Any repurchase of Shares by our Company may be made out of funds legally permitted to be utilized in this connection, including profits of our Company or out of proceeds of a fresh issue of Shares made for that purpose or, if so authorized by the Articles of Association of our Company and subject to the provisions of the Cayman Islands Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be purchased must be paid out of profits of our Company or out of our Company's share premium account, or if so authorized by the articles of association of our Company and subject to the provisions of the Cayman Islands Companies Law, out of capital.

(iii) Shares to be repurchased

The Hong Kong Listing Rules provide that the Shares which are proposed to be repurchased by our Company must be fully-paid up.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending

on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Hong Kong Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of Company's current financial position as disclosed in this prospectus and taking into account our current working capital position, the Directors consider that, if the repurchase mandate is exercised in full, it might have a material adverse effect on our Company's working capital and/or gearing position as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Hong Kong Listing Rules) currently intends to sell any Shares to our Company.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Hong Kong Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Company has not made any repurchases of our owns securities in the past six months.

No connected person (as defined in the Hong Kong Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR COMPANY'S BUSINESS

1. Summary of the Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) An equity transfer agreement dated 28 March 2009 entered into by Chaowei Power and Mr. Li Jie (李杰), pursuant to which Chaowei Power acquired from Mr. Li Jie (李杰) his equity interest in Shandong Chaowei for a consideration of RMB12,301,492.70;

(b) Four equity transfer agreements all dated 1 April 2009 entered into by Chaowei Power and Mr. Wang Jin (王進), Mr. Qian Haichun (錢海春), Mr. Hu Fengqin (胡鳳勤) and Mr. She Hairu (佘海如) respectively, pursuant to which Chaowei Power acquired from each of Mr. Wang Jin (王進), Mr. Qian Haichun (錢海春), Mr. Hu Fengqin (胡鳳勤) and Mr. She Hairu (佘海如) 70%, 7.5%, 5.0% and 2.5% equity interest in Anhui Chizhou City Jiuhua Power Co., Ltd.* (安徽池州市九華電源有限公司) (the former name of Anhui Chaowei) respectively;

(c) A deed of termination and release dated 5 March 2010 entered into, among others, Lehman Brothers, Paul Jeremy Brough, Edward Simon Middleton and Patrick Cowley, United Holdings, Allied Crown, Investgain, Fame Smart, Mr. Peter X. Gao (also known as Mr. Gao Xinkun (高鑫坤)), Mr. David M. Zhou (also known as Mr. Zhou (周明明)), Chaowei Power, Changxing Zhongcheng, Jiangsu Chaowei, Henan Chaowei and Shandong Chaowei, pursuant to which the parties agreed to terminate the various documents entered into between the parties;

(d) An equity transfer agreement dated 9 March 2010 entered into by United Holdings and Chaowei HK, pursuant to which United Holdings transferred its entire interest in Chaowei Power to Chaowei HK for a consideration of US$1;

(e) The deed of non-competition dated 7 June 2010 entered into between the Controlling Shareholders and our Company in favour of our Company;

(f) The deed of indemnity dated 7 June 2010 entered into between the Controlling Shareholders and our Company, under which the Controlling Shareholders have agreed to give certain indemnities in favour of our Company for itself and as trustee for its subsidiaries containing, among others, the indemnities referred to the paragraphs headed "Other Information – deed of indemnity" in this Appendix;

(g) A cornerstone placing agreement dated 10 June 2010 entered into among our Company, Teluk Batik Investments (Cayman Islands) Limited, and BNP Paribas, pursuant to which Teluk Batik Investments (Cayman Islands) Limited agreed to acquire the Investor Shares (as defined in such agreement) at the Offer Price (as defined in such agreement); and

(h) The Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of the Group

Trademarks

As at the Latest Practicable Date, members of our Group have registered the following trademarks:

Trademark	Name of registered owner	Place of registration	Class	Registration number	Registration date	Expiry date
	Chaowei Power	PRC	9(1)	1481758	28 November 2000	27 November 2010
	Chaowei Power	PRC	9(2)	3685606	21 April 2005	20 April 2015
	Chaowei Power	PRC	9(1)	1497761	28 December 2000	27 December 2010
	Chaowei Power	PRC	9(3)	3905750	7 March 2006	6 March 2016
Powervanic	Chaowei Power	PRC	9(4)	3594559	14 January 2005	13 January 2015
	Chaowei Power	United Kingdom	9(5)	2466506	11 September 2007	–
	Chaowei Power	PRC	7(6)	5258391	7 July 2009	6 July 2019
超威 CHILWEE	Chaowei Power	PRC	9(7)	5974587	7 January 2010	6 January 2020
CHILWEE	Chaowei Power	PRC	9(7)	6060520	7 February 2010	6 February 2020
超威 CHILWEE	Chaowei Power	Hong Kong	9(8)	301478881	18 November 2009	17 November 2019

Notes:

(1) The goods under this registration includes: accumulators, electric for vehicles; accumulator jars; plates for batteries; batteries for lighting; charges for electric batteries; batteries; galvanic cells, batteries for pocket lamps; accumulators, electric; solar batteries.

(2) The goods under this registration includes: accumulators, electric; plates for batteries; charges for electric batteries; battery boxes.

(3) The goods under this registration includes: accumulators; battery boxes; plates for batteries; charges for electric batteries; batteries; accumulators, electric for vehicles.

(4) The goods under this registration includes: accumulators; plates for batteries; charges for electric batteries.

(5) The goods under this registration includes: accumulators, electric for vehicles; accumulator jars; plates for batteries; batteries for lighting; charges for electric batteries; galvanic cells, batteries for pocket lamps; batteries, electric; accumulators, electric; solar batteries.

(6) The goods under this registration includes: batteries engine; roll line machine; electricity core machine; attach sole tool; specified equipment for accumulators; electronics equipment; non-hand tool; cutting tool (including machinery blades).

(7) The goods under this registration includes: accumulators, electric; plates for batteries; battery cases; charges for electric batteries; batteries; accumulators, electric for vehicles; solar batteries; batteries for lighting; accumulators; batteries for pocket lamps.

(8) The goods under this registration includes: accumulators, electric; battery cases; plates for batteries; charges for electric batteries; batteries; solar batteries; batteries for lighting; accumulators; batteries for pocket lamps; accumulators, electric for vehicles.

As at the Latest Practicable Date, members of our Group have applied for registration of the following trademarks:

Trademark	Name of applicant	Place of application	Class	Application number	Application date
	Chaowei Power	PRC	9*Note*	7915808	15 December 2009

Note:

The goods specified under the application for registration include batteries; accumulators; accumulators, electric for vehicles; battery cases; plates for batteries; chargers for electric batteries; solar batteries; sensors; stabilized voltage supply; power related materials (electric wire, electric cable).

Domain Names

As at the Latest Practicable Date, members of our Group have registered the following domain names:

Domain Name	Registrant	Date of Registration	Expiry Date
www.cnchaowei.com	Chaowei Power	22 October 2004	7 November 2010
www.chinapowerplc.com	Chaowei Power	1 November 2007	1 November 2010
www.chaowei.com.hk	Company	4 June 2010	4 June 2011

Patents

As at the Latest Practicable Date, members of our Group have registered the following patents in the PRC:

Type	Registrant	Patent number	Effective Period
Invention	Henan Chaowei	ZL200510060857.3	23 September 2005 to 22 September 2025
Invention	Chaowei Power	ZL200510060856.9	23 September 2005 to 22 September 2025
Invention	Chaowei Power	ZL200510060860.5	23 September 2005 to 22 September 2025
Invention	Chaowei Power	ZL200510061112.9	14 October 2005 to 13 October 2025
Invention	Chaowei Power	ZL200510061111.4	14 October 2005 to 13 October 2025
Invention	Chaowei Power	ZL200510061458.9	7 November 2005 to 6 November 2025
Invention	Chaowei Power	ZL200510060858.8	23 September 2005 to 22 September 2025
Invention	Shandong Chaowei	ZL200710068370.9	29 April 2007 to 28 April 2027
Utility Model	Chaowei Power	ZL200420082538.3	1 September 2004 to 31 August 2014
Utility Model	Chaowei Power	ZL200820082706.7	21 January 2008 to 20 January 2018
Utility Model	Chaowei Power	ZL200820082700.X	21 January 2008 to 20 January 2018
Utility Model	Chaowei Power	ZL200820082699.0	21 January 2008 to 20 January 2018
Utility Model	Chaowei Power	ZL200820082701.4	21 January 2008 to 20 January 2018
Utility Model	Chaowei Power	ZL200820082702.9	21 January 2008 to 20 January 2018
Utility Model	Chaowei Power	ZL200820082705.2	21 January 2008 to 20 January 2018
Utility Model	Chaowei Power	ZL200820082704.8	21 January 2008 to 20 January 2018
Utility Model	Chaowei Power	ZL200820083087.3	30 January 2008 to 29 January 2018
Utility Model	Chaowei Power	ZL200820083088.8	30 January 2008 to 29 January 2018
Utility Model	Chaowei Power	ZL200820083089.2	30 January 2008 to 29 January 2018
Utility Model	Chaowei Power	ZL200820083086.9	30 January 2008 to 29 January 2018

Type	Registrant	Patent number	Effective Period
Utility Model	Chaowei Power	ZL200820087851.4	28 May 2008 to 27 May 2018
Utility Model	Chaowei Power	ZL200820087852.9	28 May 2008 to 27 May 2018
Utility Model	Chaowei Power	ZL200520047547.3	15 December 2005 to 14 December 2015
Utility Model	Chaowei Power	ZL200520047552.4	15 December 2005 to 14 December 2015
Utility Model	Chaowei Power	ZL200520047731.8	20 December 2005 to 19 December 2015
Utility Model	Chaowei Power	ZL200520047732.2	20 December 2005 to 19 December 2015
Utility Model	Chaowei Power	ZL200620039126.0	23 January 2006 to 22 January 2016
Utility Model	Chaowei Power	ZL200620039057.3	19 January 2006 to 18 January 2016
Utility Model	Chaowei Power	ZL200520015557.9	14 October 2005 to 13 October 2015
Utility Model	Chaowei Power	ZL200520015071.5	23 September 2005 to 22 September 2015
Utility Model	Chaowei Power	ZL200520015072.X	23 September 2005 to 22 September 2015
Utility Model	Chaowei Power	ZL200520015073.4	23 September 2005 to 22 September 2015
Utility Model	Chaowei Power	ZL200520015074.9	23 September 2005 to 22 September 2015
Utility Model	Chaowei Power	ZL200520015075.3	23 September 2005 to 22 September 2015
Utility Model	Chaowei Power	ZL200520015077.2	23 September 2005 to 22 September 2015
Utility Model	Chaowei Power	ZL200520015078.7	23 September 2005 to 22 September 2015
Utility Model	Chaowei Power	ZL200720108670.0	29 April 2007 to 28 April 2017
Utility Model	Chaowei Power	ZL200720108544.5	25 April 2007 to 24 April 2017
Utility Model	Chaowei Power	ZL200720108669.8	29 April 2007 to 28 April 2017
Utility Model	Chaowei Power	ZL200720108671.5	29 April 2007 to 28 April 2017
Utility Model	Chaowei Power	ZL200720107576.3	2 April 2007 to 1 April 2017
Utility Model	Chaowei Power	ZL200720192706.8	27 November 2007 to 26 November 2017

Type	Registrant	Patent number	Effective Period
Design	Chaowei Power	ZL200630108681.X	29 April 2006 to 28 April 2016
Design	Chaowei Power	ZL200630108682.4	29 April 2006 to 28 April 2016
Design	Chaowei Power	ZL200630108683.9	29 April 2006 to 28 April 2016
Design	Chaowei Power	ZL200730110548.2	23 January 2007 to 22 January 2017
Design	Chaowei Power	ZL200730110810.3	30 January 2007 to 29 January 2017

Patent Applications

Type	Name of Registrant	Application number	Application date
Invention	Chaowei Power	200810059453.6	21 January 2008
Invention	Chaowei Power	200810061494.9	6 May 2008
Invention	Chaowei Power	200810061493.4	6 May 2008
Invention	Chaowei Power	200810061492.X	6 May 2008
Utility Model	Chaowei Power	200920113500.0	4 February 2009
Utility Model	Chaowei Power	200920113510.4	4 February 2009
Utility Model	Chaowei Power	200920113266.1	4 February 2009
Utility Model	Chaowei Power	200920113265.7	4 February 2009
Utility Model	Chaowei Power	200920113501.5	4 February 2009
Utility Model	Chaowei Power	200920158180.0	9 June 2009
Utility Model	Chaowei Power	200920121889.5	11 June 2009
Utility Model	Chaowei Power	200920121890.0	11 June 2009
Utility Model	Chaowei Power	200920192027.X	28 August 2009
Utility Model	Chaowei Power	200920192026.5	28 August 2009
Utility Model	Chaowei Power	200920192031.6	28 August 2009
Utility Model	Chaowei Power	200920192030.1	28 August 2009
Utility Model	Chaowei Power	200920192028.4	28 August 2009
Utility Model	Chaowei Power	200920192029.9	28 August 2009

3. Further Information about the Group's PRC Subsidiaries

(a) Chaowei Power

Nature of the company	Wholly foreign-owned enterprise
Term of business operation	From 23 December 2005 to 22 December 2025
Registered capital	RMB210 million
Attributable interest of our Company	100%
Scope of business	Manufacturing of MF lead-acid batteries (to expire on 6 February 2012), assembling of DC UPS power supply, manufacturing of electronic sensors, electronic lamps, battery raw materials, accessories, and parts (subject to license if so required by PRC laws and regulations)
Legal representative	Mr. Zhou

(b) Changxing Zhongcheng

Nature of the company	Domestic enterprise
Term of business operation	From 1 March 2002 to 28 February 2017
Registered capital	RMB10 million
Attributable interest of our Company	100%
Scope of business	Manufacturing of lead-acid batteries and electrode plates and sales of self-manufactured products
Legal representative	Mr. Zhou

(c) Henan Chaowei

Nature of the company	Domestic enterprise
Term of business operation	From 25 February 2004 to 24 February 2013
Registered capital	RMB10 million
Attributable interest of our Company	60%
Scope of business	Manufacturing and sales of lead-acid batteries, electrode plate, discharging
Legal representative	Mr. Zhou

(d) Shandong Chaowei

Nature of the company	Domestic enterprise
Term of business operation	Starting from 11 October 2005
Registered capital	RMB10 million
Attributable interest of our Company	100%
Scope of business	Assembling of DC UPS power supplies, manufacturing and sales of MF lead-acid batteries (to expire on 27 June 2010), electronic sensors, electronic lamps, battery raw materials, accessories, and parts (subject to license if so required by PRC laws and regulations)
Legal representative	Mr. Zhou

(e) Jiangsu Chaowei

Nature of the company	Domestic enterprise
Term of business operation	From 24 May 2006 to 24 June 2026
Registered capital	RMB5 million
Attributable interest of our Company	100%
Scope of business	Manufacturing and sales of lead-acid battery, import and export of the equipment used by the Company
Legal representative	Mr. Zhou

(f) Anhui Chaowei

Nature of the company	Domestic enterprise
Term of business operation	Starting from 23 April 2007
Registered capital	RMB10 million
Attributable interest of our Company	80%
Scope of business	Manufacturing and sales of lead-acid battery; Manufacturing, assembling and sales of electrode plates
Legal representative	Mr. Zhou

4. Further Information about our Directors

a. Particulars of Directors' service contracts

Each of our executive Directors, namely, Mr. Zhou Mingming, Mr. Zhou Longrui, and Ms. Yang Yunfei has entered into a service contract with our Company for an initial term of three years commencing from the date of Listing of our Shares on the Hong Kong Stock Exchange, which subject to compliance with the Hong Kong Listing Rules, is renewable by terms not exceeding three years upon expiry until terminated by not less than three months notice in writing served by either party on the other.

Our non-executive Director, namely Ms. Deng Xihong, and each of our independent non-executive Directors, namely Mr. Wang Jiqiang, Mr. Ouyang Minggao and Mr. Lee Conway Kong Wai has entered into an appointment letter with our Company for an initial term of three years commencing from the date of Listing of our Shares on the Hong Kong Stock Exchange.

Each of our Directors is entitled to the respective basic salary set out below (subject to an annual increment after consultation with remuneration committee at the discretion of the Directors).

All reasonable travelling, accommodation and other out-of-pocket expenses reasonably incurred by the Directors in the process of discharging their duties on behalf of our Group will be borne by our Company.

The current basic annual salaries of the each of our Directors are as follows:

Name of Director	**Annual Salary**
Zhou Mingming	RMB0.6 million
Zhou Longrui	RMB0.35 million
Yang Yunfei	RMB0.35 million
Deng Xihong	RMB0.2 million
Wang Jiqiang	RMB0.2 million
Ouyang Minggao	RMB0.2 million
Lee Conway Kong Wai	RMB0.2 million

Save as aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

b. Directors' remuneration during the Track Record Period

Our Company's policies concerning remuneration of executive Directors are (i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to our Company; and (ii) non-cash benefits may be provided to the Directors under their remuneration package.

For each of the three years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010, the aggregate of the remuneration paid and benefits in kind granted to the Directors by our Company and our subsidiaries was RMB0.4 million, RMB1.0 million, RMB0.7 million and RMB0.1 million, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended 31 December 2007, 2008 and 2009 by our Company to the Directors.

Under the arrangements currently in force, our Company estimates that the aggregate remuneration payable to, and benefits in kind receivable by, the Directors (excluding discretionary bonus) by our Company for the year ended 31 December 2010 will be approximately RMB1.1 million.

DISCLOSURE OF INTERESTS

1. Disclosure of Interests

(a) Interests and short positions of the Directors in the share capital of our Company and our associated corporations following the Global Offering and the Capitalization Issue

Immediately following completion of the Global Offering and the Capitalization Issue and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of our Company and our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Hong Kong Listing Rules, will be as follows:

Interests and short positions in the Shares, underlying shares and debentures of our Company and our associated corporations:

Long positions in our Company

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in our Company/ associated corporations
Mr. Zhou[(1)(2)]	Interest in a controlled corporation	417,000,000	41.7%
Mr. Zhou Longrui[(3)]	Interest in a controlled corporation and interest in spouse	72,450,000	7.24%
Ms. Yang Yunfei[(4)]	Interest in a controlled corporation and interest in spouse	72,450,000	7.24%

Notes:

(1) Mr. Zhou is interested in the entire issued share capital of Great State and is therefore deemed to be interested in the 345,585,000 Shares which Great State will held upon Listing.

(2) Mr. Zhou is interested in the entire issued share capital of Jolly Pride is therefore deemed to be interested in the 71,415,000 Shares which Jolly Pride will held upon Listing. In addition, pursuant to a trust deed dated 14 June 2010 and entered into between Mr. Zhou and Jolly Pride in favour of 53 individuals who are employees of our Group (the "**Jolly Pride Trust Deed**"), the economic interest of all the Shares which it held from time to time shall belong to the said 53 employees. However, other than the economic interest in the Shares, all other rights as Shareholders (including but not limited to voting rights and right to participate in shareholders meeting in our Company) shall not be exercisable by the said 53 employees and shall be exercised by Jolly Pride exclusively. As Mr. Zhou is the sole director of Jolly Pride, Mr. Zhou also controls the exercise of the rights of all the Shares held by Jolly Pride by virtue of the terms of the Jolly Pride Trust Deed.

(3) Mr. Zhou Longrui is interested in the entire issued share capital of High Joy and is therefore deemed to be interested in the 36,225,000 Shares which High Joy will held upon Listing. In addition, as Mr. Zhou Longrui is the spouse of Ms. Yang Yunfei, pursuant to the SFO, he is also deemed to be interested in the 36,225,000 Shares which Ms. Yang Yunfei is interested by reason of her being the sole shareholder of Shiny Century.

(4) Ms. Yang Yunfei is interested in the entire issued share capital of Shiny Century and is therefore deemed to be interested in the 36,225,000 Shares which Shiny Century will held upon Listing. In addition, as Ms. Yang Yunfei is the spouse of Mr. Zhou Longrui, pursuant to the SFO, she is also deemed to be interested in the 36,225,000 Shares which Mr. Zhou Longrui is interested by reason of him being the sole shareholder of High Joy.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Global Offering and the Capitalization Issue and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware, the following persons are expected to have interests or short positions in the Shares or underlying shares of our Company which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Interests and short positions in the Shares and underlying shares of the Group:

Our Company

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Zhou[(1)(2)]	Interest in controlled corporation	41,700,000	41.70%
Great State[(1)]	Beneficial owner	345,585,000	34.56%
Jolly Pride[(2)]	Beneficial owner	71,415,000	7.14%
Mr. John Huan Zhao[(3)]	Interest in controlled corporation	150,000,000	15%
Chinese Academy of Sciences Holdings Co., Ltd.[(3)]	Interest in controlled corporation	150,000,000	15%
Employees' Shareholding Society of Legend Holdings Limited[(3)]	Interest in controlled corporation	150,000,000	15%
Chinese Academy of Sciences[(3)]	Interest in controlled corporation	150,000,000	15%
Legend Holdings Limited[(3)]	Interest in controlled corporation	150,000,000	15%
Right Lane Limited[(3)]	Interest in controlled corporation	150,000,000	15%
Hony Capital Management Limited[(3)]	Interest in controlled corporation	150,000,000	15%
Hony Capital Fund 2008 GP Limited[(3)]	Interest in controlled corporation	150,000,000	15%
Hony Capital Fund 2008 GP, L.P.[(3)]	Interest in controlled corporation	150,000,000	15%
Hony Capital Fund 2008, L.P.[(3)]	Interest in controlled corporation	150,000,000	15%
Castle Lead	Beneficial owner	150,000,000	15.0%
Mr. Zhou Longrui[(4)]	Interest in controlled corporation and interest in spouse	72,450,000	7.24%

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
High Joy	Beneficial owner	36,225,000	3.62%
Ms. Yang Yunfei[5]	Interest in controlled corporation and interest in spouse	72,450,000	7.24%
Shiny Century	Beneficial owner	36,225,000	3.62%
Khazanah Nasional Berhad[6]	Interest in controlled corporation	75,000,000	7.50%
Teluk Batik Investments (Cayman Islands) Limited	Beneficial owner	75,000,000	7.50%

Notes:

(1) Mr. Zhou is interested in the entire issued share capital of Great State and is therefore deemed to be interested in all the Shares held by Great State.

(2) Mr. Zhou is interested in the entire issued share capital of Jolly Pride is therefore deemed to be interested in all the Shares held by Jolly Pride. Pursuant to a trust deed dated 14 June 2010 and entered into by Mr. Zhou and Jolly Pride in favour of the 53 employees of our Group (the "**Jolly Pride Trust Deed**"), Jolly Pride declared that the economic interest of all the Shares which it held from time to time shall belong to the said 53 employees of our Group. However, other than the economic interest in the Shares, all other rights as holders of the Shares (including but not limited to voting rights and right to participate in shareholders meeting in our Company) shall not be exercisable by the said 53 employees shall be enjoyed by Jolly Pride exclusively. Mr. Zhou is the sole director of Jolly Pride.

(3) Castle Lead is wholly-owned by Hony Capital Fund 2008, L.P. Hony Capital Fund 2008, L.P. is controlled by its sole general partner, Hony Capital Fund 2008 GP, L.P. Hony Capital Fund 2008 GP, L.P. is in turn controlled by its sole general partner, Hony Capital Fund 2008 GP Limited. Hony Capital Fund 2008 GP Limited is wholly-owned by Hony Capital Management Limited, a company with limited liability and incorporated in the Cayman Islands, which is in turn owned as to 45% by Legend Holdings Limited (through its wholly-owned subsidiary, Right Lane Limited) and 55% by Mr. John Huan Zhao. Legend Holdings Limited is ultimately controlled and is owned as to 35% by the Employees' Shareholding Society of Legend Holdings Limited, 36% by the Chinese Academy of Sciences (whose interest in Legend Holdings Limited are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd) and 29% by China Oceanwide Holdings Group. Each of Hony Capital Fund 2008, L.P., Hony Capital Fund 2008, L.P., Hony Capital Fund 2008 GP, L.P. and Hony Capital Fund 2008 GP Limited, Hony Capital Management Limited, Right Lane Limited, Legend Holdings Limited, Chinese Academy of Sciences, Employees' Shareholding Society of Legend Holdings Limited, Chinese Academy of Sciences Holdings Co., Ltd., Mr. John Huan Zhao is interested in the 150,000,000 Shares which Castle Lead will held upon Listing pursuant to the SFO.

(4) Mr. Zhou Longrui is interested in the entire issued share capital of High Joy and is therefore deemed to be interested in the 36,225,000 Shares which High Joy will held upon Listing. In addition, as Mr. Zhou Longrui is the spouse of Ms. Yang Yunfei, pursuant to the SFO, he is also deemed to be interested in the 36,225,000 Shares which Ms. Yang Yunfei is interested by reason of her being the sole shareholder of Shiny Century.

(5) Ms. Yang Yunfei is interested in the entire issued share capital of Shiny Century and is therefore deemed to be interested in the 36,225,000 Shares which Shiny Century will held upon Listing. In addition, as Ms. Yang Yunfei is the spouse of Mr. Zhou Longrui, pursuant to the SFO, she is also deemed to be interested in the 36,225,000 Shares which Mr. Zhou Longrui is interested by reason of him being the sole shareholder of High Joy.

(6) Teluk Batik Investments (Cayman Islands) Limited is wholly-owned by Khazanah Nasional Berhad, a public limited company incorporated in Malaysia which is the investment holding arm of the Malaysia Government. Khazanah Nasional Berhad is deemed to be interested in the 75,000,000 Shares which Teluk Batik Investments (Cayman Islands) Limited will held upon Listing pursuant to the SFO.

Henan Chaowei

Name	Capacity/Nature of interest	Amount of registered capital interested	Approximate percentage of shareholding
Mr. Chai Chenglei (柴成雷)	Beneficial owner	RMB3 million	30%
Ms. Chai Qingqing (柴晴晴)	Beneficial owner	RMB1 million	10%

Anhui Chaowei

Name	Capacity/Nature of interest	Amount of registered capital interested	Approximate percentage of shareholding
Mr. Qian Haichun (錢海春)	Beneficial owner	RMB1.25 million	12.5%

2. Disclaimers

Save as disclosed in this prospectus:

(a) the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the Global Offering (taking no account of the Over-allotment Option or any Shares which may be issued pursuant to the grant of Shares under the Share Option Scheme or the exercise of options under the Share Option Scheme and the Capitalization Issue), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group;

(b) none of the Directors has any interest or short position in any of the Shares, underlying Shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;

(c) none of the Directors nor any of the parties listed in the section headed "Other Information – Consents of experts" of this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of the Directors nor any of the parties listed in the section headed "Other Information – Consents of experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Company's business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "Other Information – Consents of experts" of this Appendix:

(i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(f) none of the Directors or their associates (as defined in the Hong Kong Listing Rules) or the existing Shareholders (who, to the knowledge of the Directors, owns more than 5% of our Company's issued share capital) has any interest in any of the five largest customers or the five largest suppliers of the Group.

SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of all the Shareholders passed on 7 June 2010 and adopted by a resolution of the Board on 7 June 2010 (the "**Adoption Date**"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Hong Kong Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as mentioned in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(a) subject to (b) and (c) below, the approval of all the shareholders of our Company for the adoption of the Share Option Scheme;

(b) the approval of the Hong Kong Stock Exchange for the listing of and permission to deal in, a maximum of 100,000,000 Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and

(c) the commencement of dealing of the Shares on the Main Board of the Hong Kong Stock Exchange on the Listing Date.

3. Who may join

The Board may, at its absolute discretion, offer options ("**Options**") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("**Executive**"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("**Employee**");

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and

(g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(the persons referred above are the "**Eligible Persons**")

4. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10 per cent. of the Shares in issue as of the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the "**Scheme Mandate Limit**") provided that:

(a) our Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10 per cent. of the Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Hong Kong Listing Rules.

(b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Hong Kong Listing Rules.

(c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

5. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12 month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant shall be separately approved by the shareholders of our Company in general meeting with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Hong Kong Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Company's shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

6. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Hong Kong Stock Exchange or an integral multiple thereof).

7. Granting Options to Connected Persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Hong Kong Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Hong Kong Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the Grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Hong Kong Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Hong Kong Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million,

such further grant of Options must be approved by shareholders of our Company (voting by way of a poll). Our Company shall send a circular to Shareholders containing the information required under the Hong Kong Listing Rules. All Connected Persons of our Company must abstain from voting in favour at such general meeting.

Approval from the shareholders of our Company is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates.

8. Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the Grantee together with a remittance in favour of our Company of HK$1 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the Offer Date (the "**Acceptant Date**"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Hong Kong Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

9. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Hong Kong Listing Rules. In particular, no Option shall be granted during the period commencing two months immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Hong Kong Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Hong Kong Listing Rules) and the deadline for our Company to publish an announcement of its results for any year or half-year under the Hong Kong Listing Rules, or quarterly or any other interim period (whether or not required under the Hong Kong Listing Rules), and ending on the date of the results announcements.

10. Minimum holding period, vesting and performance target

Subject to the provisions of the Hong Kong Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the Grantee, the satisfactory performance or maintenance by the Grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the Grantee before the Option can be exercised.

11. Amount payable for Options

The amount payable on acceptance of an Option is HK$1.

12. Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the 5 business days (as defined in the Hong Kong Listing Rules) immediately preceding the offer date.

13. Exercise of Option

(i) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period in the manner as set out in this Share Option Scheme by the Grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the Grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(iii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.

(iv) Subject as hereinafter provided:

(a) in the event that the Grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the Grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;

(b) in the event that the Grantee ceases to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to the Group at the relevant time, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period;

(c) in the event that the Grantee ceases to be an Executive by reason of his transfer of employment to an Affiliate Company, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;

(d) in the event that the Grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(e) in the event that the Grantee ceases to be an Executive by reason of the termination of his employment by resignation or Culpable Termination, the Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the Grantee is notified of the termination of his employment (in the case of Culpable Termination) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification. A resolution of the Board resolving that the Executive's Option has lapsed pursuant to this Clause 13.3(e) shall be final and conclusive;

(f) if a Grantee being:

(i) an executive director of the Company ceases to be an Executive but remains a non-executive director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or

(ii) a non-executive director of the Company ceases to be a director:

(1) by reason of Non-Executive Director Retirement, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or

(2) for reasons other than Non-Executive Director Retirement, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(g) if:

(i) the Board in its absolute discretion at any time determines that a Grantee has ceased to be an Eligible Person; or

(ii) a Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

the Option (to the extent not already exercised) shall lapse on the date on which the Grantee is notified thereof (in the case of (i)) or on the date on which the Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance. In the case of (i), a resolution of the Board resolving that the Grantee's Option has lapsed pursuant to this Clause 10.3(g) shall be final and conclusive;

(h) if a Grantee (being a corporation):

(i) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the Grantee; or

(ii) has suspended, ceased or threatened to suspend or cease business; or

(iii) is unable to pay its debts; or

(iv) otherwise becomes insolvent; or

(v) suffers a change in its constitution, management, directors or shareholding which in the opinion of the Board is material; or

(vi) commits a breach of any contract entered into between the Grantee or his Associate and any member of the Group,

the Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or on the date when the Grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by the Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by the Company of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the Grantee's Option has lapsed pursuant to this Clause 13.3(h) by reason of breach of contract or material change in the constitution, management, directors or shareholding as aforesaid shall be final and conclusive;

(i) if a Grantee (being an individual):

(i) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent; or

(ii) has made any arrangement or composition with his creditors generally; or

(iii) has been convicted of any criminal offence involving his integrity or honesty; or

(iv) commits a breach of any contract entered into between the Grantee or his Associate and any member of the Group,

the Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the Grantee's Option has lapsed pursuant to this Clause 13.3(i) for breach of contract as aforesaid shall be final and conclusive;

(j) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of our Company (in the case of a scheme of arrangement), the Grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(k) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the Grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

(i) the Option Period;

(ii) the period of two months from the date of such notice; or

(iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option. Except insofar as exercised in accordance with this Clause 13.3(k), all Options outstanding at the expiry of the relevant period referred to in this Clause 13.3(k) shall lapse. Our Company may thereafter require each Grantee to transfer or otherwise deal with the Shares issued on exercise of the Option to place the Grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement; and

(l) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days (as defined in the Hong Kong Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Hong Kong Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

14. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the articles of association and the laws of the Cayman Islands from time to time and shall rank pari passu in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the Grantee (or any other person) as the holder thereof.

15. Life of Share Option Scheme

Subject to the terms of this Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

16. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry of the option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of Option;

(c) subject to the period mentioned in paragraph headed “Exercise of Option” in this section, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgement, order or award outstanding against the Grantee or our Board has reason to believe that the Grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts; or

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in the paragraph headed "Exercise of Option" in this section; or

(f) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

17. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the Grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;

(b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(c) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Hong Kong Listing Rules and supplementary guidance on the interpretation of the Hong Kong Listing Rules issued by the Hong Kong Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Hong Kong Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Schemes); and

(d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

18. Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the Grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "**Cancellation Date**"):

(a) the Grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the Grantee makes a written request to the Board for the Option to be cancelled; or

(c) if the Grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as of the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

19. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

20. Transferability

The Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such Grantee.

21. Amendment

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of our Company in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Hong Kong Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Scheme); (ii) any alteration to the provisions of the Scheme in relation to the matters set out in Rule 17.03 of the Hong Kong Listing Rules to the advantage of Grantee; and (iii) any alteration to the aforesaid termination provisions.

OTHER INFORMATION

1. Deed of indemnity

Our Controlling Shareholders have, under the Deed of Indemnity referred to in paragraph (f) of the sub-section headed "Summary of the material contracts" in this Appendix, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by any members of our Group by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in any relevant jurisdiction outside Hong Kong as a result or in consequence of any event or transaction occurring on or before the Relevant Date; (b) any Hong Kong estate duty which is or becomes payable by any member of our Group by the operation of the provisions of sections 34 to 45 (inclusive) of the Hong Kong Companies Ordinance as a result of the death of any individual who has before death made a Relevant Transfer to any member of our Group; (c) any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have, or which should have been earned or accrued or received on or before the Listing Date; (d) any taxation claim which might be payable by any member of our Group under or by reason of any transfer of any property to any member of our Group or to any other person, entity or company made or deemed to have been made on or before the Listing Date; and (e) all damages, losses and liabilities arising from or in connection with any property claim and/or any other liability claim to the extent that the events leading to such damages, losses and liabilities occurred prior to the Listing Date and any such damages, losses and liabilities are not paid by the insurer under any relevant insurance policy (if any).

Our Controlling Shareholders will however, not be liable under the Deed of Indemnity for taxation claim or liability to the extent that:

- provision or allowance has been made for such taxation in the audited accounts of the Company and its subsidiaries as set out in Appendix I of this prospectus for the three years ended 31 December 2009 and the three months ended 31 March 2009;

- such taxation or liability would not have arisen but for any act or omission by any member of our Group voluntarily effected without the prior written consent or agreement of the Controlling Shareholders, otherwise than in the ordinary course of business after the Relevant Date when the conditions under the paragraph headed "Conditions of the Hong Kong Public Offering" in the section headed "Structure of the Global Offering" in this prospectus are fulfilled ("**Relevant Date**") or carried out, made or entered into pursuant to a legally binding commitment created after the Relevant Date;

- such taxation or liability is discharged by another person who is not the Company or a member of the Group and that no member of our Group is required to reimburse such person in respect of the discharge of the taxation or liability;

- our Company is primarily liable as a result of any event occurring or income, profits or gains earned, accrued or received or transactions entered into in the ordinary course of business any member of our Group after the Listing Date; and

- such claim arises or is incurred as a consequence of any retrospective changes in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into effect after the Relevant Date or such claim arises or is increased by an increase in rates in taxation after the Relevant Date with retrospective effect.

Our Controlling Shareholders have also undertaken to indemnify our Group against any claims made against any member of our Group at any time arising from any matter, event or circumstance arising from any work-related accident of any employee would not covered by the medical and life insurance, any environmental issues encountered by members of our Group, and any non-compliance with any applicable laws and regulations by any member of our Group prior to the Listing or any litigation, arbitration or claim of material importance against members of our Group in relation to any matter, event or incident occurred prior to the Listing.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operations or financial condition.

3. Preliminary Expenses

Our Company's estimated preliminary expenses are approximately HK$37,180 and are payable by our Company.

4. Sponsor

The Sponsor made an application on our Company's behalf to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, the grant of Shares that may be granted under the Share Option Scheme and the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

5. No Material Adverse Change

The Directors confirm that there has been no material adverse change in their financial or trading position or prospects since 31 March 2010 (being the date to which our Company's latest audited consolidated financial statements were made up).

6. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

7. Miscellaneous

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus,

(a) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(d) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;

(e) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) our Company has no outstanding convertible debt securities.

8. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
BNP Paribas	Licensed under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Zong Heng Law Firm	PRC legal advisers to our Company
Conyers Dill & Pearman	Cayman Islands legal advisers to our Company
Jones Lang LaSalle Sallmanns Limited	Independent professional surveyors and valuers
Atkins China	Independent environment consulting company

9. Consents of experts

Each of BNP Paribas, Deloitte Touche Tohmatsu, Zong Heng Law Firm, Conyers Dill & Pearman, Jones Lang LaSalle Sallmanns Limited and Atkins China has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Bilingual prospectus

Pursuant to Rule 11.14 of the Hong Kong Listing Rules and section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** application forms, (ii) the written consents referred to in the paragraph headed "Consent of experts" in Appendix VI to this prospectus, (iii) copies of the material contracts referred to in the paragraph headed "Summary of the material contracts" in Appendix VI to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Orrick, Herrington & Sutcliffe at 43rd Floor, Gloucester Tower, the Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date that is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles of Association;

(b) the accountants' report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the letter in relation to unaudited pro forma financial information received from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus.

(d) the letters received from Deloitte Touche Tohmatsu and the Sponsor respectively relating to the profit forecast of our Group, the text of which is set out in Appendix III to this prospectus;

(e) the letter, summary of values and valuation certificate relating to the property interests of our Group prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix IV to this prospectus;

(f) the letter prepared by Conyers Dill & Pearman referred to in the section headed "Summary of the constitution of our Company and Cayman Islands Companies Law" in Appendix V to this prospectus;

(g) the PRC legal opinions prepared by Zong Heng Law Firm, our legal advisors on PRC law in respect of certain aspects of our Group and our Property Interests;

(h) the Cayman Islands Companies Law;

(i) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix VI to this prospectus;

(j) the service contracts with each of the Directors referred to in the paragraph headed "Particulars of directors' service contracts" in Appendix VI to this prospectus;

(k) the written consents referred to in the paragraph headed "Consent of experts" in Appendix VI to this prospectus;

(l) the rules of the Share Option Scheme;

(m) the environmental assessment reports prepared by Atkins China referred to in the "Business" section of this Prospectus; and

(n) the audited consolidated financial statements of the Group for the three years ended 31 December 2009 and the three months ended 31 March 2010.

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Chaowei Power Holdings Limited
超威動力控股有限公司